

**Taishin International Bank Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Taishin International Bank Co., Ltd.

### **Opinion**

We have audited the accompanying financial statements of Taishin International Bank Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China (ROC). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, 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.

### **Emphasis of Matter**

We draw attention to Notes 14 and 46 of the financial statements, which describe the effects of Taishin Daan Finance Co., Ltd., a subsidiary of the Company, acquiring 100% equity interest in Taishin Financial Leasing (China) Co., Ltd. from Taishin Venture Capital Co., Ltd. on the settlement base date of December 5, 2023. This consolidation is a reorganization under common control. According to the regulations, when a company prepares a comparative financial statement, the financial statements are retroactively restated to reflect the merger assuming both entities have merged. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following were the key audit matters in the audit of the financial statements of the Company for the year ended December 31, 2023:

#### Impairment of Loans

Commercial lending is the core business of the Company. Loans represent the Company's significant accounts, which reached around 58% of the Company's total assets as of December 31, 2023. The Company assesses the impairment of loans in accordance with IFRS 9 "Financial Instruments" and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Financial Supervisory Commission (FSC) (collectively referred to as "the Regulations"), and the impairment of loans is recognized at the higher of the amount based on IFRS 9 and the Regulations. See Notes 5 and 13 to the financial statements for relevant and additional information. The Company management's judgments and the assumptions used have a significant impact on the impairment assessments. Therefore, we consider the impairment of loans to be a key audit matter. Refer to Note 6 to the financial statements for relevant and additional information.

Our audit procedures on the impairment of loans included understanding of and testing the design and operating effectiveness of controls and procedures for identifying loans and advances exposed to impairment and ensuring that provisions against those assets were made. We identified loans and checked public information to see whether the borrowers were possibly problematic companies or had already been included in the companies under evaluation for lifetime expected credit losses (ECLs). We evaluated the main assumptions and parameters used in the Company's impairment assessment model of ECLs, confirmed that they are in compliance with IFRS 9 and recalculated the amount of the impairment of loans. In addition, we tested the classification of loan accounts in accordance with the Regulations and evaluated whether the amount of the impairment of loans complied with the Regulations.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Han-Ni Fang and Ching-Cheng Yang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 16, 2024

Notice to Readers

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

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

# TAISHIN INTERNATIONAL BANK CO., LTD.

## BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022 (Restated)	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 5 and 7)	\$ 26,797,824	1	\$ 28,545,325	1
Due from the Central Bank and call loans to banks (Note 8)	109,924,871	4	112,925,890	5
Financial assets at fair value through profit or loss (FVTPL) (Notes 5, 9 and 41)	140,735,792	5	106,327,208	4
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 5 and 10)	130,801,651	5	117,368,575	5
Investments in debt instruments at amortized cost (Notes 5 and 11)	530,952,892	20	450,869,560	19
Securities purchased under resell agreements (Notes 5 and 41)	18,831,853	1	11,788,760	-
Receivables, net (Notes 5 and 12)	111,334,100	4	111,984,078	5
Current tax assets (Notes 5 and 35)	-	-	124,565	-
Loans, net (Notes 5, 6, 13, 40 and 41)	1,517,143,729	58	1,408,561,211	59
Investments accounted for using equity method, net (Notes 5 and 14)	4,537,476	-	4,539,339	-
Other financial assets, net (Notes 5, 12, 13 and 15)	3,567,346	-	6,159,889	-
Property and equipment, net (Notes 5 and 16)	21,151,363	1	21,560,612	1
Right-of-use assets, net (Notes 5 and 17)	2,119,290	-	2,026,914	-
Intangible assets, net (Notes 5 and 18)	2,623,458	-	2,701,972	-
Deferred tax assets (Notes 5 and 35)	2,496,780	-	2,207,290	-
Other assets, net (Note 19)	<u>15,219,308</u>	<u>1</u>	<u>14,108,429</u>	<u>1</u>
<b>TOTAL</b>	<b><u>\$ 2,638,237,733</u></b>	<b><u>100</u></b>	<b><u>\$ 2,401,799,617</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from the Central Bank and banks (Note 20)	\$ 17,071,307	1	\$ 18,213,533	1
Financial liabilities at FVTPL (Notes 5, 9 and 41)	54,957,541	2	47,197,553	2
Securities sold under repurchase agreements (Notes 5 and 41)	74,144,555	3	70,555,477	3
Payables (Note 21)	25,057,961	1	21,724,358	1
Current tax liabilities (Notes 5 and 35)	2,915,703	-	1,234,518	-
Deposits and remittances (Notes 22 and 41)	2,128,059,291	81	1,940,857,131	81
Bank notes payable (Note 23)	28,000,000	1	28,000,000	1
Other financial liabilities (Note 24)	105,696,681	4	95,217,153	4
Provisions (Notes 5 and 25)	1,734,196	-	1,649,999	-
Lease liabilities (Notes 5 and 17)	2,236,892	-	2,106,706	-
Deferred tax liabilities (Notes 5 and 35)	58,362	-	58,364	-
Other liabilities (Note 26)	<u>8,244,306</u>	<u>-</u>	<u>5,334,634</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>2,448,176,795</u></b>	<b><u>93</u></b>	<b><u>2,232,149,426</u></b>	<b><u>93</u></b>
<b>EQUITY (Note 28)</b>				
Share capital				
Ordinary shares	<u>95,535,273</u>	<u>4</u>	<u>90,989,818</u>	<u>4</u>
Capital surplus	<u>35,930,369</u>	<u>1</u>	<u>30,319,980</u>	<u>1</u>
Retained earnings				
Legal reserve	41,550,161	2	37,904,403	2
Special reserve	4,841,509	-	391,199	-
Unappropriated earnings	<u>14,534,167</u>	<u>-</u>	<u>12,152,529</u>	<u>-</u>
Total retained earnings	<u>60,925,837</u>	<u>2</u>	<u>50,448,131</u>	<u>2</u>
Other equity	<u>(2,330,541)</u>	<u>-</u>	<u>(4,544,678)</u>	<u>-</u>
Equity attributable to former owner of business combination under common control (Note 46)	<u>-</u>	<u>-</u>	<u>2,436,940</u>	<u>-</u>
<b>Total equity</b>	<b><u>190,060,938</u></b>	<b><u>7</u></b>	<b><u>169,650,191</u></b>	<b><u>7</u></b>
<b>TOTAL</b>	<b><u>\$ 2,638,237,733</u></b>	<b><u>100</u></b>	<b><u>\$ 2,401,799,617</u></b>	<b><u>100</u></b>

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

# TAISHIN INTERNATIONAL BANK CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME (Notes 5, 29 and 41)					
Interest revenue	\$ 66,868,739	149	\$ 40,191,601	102	66
Interest expense	<u>(42,264,394)</u>	<u>(94)</u>	<u>(15,794,004)</u>	<u>(40)</u>	168
Net interest income	<u>24,604,345</u>	<u>55</u>	<u>24,397,597</u>	<u>62</u>	1
NET INCOME OTHER THAN NET INTEREST INCOME					
Net service fee and commission income (Notes 5, 30 and 41)	11,802,783	26	10,924,228	28	8
Gain (loss) on financial assets and liabilities at FVTPL (Notes 5, 31 and 41)	7,360,336	16	3,058,067	8	141
Realized gain (loss) on financial assets at FVTOCI (Notes 5 and 32)	257,436	1	(665,282)	(2)	139
Gain (loss) on derecognition of financial assets at amortized cost	3,568	-	(115,335)	-	103
Foreign exchange gain (loss)	827,565	2	1,074,729	3	(23)
(Impairment loss on assets) reversal of impairment loss on assets (Notes 5, 10, 11 and 19)	(10,251)	-	3,857	-	(366)
Share of profit (loss) of subsidiaries and associates accounted for using equity method (Notes 5 and 14)	82,319	-	543,938	1	(85)
Net other non-interest income	<u>49,325</u>	<u>-</u>	<u>192,750</u>	<u>-</u>	(74)
Net income other than net interest income	<u>20,373,081</u>	<u>45</u>	<u>15,016,952</u>	<u>38</u>	36
NET REVENUE AND GAINS	<u>44,977,426</u>	<u>100</u>	<u>39,414,549</u>	<u>100</u>	14
BAD DEBTS EXPENSES, COMMITMENTS AND GUARANTEE LIABILITIES PROVISION (Notes 5, 12, 13 and 25)	<u>(1,294,891)</u>	<u>(3)</u>	<u>(1,300,392)</u>	<u>(3)</u>	-

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# TAISHIN INTERNATIONAL BANK CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
<b>OPERATING EXPENSES</b>					
Employee benefits expenses (Notes 5, 27, 33 and 41)	\$ (13,886,884)	(31)	\$ (12,383,097)	(31)	12
Depreciation and amortization expenses (Notes 5 and 34)	(2,250,484)	(5)	(2,250,331)	(6)	-
Other general and administrative expenses (Note 41)	<u>(9,619,447)</u>	<u>(21)</u>	<u>(8,449,613)</u>	<u>(22)</u>	14
Total operating expenses	<u>(25,756,815)</u>	<u>(57)</u>	<u>(23,083,041)</u>	<u>(59)</u>	12
INCOME BEFORE INCOME TAX	17,925,720	40	15,031,116	38	19
INCOME TAX EXPENSE (Notes 5 and 35)	<u>(3,080,784)</u>	<u>(7)</u>	<u>(2,549,427)</u>	<u>(6)</u>	21
NET INCOME	<u>14,844,936</u>	<u>33</u>	<u>12,481,689</u>	<u>32</u>	19
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Items that will not be reclassified subsequently to profit or loss					
Gain (loss) on remeasurement of defined benefit plans	(32,245)	-	161,395	-	(120)
Unrealized gain (loss) on investments in equity instruments designated as at FVTOCI	(45,746)	-	(357,271)	(1)	(87)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at FVTPL	(120,755)	(1)	300,972	1	(140)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(725)	-	1,065	-	(168)
Income tax relating to items that will not be reclassified subsequently to profit or loss	6,449	-	(32,279)	-	120

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# TAISHIN INTERNATIONAL BANK CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that will be reclassified subsequently to profit or loss					
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	\$ (46,258)	-	\$ 38,537	-	(220)
Unrealized gain (loss) on investments in debt instruments at FVTOCI	2,356,882	5	(5,144,885)	(13)	146
(Impairment loss) reversal of impairment on investment in debt instruments at FVTOCI	(3,221)	-	(9,542)	-	(66)
Income tax relating to items that will be reclassified subsequently to profit or loss	<u>(135,996)</u>	<u>-</u>	<u>404,385</u>	<u>1</u>	(134)
Other comprehensive income (loss) for the year, net of income tax	<u>1,978,385</u>	<u>4</u>	<u>(4,637,623)</u>	<u>(12)</u>	143
<b>TOTAL COMPREHENSIVE INCOME</b>	<b><u>\$ 16,823,321</u></b>	<b><u>37</u></b>	<b><u>\$ 7,844,066</u></b>	<b><u>20</u></b>	114
<b>NET INCOME ATTRIBUTABLE TO:</b>					
Owners of parent	\$ 14,907,933	33	\$ 12,176,095	31	22
Former owner of business combination under common control	<u>(62,997)</u>	<u>-</u>	<u>305,594</u>	<u>1</u>	(121)
	<b><u>\$ 14,844,936</u></b>	<b><u>33</u></b>	<b><u>\$ 12,481,689</u></b>	<b><u>32</u></b>	19
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>					
Owners of parent	\$ 16,904,148	37	\$ 7,499,935	19	125
Former owner of business combination under common control	<u>(80,827)</u>	<u>-</u>	<u>344,131</u>	<u>1</u>	(123)
	<b><u>\$ 16,823,321</u></b>	<b><u>37</u></b>	<b><u>\$ 7,844,066</u></b>	<b><u>20</u></b>	114
<b>EARNINGS PER SHARE (Note 36)</b>					
Basic	<u>\$1.61</u>		<u>\$1.34</u>		
Diluted	<u>\$1.61</u>		<u>\$1.34</u>		

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

(Concluded)

**TAISHIN INTERNATIONAL BANK CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

	Other Equity											Total Equity
	Share Capital Ordinary Shares	Additional Paid-in Capital in Excess of Par	Capital Surplus		Retained Earnings			Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Changes in Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities at FVTPL	Equity Attributable to Former Owner of Business Combination under Common Control	
			Share-based Compensation	Other	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2022	\$ 88,857,118	\$ 30,288,674	\$ 28,093	\$ 3,213	\$ 33,996,364	\$ 405,143	\$ 13,026,796	\$ -	\$ 126,739	\$ (18,823)	\$ -	\$ 166,713,317
Retrospective adjustment of equity attributable to former owner due to reorganization of entities under common control	-	-	-	-	-	-	-	-	-	-	2,490,440	2,490,440
BALANCE AT JANUARY 1, 2022 AS RESTATED	88,857,118	30,288,674	28,093	3,213	33,996,364	405,143	13,026,796	-	126,739	(18,823)	2,490,440	169,203,757
Appropriation of 2021 earnings												
Legal reserve appropriated	-	-	-	-	3,908,039	-	(3,908,039)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	(13,944)	13,944	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	-	(7,000,001)	-	-	-	-	(7,000,001)
Stock dividends of ordinary shares	2,132,700	-	-	-	-	-	(2,132,700)	-	-	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	-	-	12,176,095	-	-	-	305,594	12,481,689
Other comprehensive income (loss) for the year ended December 31, 2022, net of tax	-	-	-	-	-	-	130,191	-	(5,107,323)	300,972	38,537	(4,637,623)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	12,306,286	-	(5,107,323)	300,972	344,131	7,844,066
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	(153,757)	-	153,757	-	-	-
Cash dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(397,631)	(397,631)
BALANCE AT DECEMBER 31, 2022	<u>90,989,818</u>	<u>30,288,674</u>	<u>28,093</u>	<u>3,213</u>	<u>37,904,403</u>	<u>391,199</u>	<u>12,152,529</u>	<u>-</u>	<u>(4,826,827)</u>	<u>282,149</u>	<u>2,436,940</u>	<u>169,650,191</u>
Appropriation of 2022 earnings												
Legal reserve appropriated	-	-	-	-	3,645,758	-	(3,645,758)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	4,450,310	(4,450,310)	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	-	(4,056,461)	-	-	-	-	(4,056,461)
Net income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	14,907,933	-	-	-	(62,997)	14,844,936
Other comprehensive income (loss) for the year ended December 31, 2023, net of tax	-	-	-	-	-	-	(25,742)	(28,428)	2,171,140	(120,755)	(17,830)	1,978,385
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	14,882,191	(28,428)	2,171,140	(120,755)	(80,827)	16,823,321
Issuance of ordinary shares for cash	4,545,455	5,454,545	-	-	-	-	-	-	-	-	-	10,000,000
Disposals of investments in equity instruments designated as at FVTOCI	-	-	-	-	-	-	(348,024)	-	348,024	-	-	-
Corporate restructuring	-	155,844	-	-	-	-	-	(155,844)	-	-	(2,356,113)	(2,356,113)
BALANCE AT DECEMBER 31, 2023	<u>\$ 95,535,273</u>	<u>\$ 35,899,063</u>	<u>\$ 28,093</u>	<u>\$ 3,213</u>	<u>\$ 41,550,161</u>	<u>\$ 4,841,509</u>	<u>\$ 14,534,167</u>	<u>\$ (184,272)</u>	<u>\$ (2,307,663)</u>	<u>\$ 161,394</u>	<u>\$ -</u>	<u>\$ 190,060,938</u>

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

# TAISHIN INTERNATIONAL BANK CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 17,925,720	\$ 15,031,116
Adjustments:		
Adjustment for reconciliation of profit or loss		
Depreciation expenses	1,754,185	1,808,293
Amortization expenses	496,299	442,038
Provisions for bad debts expenses, commitments and guarantee liabilities	1,294,891	1,300,392
Net gain on financial assets and liabilities at FVTPL	(7,360,336)	(3,058,067)
Interest expenses	42,264,394	15,794,004
(Gain) loss on derecognition of financial assets in debt instruments at amortized cost	(3,568)	115,335
Interest income	(66,868,739)	(40,191,601)
Dividend income	(270,209)	(296,661)
Share of loss (profit) of subsidiaries and associates accounted for using equity method	(82,319)	(543,938)
Loss (gain) loss on disposal of investments	12,773	961,943
Impairment loss (reversal of impairment loss) on financial assets	10,251	(3,857)
Other adjustments	(15,778)	7,098
Total adjustments	<u>(28,768,156)</u>	<u>(23,665,021)</u>
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	(9,472,255)	(17,625,470)
(Increase) decrease in financial assets at FVTPL	37,999,650	(2,459,648)
(Increase) decrease in financial assets at FVTOCI	(11,379,825)	14,424,185
(Increase) decrease in investments in debt instruments at amortized cost	(75,974,644)	(152,623,671)
(Increase) decrease in securities purchased under resell agreements	880,818	(365,363)
(Increase) decrease in receivables	3,166,731	20,832,192
(Increase) decrease in loans	(110,060,082)	(89,751,092)
(Increase) decrease in other financial assets	2,634,375	(122,877)
(Increase) decrease in other assets	(1,110,495)	(2,652,924)
Increase (decrease) in deposits from the Central Bank and banks	(2,390,301)	(11,477,290)
Increase (decrease) in financial liabilities at FVTPL	(58,780,935)	16,895,613
Increase (decrease) in securities sold under repurchase agreements	3,589,078	(2,034,725)
Increase (decrease) in payables	675,311	(961,653)
Increase (decrease) in deposits and remittances	187,202,160	246,711,069
Increase (decrease) in other financial liabilities	10,479,528	31,125,864
Increase (decrease) in other liabilities	<u>2,664,252</u>	<u>324,935</u>
Cash generated from (used in) operations	(30,719,070)	41,605,240
Interest received	61,992,871	38,517,364
Dividends received	778,307	428,206

(Continued)

# TAISHIN INTERNATIONAL BANK CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	<b>2023</b>	<b>2022 (Restated)</b>
Interest paid	\$ (39,788,429)	\$ (13,374,113)
Income taxes paid	<u>(1,686,864)</u>	<u>(1,486,596)</u>
Net cash generated from (used in) operating activities	<u>(9,423,185)</u>	<u>65,690,101</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment in equity method	(2,340,000)	-
Acquisition of property and equipment	(640,615)	(5,016,363)
Proceeds from disposal of property and equipment	560	2,520
Acquisition of intangible assets	<u>(417,785)</u>	<u>(515,928)</u>
Net cash generated from (used in) investing activities	<u>(3,397,840)</u>	<u>(5,529,771)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in due to the Central Bank and banks	1,248,075	-
Decrease in due to the Central Bank and banks	-	(31,368,909)
Repayment of bank notes payable	-	(6,800,000)
Payments of lease liabilities	(667,453)	(731,873)
Cash dividends distributed	(4,056,461)	(7,000,001)
Issuance of ordinary shares for cash	<u>10,000,000</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>6,524,161</u>	<u>(45,900,783)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(6,296,864)</b>	<b>14,259,547</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>75,475,850</u></b>	<b><u>61,216,303</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 69,178,986</u></b>	<b><u>\$ 75,475,850</u></b>
Reconciliation of cash and cash equivalents:		
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents in the balance sheets	\$ 26,797,824	\$ 28,545,325
Due from central bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	23,549,309	36,022,583
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7	<u>18,831,853</u>	<u>10,907,942</u>
Cash and cash equivalents at the end of the year	<u>\$ 69,178,986</u>	<u>\$ 75,475,850</u>

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

(Concluded)

# **TAISHIN INTERNATIONAL BANK CO., LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

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### **1. ORGANIZATION AND OPERATIONS**

Taishin International Bank Co., Ltd. (the “Company”) incorporated in the ROC is a public bank, began preparations for its establishment as a commercial bank on October 4, 1990 and started its business operations on March 23, 1992. The Company provides customers with (a) general commercial banking services - commercial lending, foreign exchange transactions, installments and term loans, wire transfers, marketable security investments, receivable factoring, offshore banking business, etc. as well as (b) various financial instruments - letters of credit, bankers’ acceptances, checking and savings accounts, credit cards, derivative instruments, etc. The Company was established and located at B1 and 1F, No. 44, Zhongshan N. Rd., Sec. 2, Zhongshan Dist., Taipei City 104, Taiwan (ROC). The main operation office of the Company is at No. 118, Ren’Ai Rd., Sec. 4, Da’An Dist., Taipei City 106, Taiwan (ROC).

The Company and Dah An Commercial Bank Co., Ltd. (“Dah An Bank”) decided to establish Taishin Financial Holding Co., Ltd. (“Taishin Financial Holding”) through a share swap, effective on February 18, 2002, with the Company as the survivor company.

Taishin Financial Holding integrates financial resources to expand business development, enhance competitiveness and achieve other expected benefits. Taishin Financial Holding conducted an internal organization restructuring. Therefore, the company divides separation and transfer of the share transfer agency department to Taishin Securities Co., Ltd. (“Taishin Securities”) on the base date, November 8, 2021.

The parent company and the ultimate parent company of the Company is Taishin Financial Holding, which had a 100% equity interest in the Company as of December 31, 2023 and 2022.

### **2. STATEMENTS OF COMPLIANCE**

The financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Firms.

### **3. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Company’s board of directors on February 15, 2024.

#### 4. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the FSC.

The Company assessed that the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports and the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies, and the application of other standards and interpretations would have no impact on the Company’s financial position and financial performance.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by the International Accounting Standard Board (Collectively, IASB) (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Except for the following, the application of the above new, amended and revised Standards and Interpretations did not have any material impact on the Company’s accounting policies:

##### Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”

The amendments clarify that the liability that arises from a sale and leaseback transaction - that satisfies the requirements in IFRS 15 to be accounted for as a sale - is a lease liability to which IFRS 16 applies. However, if the lease in a leaseback that includes variable lease payments that do not depend on an index or rate, the seller-lessee shall measure lease liabilities arising from a leaseback in such a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The seller-lessee subsequently recognizes in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of the above standards and interpretations on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

Except for the following, the application of the above new, amended and revised Standards and Interpretations did not have any material impact on the Company's accounting policies:

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e., the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e., the Company's share of the gain or loss is eliminated.

2) Amendments to IAS 21 "Lack of Exchangeability"

The amendments stipulate that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. In this situation, the Group shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, its financial performance, financial position and cash flows.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of the above standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

According to Order No. 11202745811 and No. 1130380001 issued by the FSC, the Company's financial statements have been prepared in accordance with the IFRS Accounting Standards and relevant Regulations Governing the Preparation of Financial Reports, which were approved by the FSC for 2023.

### **Basis of Preparation**

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, payable incurred by cash-settled share-based payment, and defined benefit plans which is recognized by present value of the defined benefit obligations subtracted fair value of plan assets (refer to the summary of accounting policies below). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The functional currency of the Company is New Taiwan dollar. Thus, the financial statements are presented in New Taiwan dollars.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and the consolidated basis were made to investments accounted for using equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the parent company only financial statements.

The Company categorized economic activities into operating, investing, and financing activities. The statements of cash flows reported the change of cash and cash equivalents in the current period based on operating, investing, and financing activities. Refer to Note 7 for the components of cash and cash equivalents.

The cash flow of operating activities was reported by using indirect method. Under the indirect method, profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest paid and interest and dividends received are classified as operating cash flows. Dividends paid are classified as financing cash flow because they are cost of obtaining financial resources.

When preparing the financial statements in accordance with the FSC-endorsed IFRS Accounting Standards, the Company has to make certain significant accounting assumptions and estimates based on professional judgments to determine its accounting policies. Change in assumptions may result in significant effects on financial report. The Company believes that the financial statements were prepared based on appropriate assumptions. For items that required management's most difficult or complex judgments, or assumptions and estimates that significantly affect the financial statements, please refer to Note 6.

### **Classification of Current and Noncurrent Assets and Liabilities**

Since the banking business characteristics, classification of assets and liabilities according to the nature and the sequence of liquidity can provide more reliable and relevant information. Therefore, those assets and liabilities are not classified as current or noncurrent, but classified according to the nature and sequence of liquidity. In addition, maturity analysis of liabilities was disclosed in Note 39.



## **Foreign Currencies**

In preparing the financial statements of the Company, the currency of the primary economic environment in which the Company operates (i.e., functional currency) is used. Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. When several exchange rates are available, the rate used is that at which the future cash flows, represented by the transaction amount or balance, could have been settled if those cash flows had occurred at the measurement date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from settlement are recognized in profit or loss in the period in which they arise. Exchange differences on monetary items arising from translation are recognized in profit or loss in the period in which they arise except items that qualify as hedging instruments in a cash flow hedge are recognized initially in other comprehensive income to the extent that the hedge is effective. Exchange differences arising on the retranslation of non-monetary assets (such as equity investment) or liabilities measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

## **Cash and Cash Equivalents**

Cash and cash equivalents are cash in vault, cash in banks, short-term time deposits and short-term financial instruments that must be readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the statements of cash flows, cash and cash equivalents are cash and cash equivalents on the balance sheets, due from the Central Bank and call loans to banks and securities purchased under resell agreements that are in conformity with the definition of cash and cash equivalents in the IAS 7 endorsed by the FSC.

## **Investment Accounted for Using Equity Method**

Investments in subsidiaries and associates are accounted for using equity method.

### **a. Investment in subsidiaries**

Subsidiaries (including structured entities) are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The requirements of IAS 36 "Impairment of Assets" endorsed by the FSC are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an subsidiary. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with the FSC-endorsed IAS 36 "Impairment of Assets" to the extent that the recoverable amount of the investment subsequently increases.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

b. Investment in associates

An associate is an entity over which the Company has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

The Company uses the equity method to recognize the investment in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes its share in the changes in the equity of associates.

When the Company subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 "Impairment of Assets" endorsed by the FSC are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with the FSC-endorsed IAS 36 "Impairment of Assets" to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

## **Property and Equipment**

Property and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss. Cost is capitalized when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Owned land is not depreciated.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis in accordance with the FSC-endorsed IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

## **Goodwill**

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Company disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### **Intangible Assets (Except Goodwill)**

#### **a. Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis which is in accordance with the FSC-endorsed IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life.

#### **b. Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss.

#### **c. Derecognition of intangible assets**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss on derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

## **Impairment of Non-financial Assets (Except Goodwill)**

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **Bonds and Securities Purchased/Sold under Specific Agreements**

Bonds and securities purchased under resale agreements are recorded at purchase price, and bonds and securities sold under repurchase agreements are recorded at sale price, are accounted for as financing transaction. Interest revenue and expenses recognized from the transactions mentioned above are recorded on accrual basis.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

### Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### a. Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL and at amortized cost and investments in debt instruments and equity instruments at FVTOCI. The categories are based on the contractual cash flows on the initial recognition of the financial assets and the Company's business model.

For the Company's debt instruments that have contractual cash flows that are solely for repayments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- 1) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets (including cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, loans, investments in debt instruments at amortized cost, other financial assets, other assets - refundable deposits, other assets - operating guarantee deposits and settlement funds) are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest income is recognized in profit or loss by using the effective interest method; and
- 2) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at FVTOCI and are assessed for impairment. Interest income is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Fair value is determined in the manner described in Note 39.

Except for the above, all other financial assets are measured at FVTPL. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividends income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss. Fair value is determined in the manner described in Note 39.

Except for the above, on initial recognition, the Company may make an irrevocable election to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investments.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings. Fair value is determined in the manner described in Note 39.

b. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets other than investments in equity instruments that are measured at FVTOCI and financial assets at FVTPL.

ECLs reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

For purchased or originated credit-impaired financial assets, the Company takes into account the ECLs on initial recognition in the credit-adjusted effective interest rate. Subsequently, any changes in ECLs are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss even if lifetime ECLs are lower than the ECLs on initial recognition.

In addition, specific industries are mandatorily assessed such that the loss allowance for loans is measured at the higher of the amount calculated in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans.

The Company recognizes an impairment loss or a gain on the reversal of impairment in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the respective financial asset.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity, and its carrying amount is calculated based on the weighted average of the stock types, and is calculated separately based on the reason for the withdrawal. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except the following situations, all the financial liabilities are measured at amortized cost using the effective interest method.

## 1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such a financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- a) It has been acquired principally for the purpose of repurchasing it in the near term; or
- b) On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- c) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and whose performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liabilities.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income. However, in the case of avoiding an accounting mismatch or the amount of changes in fair value is due to loan commitments and financial guarantee contracts, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 39.

## 2) Financial guarantee contracts

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

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the following and should be dealt with based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans:

- a) The amount of the loss allowance reflecting the ECLs; and
- b) The amount initially recognized less, where appropriate, the cumulative amount of revenue recognized in accordance with IFRS 15 as endorsed by the FSC.



### 3) Commitments to provide a loan at a below-market interest rate

Commitments to provide a loan at a below-market interest rate issued by the Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- a) The amount of the loss allowance reflecting the ECLs; and
- b) The amount initially recognized less, where appropriate, the cumulative amount of revenue recognized in accordance with IFRS 15 as endorsed by the FSC.

#### b. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

#### Modification of financial instruments

When a contractual cash flow of financial instrument is renegotiated or modified, the Company assesses whether the modification will result in derecognition. If modification of a financial instrument results in derecognition, it is accounted for as derecognition of financial assets or liabilities. If the modification does not result in derecognition, the Company recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liability based on the modified cash flows discounted at the original effective interest rate with any modification gain or loss recognized in profit or loss. The cost incurred is adjusted to the carrying amount of the modified financial asset or financial liability and amortized over the modified remaining period.

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Company elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Company first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

## Financial assets and financial liabilities offsetting

Financial assets and financial liabilities are only allowed to be offset and expressed in net amount in the balance sheets when amounts to be offset are 1) objects of legally enforceable right to offset, and 2) objects of intended net settlement, i.e., liquidation of assets for discharge of liabilities.

## **Futures**

Margin paid on futures contracts purchased or sold is recorded as refundable deposits, the market value of futures contracts is recognized as financial assets or liabilities measured at FVTPL, and the gain (loss) on open positions and on maturity or early settlement of contracts is recorded as profit (loss) for the current period.

## **Provisions, Contingent Liabilities and Contingent Assets**

A provision shall be recognized when:

- a. An entity has 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. A reliable estimate can be made of the amount of the obligation.

The Company does not recognize provisions for future operating losses. Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized.

Provisions are subsequently measured by the present value of the expected expenditures to settle the obligations. Discount rate is the pre-tax discount rate and is adjusted in time to reflect current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is a possible obligation that arises from past events and 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 entity, or it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation can't be reliably measured. The Company accounts and discloses it appropriately in accordance with IAS37.

A contingent asset is a possible asset that arises from past events and 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 entity. The Company does not recognize a contingent asset. A contingent asset is disclosed appropriately in accordance with related guidelines, where an inflow of economic benefits is probable.

## **Income Recognition**

### **a. Interest income**

Except for financial assets at FVTPL, interest income of all financial instruments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable and recognized in the statements of comprehensive income. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected. If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue and recognized as income when collected. Interest income from securities trading margin purchase and short sale is accrued according to the terms stated in the financing and trading contract.

### **b. Service fee and commission income**

Service fee revenue is recognized from providing loans and other services. The Company identifies contracts with the customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. If the service fee revenue is for further loan service and of significant amount, it is recognized over the period of the service or included in the base of calculation of the effective interest rate of loans and receivables.

The Company's customer loyalty program provides customers with award credits, which gives customers material rights by providing discount to future consumption. The transaction price allocated to award credit is recognized as a liability, and the Company recognizes revenue when award credits are redeemed or forfeited.

## **Leasing**

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

### **a. The Company as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease and recognizing in profit or loss any gain or loss on the partial or full termination of the lease. The amount from other remeasurement of the lease liability adjusted to the right-of-use assets. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## **Employee Benefits**

a. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

Provisions for employee benefits recognized in the balance sheets represents the present value of the defined benefit obligation and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Net defined benefit liability (asset) remeasurement comprises 1) actuarial gains and losses on the defined benefit obligation; 2) return on plan assets, excluding the net interest on the net defined benefit liability (asset); and 3) any changes in the effect of the limit involving surplus in a defined benefit plan, excluding the net interest on the net defined benefit liability (asset). Moreover, the net defined benefit liability (asset) remeasurements are recognized in other comprehensive income; these remeasurements should be transferred immediately to retained earnings and will not be reclassified to profit or loss. Significant unrecognized past service cost is immediately recognized retrospectively in profit or loss. If the defined benefit retirement plan is curtailed or settled, the gain or loss on curtailment or settlement is recognized.

b. High-yield savings account for employee

The Company provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

## **Share-based Payment Arrangements**

### Equity-settled share-based payment

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

The grant date of employee share options, which are reserved when the Company's parent company Taishin Financial Holding issues new shares, is the date when the number of employee subscription is confirmed. The Company recognized an expense and capital surplus at the fair value of the share options determined at the grant date.

### Cash-settled share-based payment

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Land revaluation increment tax accrued from the Company's land revaluation increment in accordance with related regulations is a taxable temporary difference and shall be recognized as a deferred tax liability. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

A deferred tax asset shall be recognized for the unused loss carryforward and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company has applied the exception from the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes. Accordingly, the Company neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Company does not offset the deferred tax assets and liabilities resulting from different tax authorities.

c. Current and deferred tax for the period

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

d. The Company, its parent company Taishin Financial Holding, and other more than 90% owned subsidiaries adopt the linked-tax system for tax filings. Differences between current and deferred income tax expenses on consolidated entity basis and those on nonconsolidated entity basis are adjusted in Taishin Financial Holding's income tax expenses. Related reimbursement and appropriation are recognized as receivables or payables, and eliminated on consolidation.

## **Business combination under common control**

Business combinations under common control are accounted for applying the book-value method. Comparative information of the prior period in the financial statements is restated as if the combination had already occurred.

## **6. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The Company's accounting policies, accounting assumptions and estimates have significant impact on the financial statements. Accordingly, the management exercised appropriate professional judgment in the preparation of the financial statements.

The assumptions and estimates involve significant risks that significant adjustments might result in changes in the carrying amounts of assets and liabilities in the next fiscal year. The assumptions and estimates made were the best estimates based on the FSC-endorsed IFRS Accounting Standards. The estimates and assumptions are based on historical experience and other factors, including future expectations and are continuously assessed. The Company considers the economic implications of the market interest rate fluctuations when making its material accounting estimates.

Partial items of the accounting policies and management's judgment could have significant impact on the recorded amount in the financial statements.

### **Impairment of Loans**

The measurement of ECLs is based on the present value of the difference of all contractual cash flows receivable from a contract and all cash flows that are expected to be received, discounted at the original or credit-adjusted effective interest rate, and the calculated weighted average of the probability of default.

In the calculation of required provision of allowance for possible losses, the Company also takes into consideration the classification of loans based on the status of the loan collaterals and the length of time the loans are overdue. The Company evaluates the impairment of loans based on the customer's financial conditions, whether the repayments of principal and interest are overdue and the status of the collateral, etc. If future actual cash flows are lesser than expected, material impairment losses may arise.

Refer to Note 13 for the carrying amounts of loans and allowance for loans as of December 31, 2023 and 2022.

## **7. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 13,971,156	\$ 15,538,000
Checks for clearing	1,600,323	1,543,420
Due from banks	7,552,041	8,913,078
Others	<u>3,674,304</u>	<u>2,550,827</u>
	<u>\$ 26,797,824</u>	<u>\$ 28,545,325</u>

- a. Due from banks include time deposits that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value; these were held for the purpose of meeting short-term cash commitments.
- b. The loss allowance was measured at an amount equal to 12-month ECLs based on historical experience and forward-looking information; there was no loss allowance on cash and cash equivalents as of December 31, 2023 and 2022.

## 8. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Required reserve - Account A	\$ 26,095,851	\$ 22,521,467
Required reserve - Account B	51,632,957	48,536,512
Required reserve - Foreign Currency	576,598	324,473
Required reserve - Others	69,953	520,288
Call loans to banks	23,549,309	36,022,583
Interbank clearing funds	<u>8,000,203</u>	<u>5,000,567</u>
	<u>\$ 109,924,871</u>	<u>\$ 112,925,890</u>

The loss allowance was measured at an amount equal to 12-month ECLs based on historical experience and forward-looking information; there was no loss allowance on due from the Central Bank and call loans to banks as of December 31, 2023 and 2022.

## 9. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative instruments		
Futures	\$ 12,613	\$ 10,325
Forward exchange contracts	623,769	906,355
Currency swaps	29,382,460	25,682,575
Interest rate swaps	14,405,981	17,370,769
Cross-currency swaps	427,174	115,683
Equity-linked swaps	1,750	40,903
Foreign-exchange options	3,825,287	430,503
Non-derivative financial assets		
Investment in bills	54,371,699	43,436,249
Domestic and overseas shares and beneficiary certificates	7,445,904	2,492,839
Government bonds	12,680,301	6,200,979
Corporate bonds, financial bonds and other bonds	<u>17,558,854</u>	<u>9,640,028</u>
Financial assets at FVTPL	<u>\$ 140,735,792</u>	<u>\$ 106,327,208</u>

(Continued)



	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial liabilities designated as at FVTPL (a) and (b)</u>	\$ 2,548,652	\$ 2,483,480
<u>Financial liabilities held for trading</u>		
Derivative instruments		
Futures	140,569	7,817
Forward exchange contracts	725,172	478,342
Currency swaps	31,938,391	26,404,804
Interest rate swaps	14,065,503	16,718,034
Cross-currency swaps	301,670	125,004
Equity-linked swaps	1,750	40,901
Credit default swaps	13,450	-
Foreign-exchange options	3,819,424	456,645
Equity-linked options	1,168,753	407,166
Non-derivative financial liabilities		
Share borrowing transaction	<u>234,207</u>	<u>75,360</u>
Financial liabilities at FVTPL	<u>\$ 54,957,541</u>	<u>\$ 47,197,553</u> (Concluded)

- a. The Company issued unsecured USD senior bank notes payable were as follows:

First unsecured USD senior bank notes payable of the Company of year 2018, 30 years, US\$80,000 thousand, 100% of the principal amount of the bonds, interest is not paid before redemption, put redemption on the fifth anniversaries of the notes payable issue, and repay the holders at principal value plus accrued interests, maturity: July 5, 2048.

Second unsecured USD senior bank notes payable of the Company of year 2018, 30 years, US\$20,000 thousand, 100% of the principal amount of the bonds, interest is not paid before redemption, put redemption on the fifth anniversaries of the notes payable issue, and repay the holders at principal value plus accrued interests, maturity: July 5, 2048.

- b. The Company considered unsecured USD senior bank notes payable as financial instruments designated at FVTPL to eliminate the recognition inconsistency.

The Company engaged in various derivative instrument transactions in the years ended December 31, 2023 and 2022 to fulfill customers' needs, as well as to manage its positions and risks of assets and liabilities.

The nominal principal amounts of outstanding derivative contracts were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Futures	\$ 6,016,592	\$ 2,612,406
Forward exchange contracts	84,183,254	84,038,780
Currency swaps	2,806,790,310	2,034,539,109
Interest rate swaps	716,997,169	828,034,492
Cross-currency swaps	26,564,473	6,664,204

(Continued)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Equity-linked swaps	\$ 99,882	\$ 342,924
Credit default swaps	169,994	-
Foreign-exchange options	379,491,263	69,830,387
Equity-linked options	7,901,181	8,270,225
		(Concluded)

## 10. FINANCIAL ASSETS AT FVTOCI

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Debt instrument</u>		
Investment in bills	\$ -	\$ 1,819,411
Government bonds	61,050,665	39,282,349
Corporate bonds	34,386,334	34,138,033
Financial bonds	31,313,526	37,143,357
Beneficiary securities	<u>1,007,163</u>	<u>1,140,195</u>
	127,757,688	113,523,345
<u>Equity instrument</u>		
Domestic and overseas shares	<u>3,043,963</u>	<u>3,845,230</u>
	<u>\$ 130,801,651</u>	<u>\$ 117,368,575</u>

- a. Because some equity instruments are held by the Company for long-term purposes and not for trading, which is reasonably reflected in the operating performance, equity instruments are classified as at fair value through other comprehensive income.
- b. The amount of the loss allowance for debt instruments was as follows:

	<b>12-month ECLs</b>	<b>Lifetime ECLs - Not Credit-impaired</b>	<b>Lifetime ECLs - Credit-impaired</b>	<b>Total</b>
December 31, 2023	\$ 23,168	\$ -	\$ -	\$ 23,168
December 31, 2022	26,389	-	-	26,389

As the Company's debt instruments at FVTOCI were measured using the ECLs model, the Company had recognized impairment loss on assets. Reversal of impairment loss recognized in profit amounted to \$3,315 thousand and \$10,983 thousand for the years ended December 31, 2023 and 2022, respectively.

- c. The Company sold the parts of domestic ordinary shares for strategic purposes. The shares sold had a fair value of \$6,980,482 thousand and \$2,094,926 thousand, and the Company transferred \$348,024 thousand and \$153,757 thousand of losses from other equity to retained earnings for the years ended December 31, 2023 and 2022, respectively.
- d. Refer to Note 39 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at FVTOCI.
- e. Refer to Note 42 for information relating to debt instruments at FVTOCI pledged as collateral.

## 11. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Investment in bills	\$ 243,443,323	\$ 265,934,806
Financial bonds	89,781,453	66,097,967
Corporate bonds	43,762,793	23,794,905
Government bonds	131,837,718	87,950,290
Beneficiary securities	<u>22,166,720</u>	<u>7,117,185</u>
	530,992,007	450,895,153
Less: Allowance for impairment	<u>(39,115)</u>	<u>(25,593)</u>
	<u>\$ 530,952,892</u>	<u>\$ 450,869,560</u>

- a. The amount of the loss allowance for debt instruments was as follows:

	12-month ECLs	Lifetime ECLs - Not Credit-impaired	Lifetime ECLs - Credit-impaired	Total
December 31, 2023	\$ 39,115	\$ -	\$ -	\$ 39,115
December 31, 2022	25,593	-	-	25,593

As the Company's investments in debt instruments at amortized cost were measured using the ECLs model, the Company had recognized impairment loss on financial assets. Impairment loss recognized amounted to \$13,591 thousand and \$7,101 thousand for the years ended December 31, 2023 and 2022, respectively.

- b. Refer to Note 39 for information relating to the management of credit risk and the impairment assessment on investments in debt instruments at amortized cost.
- c. Refer to Note 42 for information relating to investments in debt instruments at amortized cost pledged as collateral.

## 12. RECEIVABLES, NET

- a. The details of receivables, net were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Notes and accounts receivable	\$ 33,409,496	\$ 41,987,014
Credit cards receivable	70,540,868	64,937,436
Interest receivable	8,028,580	5,665,198
Other receivables	<u>1,369,920</u>	<u>1,489,325</u>
	113,348,864	114,078,973
Less: Allowance for receivables	<u>(2,014,764)</u>	<u>(2,094,895)</u>
	<u>\$ 111,334,100</u>	<u>\$ 111,984,078</u>

- b. The movements in the allowance for receivables (including non-performing receivables transferred from other than loans) for the years ended December 31, 2023 and 2022 were as follows:

	12-month ECLs	Lifetime ECLs (Group Assessment)	Lifetime ECLs (Individual Assessment)	Lifetime ECLs (Non-purchased or Originated Credit-impaired (POCI) Financial Assets)	Loss Allowance under IFRS 9	Recognized (Reversal) Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Loss allowance as of January 1, 2023	\$ 92,494	\$ 24,126	\$ 445,528	\$ 993,083	\$ 1,555,231	\$ 641,918	\$ 2,197,149
Changes of financial instruments recognized at the beginning of the reporting period							
Transferred to Lifetime ECLs	(86)	18,207	-	(1,179)	16,942		16,942
Transferred to Credit-impaired Financial Assets	(551)	(1,546)	(471)	136,358	133,790		133,790
Transferred to 12-month ECLs	322	(5,983)	-	(57,486)	(63,147)		(63,147)
Financial assets derecognized	(28,406)	(9,841)	(9,102)	(556,913)	(604,262)		(604,262)
New financial assets purchased or originated	50,622	7,516	40,174	21,974	120,286		120,286
Recognized (Reversal) based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						(58,846)	(58,846)
Write-offs	(10)	(171)	(1,147)	(60,546)	(61,874)		(61,874)
Recovery of written-off loans	-	-	961	468,182	469,143		469,143
Other movements	-	-	(947)	-	(947)		(947)
Loss allowance as of December 31, 2023	\$ 114,385	\$ 32,308	\$ 474,996	\$ 943,473	\$ 1,565,162	\$ 583,072	\$ 2,148,234

	12-month ECLs	Lifetime ECLs (Group Assessment)	Lifetime ECLs (Individual Assessment)	Lifetime ECLs (Non-purchased or Originated Credit-impaired (POCI) Financial Assets)	Loss Allowance under IFRS 9	Recognized (Reversal) Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Loss allowance as of January 1, 2022	\$ 92,309	\$ 24,660	\$ 426,796	\$ 493,470	\$ 1,037,235	\$ 749,024	\$ 1,786,259
Changes of financial instruments recognized at the beginning of the reporting period							
Transferred to Lifetime ECLs	(56)	12,327	471	(161)	12,581		12,581
Transferred to Credit-impaired Financial Assets	(4,011)	(1,132)	-	608,974	603,831		603,831
Transferred to 12-month ECLs	83	(4,413)	-	(13,324)	(17,654)		(17,654)
Financial assets derecognized	(29,094)	(11,124)	(4,655)	(464,614)	(509,487)		(509,487)
New financial assets purchased or originated	33,267	3,932	17,899	30,956	86,054		86,054
Recognized (Reversal) based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						(107,106)	(107,106)
Write-offs	(4)	(124)	(2,831)	(44,238)	(47,197)		(47,197)
Recovery of written-off loans	-	-	1,617	382,020	383,637		383,637
Other movements	-	-	6,231	-	6,231		6,231
Loss allowance as of December 31, 2022	\$ 92,494	\$ 24,126	\$ 445,528	\$ 993,083	\$ 1,555,231	\$ 641,918	\$ 2,197,149

- c. The movements in the gross carrying amount of the allowance for receivables (including non-performing receivables transferred from other than loans) for the years ended December 31, 2023 and 2022 were as follows:

	12-month ECLs	Lifetime ECLs (Group Assessment)	Lifetime ECLs (Individual Assessment)	Lifetime ECLs (Non-POCI Financial Assets)	Total
Carrying amount as of January 1, 2023	\$ 101,658,822	\$ 131,768	\$ 9,896,817	\$ 2,524,790	\$ 114,212,197
Changes of financial instruments recognized at the beginning of the reporting period					
Transferred to Lifetime ECLs	(67,377)	78,876	2,065	(3,470)	10,094
Transferred to Credit-impaired Financial Assets	(378,652)	(6,672)	(781)	422,706	36,601
Transferred to 12-month ECLs	209,970	(33,471)	(68)	(157,154)	19,277
Financial assets derecognized	(26,256,831)	(49,908)	(1,387,696)	(343,439)	(28,037,874)
New financial assets purchased or originated	24,470,599	29,249	2,727,966	72,789	27,300,603
Write-offs	(1,636)	(547)	(1,147)	(144,370)	(147,700)
Carrying amount as of December 31, 2023	\$ 99,634,895	\$ 149,295	\$ 11,237,156	\$ 2,371,852	\$ 113,393,198

	12-month ECLs	Lifetime ECLs (Group Assessment)	Lifetime ECLs (Individual Assessment)	Lifetime ECLs (Non-POCI Financial Assets)	Total
Carrying amount as of January 1, 2022	\$ 121,186,740	\$ 130,112	\$ 9,065,752	\$ 2,069,580	\$ 132,452,184
Changes of financial instruments recognized at the beginning of the reporting period					
Transferred to Lifetime ECLs	(55,110)	61,119	932	(537)	6,404
Transferred to Credit-impaired Financial Assets	(848,863)	(5,010)	(169)	845,355	(8,687)
Transferred to 12-month ECLs	58,539	(22,858)	-	(34,048)	1,633
Financial assets derecognized	(42,329,160)	(54,327)	(2,926,580)	(350,475)	(45,660,542)
New financial assets purchased or originated	23,647,479	23,151	3,759,713	97,417	27,527,760
Write-offs	(803)	(419)	(2,831)	(102,502)	(106,555)
Carrying amount as of December 31, 2022	\$ 101,658,822	\$ 131,768	\$ 9,896,817	\$ 2,524,790	\$ 114,212,197

### 13. LOANS, NET

a. The details of loans, net were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Negotiated	\$ 1,491,136	\$ 3,440,922
Overdrafts	524,941	202,244
Short-term loans	306,526,042	285,317,112
Medium-term loans	516,045,376	482,871,018
Long-term loans	712,454,336	654,653,954
Delinquent loans	<u>1,365,759</u>	<u>1,876,557</u>
	1,538,407,590	1,428,361,807
Less: Adjustment for premium or discount	(690,071)	(642,057)
Less: Allowance for loan losses	<u>(20,573,790)</u>	<u>(19,158,539)</u>
	<u>\$ 1,517,143,729</u>	<u>\$ 1,408,561,211</u>

b. The movements in the allowance for loans for the years ended December 31, 2023 and 2022 were as follows:

	12-month ECLs	Lifetime ECLs (Group Assessment)	Lifetime ECLs (Individual Assessment)	Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized (Reversal) Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Carrying amount as of January 1, 2023	\$ 2,104,684	\$ 690,948	\$ 208,511	\$ 4,374,635	\$ 7,378,778	\$ 11,779,761	\$ 19,158,539
Changes of financial instruments recognized at the beginning of the reporting period							
Transferred to Lifetime ECLs	(10,954)	374,667	16,567	(134,195)	246,085		246,085
Transferred to Credit-impaired Financial Assets	(9,176)	(23,718)	(74,174)	1,351,072	1,244,004		1,244,004
Transferred to 12-month ECLs	9,225	(116,749)	(404)	(1,299,009)	(1,406,937)		(1,406,937)
Financial assets derecognized	(648,895)	(158,896)	(68,468)	(1,677,071)	(2,553,330)		(2,553,330)
New financial assets purchased or originated	668,382	361,121	20,717	256,555	1,306,775		1,306,775
Recognized (Reversal) based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans						2,338,655	2,338,655
Write-offs	(593)	(7,203)	-	(648,968)	(656,764)		(656,764)
Recovery of written-off loans	-	-	-	896,763	896,763		896,763
Carrying amount as of December 31, 2023	\$ 2,112,673	\$ 1,120,170	\$ 102,749	\$ 3,119,782	\$ 6,455,374	\$ 14,118,416	\$ 20,573,790

	12-month ECLs	Lifetime ECLs (Group Assessment)	Lifetime ECLs (Individual Assessment)	Lifetime ECLs (Non-POCI Financial Assets)	Loss Allowance under IFRS 9	Recognized (Reversal) Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Carrying amount as of January 1, 2022	\$ 1,899,995	\$ 842,518	\$ 160,282	\$ 4,067,687	\$ 6,970,482	\$ 10,413,404	\$ 17,383,886
Changes of financial instruments recognized at the beginning of the reporting period							
Transferred to Lifetime ECLs	(9,763)	224,598	79,336	(12,841)	281,330		281,330
Transferred to Credit-impaired Financial Assets	(5,726)	(24,187)	(16,216)	1,237,695	1,191,566		1,191,566
Transferred to 12-month ECLs	3,736	(96,549)	-	(259,057)	(351,870)		(351,870)
Financial assets derecognized	(544,095)	(292,211)	(42,764)	(1,936,526)	(2,815,596)		(2,815,596)
New financial assets purchased or originated	760,888	42,655	27,873	356,687	1,188,103		1,188,103
Recognized (Reversal) based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans						1,366,357	1,366,357
Write-offs	(351)	(5,876)	-	(61,700)	(67,927)		(67,927)
Recovery of written-off loans	-	-	-	982,690	982,690		982,690
Carrying amount as of December 31, 2022	\$ 2,104,684	\$ 690,948	\$ 208,511	\$ 4,374,635	\$ 7,378,778	\$ 11,779,761	\$ 19,158,539

- c. The movements in the gross carrying amount of the allowance for loans for the years ended December 31, 2023 and 2022 were as follows:

	12-month ECLs	Lifetime ECLs (Group Assessment)	Lifetime ECLs (Individual Assessment)	Lifetime ECLs (Non-POCI Financial Assets)	Total
Carrying amount as of January 1, 2023	\$ 1,387,257,406	\$ 25,955,789	\$ 724,679	\$ 14,423,933	\$ 1,428,361,807
Changes of financial instruments recognized at the beginning of the reporting period					
Transferred to Lifetime ECLs	(7,337,772)	7,154,127	296,363	(458,856)	(346,138)
Transferred to Credit-impaired Financial Assets	(3,326,238)	(136,889)	(324,997)	3,504,785	(283,339)
Transferred to 12-month ECLs	8,780,543	(5,235,364)	(20,183)	(4,271,649)	(746,653)
Financial assets derecognized	(350,657,331)	(6,804,209)	(214,487)	(2,913,412)	(360,589,439)
New financial assets purchased or originated	471,574,148	780,266	91,909	540,956	472,987,279
Write-offs	(103,325)	(25,525)	-	(847,077)	(975,927)
Carrying amount as of December 31, 2023	\$ 1,506,187,431	\$ 21,688,195	\$ 553,284	\$ 9,978,680	\$ 1,538,407,590

	12-month ECLs	Lifetime ECLs (Group Assessment)	Lifetime ECLs (Individual Assessment)	Lifetime ECLs (Non-POCI Financial Assets)	Total
Carrying amount as of January 1, 2022	\$ 1,298,260,516	\$ 23,820,955	\$ 889,235	\$ 14,957,568	\$ 1,337,928,274
Changes of financial instruments recognized at the beginning of the reporting period					
Transferred to Lifetime ECLs	(9,040,476)	8,482,724	218,167	(44,780)	(384,365)
Transferred to Credit-impaired Financial Assets	(3,183,542)	(234,060)	(343,182)	3,484,368	(276,416)
Transferred to 12-month ECLs	3,528,137	(3,004,803)	-	(889,991)	(366,657)
Financial assets derecognized	(352,032,496)	(3,700,572)	(120,840)	(3,582,237)	(359,436,145)
New financial assets purchased or originated	449,798,758	612,864	81,299	689,800	451,182,721
Write-offs	(73,491)	(21,319)	-	(190,795)	(285,605)
Carrying amount as of December 31, 2022	\$ 1,387,257,406	\$ 25,955,789	\$ 724,679	\$ 14,423,933	\$ 1,428,361,807

- d. Details of the (provision for) reversal of bad debt expenses, commitments, and guarantee liabilities for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
(Provision for) reversal of the allowance for losses on receivables, loans and other financial assets	\$ (1,234,347)	\$ (1,347,946)
(Provision for) reversal of the allowance for losses on guarantee liabilities	(55,712)	45,790
(Provision for) reversal of the allowance for losses on loan commitments	(4,832)	1,556
(Provision for) reversal of the allowance for letters of credit	-	208
	<u>\$ (1,294,891)</u>	<u>\$ (1,300,392)</u>

#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2023</b>	<b>2022 (Restated)</b>
Investments in subsidiaries	\$ 4,461,197	\$ 4,461,569
Investments in associates	<u>76,279</u>	<u>77,770</u>
	<u>\$ 4,537,476</u>	<u>\$ 4,539,339</u>

a. Investments in subsidiaries

	<b>December 31</b>			
	<b>2023</b>		<b>2022 (Restated)</b>	
	<b>Carrying Amount</b>	<b>Proportion of Ownership and Voting Rights</b>	<b>Carrying Amount</b>	<b>Proportion of Ownership and Voting Rights</b>
Unlisted (OTC) shares				
Taishin Real-Estate Management Co., Ltd. (“Taishin Real-Estate”)	\$ 209,666	60.00%	\$ 209,772	60.00%
Taishin D.A. Finance Co., Ltd. (“Taishin D.A. Finance”)	<u>4,251,531</u>	100.00%	<u>4,251,797</u>	100.00%
	<u>\$ 4,461,197</u>		<u>\$ 4,461,569</u>	

Taishin D.A. Finance Co., Ltd. acquired 100% equity interest in Taishin Financial Leasing (China) Co., Ltd. (“Taishin Financial Leasing (China)”) from Taishin Venture Capital Co., Ltd. (“Taishin Venture Capital”) by \$2,356,113 thousand on December 5, 2023. Refer to Note 46 for information relating to business combinations under common control.

	<b>December 31, 2022</b>
Investments accounted for using equity method	<u>\$ 2,436,940</u>
Equity attributable to former owner of business combination under common control	<u>\$ 2,436,940</u>

The impact of the retrospective adjustment on related items of statements of the comprehensive income is set out below:

	<b>For the Year Ended December 31, 2022</b>
Share of profit (loss) of subsidiaries accounted for using equity method	<u>\$ 305,594</u>
Share of the other comprehensive income of subsidiaries accounted for using equity method	<u>\$ 38,537</u>

b. Investments in associates

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Associates that are not individually material	<u>\$ 76,279</u>	<u>\$ 77,770</u>
Aggregate information of associates that are not individually material:		
	<u>For the Year Ended December 31</u>	
	<b>2023</b>	<b>2022</b>
The Company's share of:		
Net income for the year	\$ 6,312	\$ 8,245
Other comprehensive income (loss)	<u>-</u>	<u>799</u>
Total comprehensive income (loss) for the year	<u>\$ 6,312</u>	<u>\$ 9,044</u>

- c. The Company's investments accounted for using equity method were not pledged as collateral as of December 31, 2023 and 2022.

## 15. OTHER FINANCIAL ASSETS, NET

- a. The details of other financial assets, net items were as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Non-performing receivables transferred from other than loans	\$ 177,660	\$ 146,456
Less: Allowance for bad debt	(133,470)	(102,254)
Gold deposit account	441,756	574,647
Due from banks	<u>3,081,400</u>	<u>5,541,040</u>
	<u>\$ 3,567,346</u>	<u>\$ 6,159,889</u>

- b. The due from banks recognized under other financial assets held by the Company are time deposits with original maturities of more than 3 months or pledged as collateral. Refer to Note 42 for the information relating to the due from banks and time deposits pledged as collateral.
- c. Refer to Note 12 for the movements of the allowance for non-performing receivables transferred from other than loans for the years ended December 31, 2023 and 2022.
- d. The loss allowance was measured at an amount equal to lifetime ECLs based on historical experience and forward-looking information; there was no allowance for loss on other financial assets excluding non-performing receivables transferred from other than loans as of December 31, 2023 and 2022.



## 16. PROPERTY AND EQUIPMENT, NET

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Land	\$ 14,185,392	\$ 14,185,392
Buildings	4,571,086	4,645,790
Machinery equipment	1,855,966	2,242,554
Transportation equipment	109,221	93,320
Miscellaneous equipment	77,564	84,405
Leasehold improvements	289,039	301,992
Prepayments for buildings and equipment	<u>63,095</u>	<u>7,159</u>
	<u>\$ 21,151,363</u>	<u>\$ 21,560,612</u>

	Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvements	Prepayments for Buildings and Equipment	Total
<u>Cost</u>								
Balance, January 1, 2023	\$ 14,185,392	\$ 7,426,223	\$ 4,835,794	\$ 164,017	\$ 181,003	\$ 528,772	\$ 7,159	\$ 27,328,360
Additions	-	58,953	268,202	46,448	22,326	57,898	186,788	640,615
Disposals	-	(36,073)	(785,598)	(8,889)	(27,238)	(23,742)	-	(881,540)
Reclassification	-	70,261	34,541	-	-	25,691	(130,852)	(359)
Balance, December 31, 2023	<u>\$ 14,185,392</u>	<u>\$ 7,519,364</u>	<u>\$ 4,352,939</u>	<u>\$ 201,576</u>	<u>\$ 176,091</u>	<u>\$ 588,619</u>	<u>\$ 63,095</u>	<u>\$ 27,087,076</u>
Balance, January 1, 2022	\$ 10,363,835	\$ 7,086,653	\$ 4,540,174	\$ 151,703	\$ 174,930	\$ 452,334	\$ 42,080	\$ 22,811,709
Additions	3,821,557	356,175	629,817	22,976	19,905	87,415	78,518	5,016,363
Disposals	-	(49,750)	(391,721)	(10,662)	(13,832)	(26,347)	-	(492,312)
Reclassification	-	33,145	57,524	-	-	15,370	(113,439)	(7,400)
Balance, December 31, 2022	<u>\$ 14,185,392</u>	<u>\$ 7,426,223</u>	<u>\$ 4,835,794</u>	<u>\$ 164,017</u>	<u>\$ 181,003</u>	<u>\$ 528,772</u>	<u>\$ 7,159</u>	<u>\$ 27,328,360</u>
<u>Accumulated depreciation</u>								
Balance, January 1, 2023	\$ -	\$ 2,780,433	\$ 2,593,240	\$ 70,697	\$ 96,598	\$ 226,780	\$ -	\$ 5,767,748
Depreciation expenses	-	203,918	688,803	30,547	29,087	96,542	-	1,048,897
Disposals	-	(36,073)	(785,070)	(8,889)	(27,158)	(23,742)	-	(880,932)
Balance, December 31, 2023	<u>\$ -</u>	<u>\$ 2,948,278</u>	<u>\$ 2,496,973</u>	<u>\$ 92,355</u>	<u>\$ 98,527</u>	<u>\$ 299,580</u>	<u>\$ -</u>	<u>\$ 5,935,713</u>
Balance, January 1, 2022	\$ -	\$ 2,635,598	\$ 2,243,157	\$ 54,072	\$ 79,656	\$ 166,345	\$ -	\$ 5,178,828
Depreciation expenses	-	194,585	740,994	27,287	30,738	86,782	-	1,080,386
Disposals	-	(49,750)	(390,911)	(10,662)	(13,796)	(26,347)	-	(491,466)
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 2,780,433</u>	<u>\$ 2,593,240</u>	<u>\$ 70,697</u>	<u>\$ 96,598</u>	<u>\$ 226,780</u>	<u>\$ -</u>	<u>\$ 5,767,748</u>

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

Buildings	6-56 years
Machinery equipment	1-10 years
Transportation equipment	4-6 years
Miscellaneous equipment	2-20 years
Leasehold improvements	5-50 years

No impairment assessment was performed because there was no indication of impairment for the years ended December 31, 2023 and 2022.

## 17. LEASE ARRANGEMENTS

### a. Right-of-use assets, net

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Buildings	<u>\$ 2,119,290</u>	<u>\$ 2,026,914</u>
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 798,675</u>	<u>\$ 387,613</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 705,288</u>	<u>\$ 727,907</u>

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2023 and 2022.

### b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Carrying amount	<u>\$ 2,236,892</u>	<u>\$ 2,106,706</u>
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest expense (other interest expense)	<u>\$ 20,957</u>	<u>\$ 19,256</u>

The Company leases buildings for the use of its bank branches and offices. Lease terms and range of discount rate for lease liabilities as of December 31, 2023 and 2022 were as follows:

	<b>Lease Terms</b>	<b>Range of Discount Rate</b>
<u>December 31,2023</u>		
Buildings	2-10 years	0.336%-1.512%
<u>December 31,2022</u>		
Buildings	2-10 years	0.346%-1.318%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	\$ <u>2,812</u>	\$ <u>5,880</u>
Total cash outflow for leases	\$ <u>691,222</u>	\$ <u>757,009</u>

Certain lease contracts of the Company qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Lease commitments	\$ <u>42,607</u>	\$ <u>217,946</u>

**18. INTANGIBLE ASSETS, NET**

	<b>December 31</b>		
	<b>2023</b>	<b>2022</b>	
Goodwill	\$ 1,152,274	\$ 1,152,274	
Computer software	<u>1,471,184</u>	<u>1,549,698</u>	
	<u>\$ 2,623,458</u>	<u>\$ 2,701,972</u>	
	<b>Goodwill</b>	<b>Computer Software</b>	<b>Total</b>
Balance, January 1, 2023	\$ 1,152,274	\$ 1,549,698	\$ 2,701,972
Additions	-	417,785	417,785
Amortization	<u>-</u>	<u>(496,299)</u>	<u>(496,299)</u>
Balance, December 31, 2023	<u>\$ 1,152,274</u>	<u>\$ 1,471,184</u>	<u>\$ 2,623,458</u>
Balance, January 1, 2022	\$ 1,152,274	\$ 1,475,808	\$ 2,628,082
Additions	-	515,928	515,928
Amortization	<u>-</u>	<u>(442,038)</u>	<u>(442,038)</u>
Balance, December 31, 2022	<u>\$ 1,152,274</u>	<u>\$ 1,549,698</u>	<u>\$ 2,701,972</u>

The goodwill included the Company merged with Dah An Bank through a share swap on February 18, 2002, on which the Company issued new shares to acquire the total assets and liabilities with excess difference. The unamortized excess difference as of December 31, 2023 and 2022 was \$884,937 thousand with no material impairment loss noted. In addition, the Company merged with the 10th Credit Cooperative of Hsin-Chu in October 2004, in which the Company paid in cash to acquire the total assets and liabilities with excess difference. The unamortized excess difference as of December 31, 2023 and 2022 was \$267,337 thousand with no material impairment loss noted.

## 19. OTHER ASSETS, NET

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Prepayments	\$ 950,854	\$ 829,222
Refundable deposits	14,124,774	13,199,402
Operating guarantee deposits and settlement funds	52,156	32,140
Others	<u>91,524</u>	<u>47,665</u>
	<u>\$ 15,219,308</u>	<u>\$ 14,108,429</u>

- a. Refer to Note 42 for information relating to refundable deposits, operating guarantee deposits and settlement funds pledged as collateral.
- b. The amount of the loss allowance for refundable deposits was as follows:

	<b>12-month ECLs</b>	<b>Lifetime ECLs - Not Credit-impaired</b>	<b>Lifetime ECLs - Credit-impaired</b>	<b>Total</b>
December 31, 2023	\$ -	\$ -	\$ -	\$ -
December 31, 2022	-	-	25	25

As the Company's refundable deposits were measured using ECLs model, the Company recognized reversal of impairment (losses) amounted to \$25 thousand and \$(25) thousand for the years ended December 31, 2023 and 2022, respectively.

- c. The loss allowance was measured at an amount equal to lifetime ECLs based on historical experience and forward-looking information; there was no loss allowance on operating guarantee deposits and settlement funds as of December 31, 2023 and 2022, respectively.

## 20. DEPOSIT FROM THE CENTRAL BANK AND BANKS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Deposits from other banks	\$ 7,257,455	\$ 9,601,560
Call loans from other banks	7,406,384	5,757,927
Bank overdrafts	2,332,627	2,733,009
Deposits from the Central Bank	<u>74,841</u>	<u>121,037</u>
	<u>\$ 17,071,307</u>	<u>\$ 18,213,533</u>

## 21. PAYABLES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Notes and accounts payable	\$ 6,905,790	\$ 7,638,038
Accrued expenses	6,492,531	5,699,992
Interest payable	7,089,459	4,431,167
Checks for clearing payable	1,600,245	1,533,670
Tax payable	502,546	436,810
Collection payable	781,862	678,682
Other payables	<u>1,685,528</u>	<u>1,305,999</u>
	<u>\$ 25,057,961</u>	<u>\$ 21,724,358</u>

## 22. DEPOSITS AND REMITTANCES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Checking deposits	\$ 7,071,361	\$ 9,704,444
Demand deposits	462,114,764	448,748,616
Time deposits	639,379,300	547,767,518
Negotiable certificates of deposit	1,573,700	2,735,003
Savings deposits	1,008,447,999	924,025,251
Public treasury deposits	8,364,208	5,865,630
Remittances	<u>1,107,959</u>	<u>2,010,669</u>
	<u>\$ 2,128,059,291</u>	<u>\$ 1,940,857,131</u>

## 23. BANK NOTES PAYABLE

The Company has issued bank notes payable to enhance its capital ratio and raise medium to long-term operating funds. Details of the bank notes payable were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Subordinated Bank Notes Payable - 2014 (III)	\$ 3,000,000	\$ 3,000,000
Subordinated Bank Notes Payable - 2015 (I)	9,100,000	9,100,000
Subordinated Bank Notes Payable - 2015 (II)	6,000,000	6,000,000
Subordinated Bank Notes Payable - 2015 (III)	4,900,000	4,900,000
Subordinated Bank Notes Payable - 2019 (I)	<u>5,000,000</u>	<u>5,000,000</u>
	<u>\$ 28,000,000</u>	<u>\$ 28,000,000</u>

- a. The Company made third issue of \$3,000 million in unsecured subordinated bank notes payable in 2014, as follows:

Bank Notes Payable	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2014, third issue	2014.05.16	2024.05.16	10 years	\$3,000 million	1.95% fixed interest rate	\$50 million	Interest is accrued according to nominal interest rate and actual days and calculated at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Principal will be repaid on maturity date.

- b. The Company made first issue of \$9,100 million in subordinated bank notes payable in 2015, as follows:

Bank Notes Payable	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2015.06.10	2025.06.10	10 years	\$4,250 million	2.15% fixed interest rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Bank notes payable are redeemable at par value in cash on the maturity date.
B	2015.06.10	2030.06.10	15 years	\$4,850 million	2.45% fixed interest rate		

- c. The Company made second issue of \$6,000 million in subordinated bank notes payable in 2015, as follows:

Bank Notes Payable	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2015, second issue	2015.09.18	2027.09.18	12 years	\$6,000 million	2.25% fixed interest rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Bank notes payable are redeemable at par value in cash on the maturity date.

- d. The Company made third issue of \$4,900 million in subordinated bank notes payable in 2015, as follows:

Bank Notes Payable	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2015.09.22	2025.09.22	10 years	\$700 million	2.15% fixed interest rate	\$50 million	Interest is accrued at a simple rate and paid annually from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date. Bank notes payable are redeemable at par value in cash on the maturity date.
B	2015.09.22	2030.09.22	15 years	\$4,200 million	2.45% fixed interest rate		

- e. The Company made first issue of \$5,000 million in unsecured, no maturity, and non-cumulative subordinated bank notes payable in 2019 as follows:

Bank Notes Payable	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2019, initial issue	2019.03.28	No maturity. (Issuer has redemption right.)	No maturity. (Issuer has redemption right.)	\$5,000 million	2.45% fixed interest rate	\$50 million	Interest is accrued according to nominal interest rate and actual days and calculated at a simple rate and paid annually on July 1 from the issue date. Additional interest is not accrued if principal and interest are withdrawn after the interest date.

1) Interest payment

The Company may not pay the interest if it had no earnings during the previous fiscal year and did not declare dividends to its ordinary shareholders. Where the balance of accumulated undistributed earnings after deducting the unamortized loss on the disposal of non-performing loans exceeds the interest payment and such payment does not alter the originally agreed conditions for interest payment, payment is allowed. The unpaid interest should not be accumulated or deferred.

The Company shall defer the payment of principal and interest if the ratio of regulatory capital to risk-weighted assets does not meet the minimum requirements in Regulations Governing the Capital Adequacy and Capital Category of Banks Paragraph 1 of Article 5; the deferred payment of principal or interest shall not be imposed further with interest.

2) Redemption policy

After five years and one month of issuance, if the ratio of regulatory capital to risk-weighted assets after redemption will meet the minimum rate and the redemption has an approval from the competent authority, the debts may be redeemed earlier by the Company at 100% plus interest payable. And the full redemption would be announced on the 30th day prior to the scheduled redemption date.

## 24. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Principal of structured products	\$ 105,256,251	\$ 94,647,527
Gold account	<u>440,430</u>	<u>569,626</u>
	<u>\$ 105,696,681</u>	<u>\$ 95,217,153</u>

## 25. PROVISIONS

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Provisions for employee benefits (Note 27)	\$ 1,142,394	\$ 1,118,502
Provisions for guarantee liabilities	280,152	224,565
Provisions for loan commitments	187,967	183,367
Other provisions	<u>123,683</u>	<u>123,565</u>
	<u>\$ 1,734,196</u>	<u>\$ 1,649,999</u>

	<b>Provisions for Guarantee Liabilities</b>	<b>Provisions for Loan Commitments</b>	<b>Other Provisions</b>
Balance, January 1, 2023	\$ 224,565	\$ 183,367	\$ 123,565
Provision (reverse)	55,712	4,832	128
Effect of foreign currency exchange differences	<u>(125)</u>	<u>(232)</u>	<u>(10)</u>
Balance, December 31, 2023	<u>\$ 280,152</u>	<u>\$ 187,967</u>	<u>\$ 123,683</u>
Balance, January 1, 2022	\$ 268,589	\$ 183,367	\$ 121,294
Provision (reverse)	(45,790)	(1,556)	(54)
Effect of foreign currency exchange differences	<u>1,766</u>	<u>1,556</u>	<u>2,325</u>
Balance, December 31, 2022	<u>\$ 224,565</u>	<u>\$ 183,367</u>	<u>\$ 123,565</u>

Other provisions are loss allowance for letters of credit and the provisions for compensation of dispute cases.

The amount of the loss allowance for financial guarantees (including provisions for guarantee liabilities and letters of credit recognized in other provisions) and loan commitments were as follows:

	12-month ECLs	Lifetime ECLs - Not Credit-impaired	Lifetime ECLs - Credit-impaired	Loss Allowance under IFRS 9	Recognized Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
December 31, 2023	\$ 190,630	\$ 16,541	\$ 5,013	\$ 212,184	\$ 260,961	\$ 473,145
December 31, 2022	153,836	16,064	22,710	192,610	220,348	412,958

## 26. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unearned revenue	\$ 430,581	\$ 393,491
Unearned interest	1,182,482	937,062
Guarantee deposits	5,153,494	2,468,761
Deferred income	615,279	775,455
Temporary credits	<u>862,470</u>	<u>759,865</u>
	<u>\$ 8,244,306</u>	<u>\$ 5,334,634</u>



## 27. POST-EMPLOYMENT BENEFIT PLANS

### Defined Contribution Plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### Defined Benefit Plans

The Company also has defined benefit plan under the Labor Standards Act (LSA). Under the LSA, pension benefits are calculated on the basis of the length of service and average monthly salaries of six months before retirement. The Company contributes amounts equal to 2% to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Enforcement Rules of the Labor Pension Act, the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The Company's plan assets and present value of defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of actuarial valuations were as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Discount rate used in determining present values	1.375%	1.500%
Expected rate of salary increase	3.500%	3.500%

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	<u>For the Year Ended December 31</u>	
	<b>2023</b>	<b>2022</b>
Current service cost	\$ 10,286	\$ 11,703
Interest cost, net	<u>16,514</u>	<u>6,396</u>
	<u>\$ 26,800</u>	<u>\$ 18,099</u>

The amount included in the balance sheets arising from the Company's obligation in respect of its defined benefit plans were as follows:

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Present value of funded defined benefit obligation	\$ (2,563,884)	\$ (2,597,564)
Fair value of plan assets	<u>1,421,490</u>	<u>1,479,062</u>
Deficit	<u>(1,142,394)</u>	<u>(1,118,502)</u>
Net liability arising from defined benefit obligation	<u>\$ (1,142,394)</u>	<u>\$ (1,118,502)</u>

Movements in the present value of the defined benefit obligation were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 2,597,564	\$ 2,731,407
Current service cost	10,286	11,703
Interest expense	38,340	13,444
Remeasurement		
Actuarial (gain) loss - changes in demographic assumptions	-	7,904
Actuarial (gain) loss - changes in financial assumptions	34,190	(157,834)
Actuarial (gain) loss - experience adjustments	5,112	101,152
Benefits paid	<u>(121,608)</u>	<u>(110,212)</u>
Balance at December 31	<u>\$ 2,563,884</u>	<u>\$ 2,597,564</u>

Movements in the fair value of the plan assets were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 1,479,062	\$ 1,434,098
Interest revenue	21,826	7,048
Remeasurement		
Expected return on plan assets	7,057	112,617
Contributions from the employer	35,153	35,511
Benefits paid	<u>(121,608)</u>	<u>(110,212)</u>
Balance at December 31	<u>\$ 1,421,490</u>	<u>\$ 1,479,062</u>

For information about the categories and percentages, etc. of the composition of the fair value of plan assets as of December 31, 2023 and 2022, please refer to the authorities' public information about Labor Pension Funds.

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the significant actuarial assumptions used in the sensitivity analysis of the present value of the defined benefit obligation will be as follows:

	<b>Change in Actuarial Assumptions %</b>	<b>Increase (Decrease) of the Present Value of the Defined Obligation (%)</b>	
		<b>December 31</b>	
		<b>2023</b>	<b>2022</b>
Discount rate used in determining present value	Increase 0.25%	(2.64)	(2.77)
	Decrease 0.25%	2.74	2.87
Expected rate of salary increase	Increase 0.25%	2.64	2.77
	Decrease 0.25%	(2.56)	(2.68)

The sensitivity analysis presented above assumes that only a single actuarial assumption changes and other actuarial assumptions remain unchanged. Practically, the assumptions may not occur in isolation as the assumptions may be correlated. The calculation of the present value of defined benefit obligation adopted the projected unit credit method.

For the years ended December 31, 2023 and 2022, the Company expects to make a contribution of \$34,901 thousand and \$35,191 thousand to the defined benefit plans within one year, respectively, and the weighted average duration of the defined benefit plans is 10.8 years and 11.3 years, respectively.

## 28. EQUITY

### Share Capital

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Number of shares authorized (in thousands)	<u>10,500,000</u>	<u>9,500,000</u>
Shares authorized	<u>\$ 105,000,000</u>	<u>\$ 95,000,000</u>
Number of shares issued and fully paid (in thousands)		
Ordinary shares	<u>9,553,527</u>	<u>9,098,982</u>
Capital shares issued and outstanding	<u>\$ 95,535,273</u>	<u>\$ 90,989,818</u>

On June 9, 2022, the Company's board of directors (on behalf of the shareholders) resolved transfer of \$2,132,700 thousand of earnings to ordinary shares and the ex-dividend date was set on August 3, 2022. The registration of conversion had been completed.

On May 18, 2023, the Company's board of directors (on behalf of the shareholders) resolved to issue 227,273 thousand ordinary shares by private placement at NT\$22 per share, amounting to \$5,000,000 thousand and the record date of the capital increase was set on June 30, 2023, which has been approved by the Ministry of Economic.

On September 21, 2023, the Company's board of directors (on behalf of the shareholders) resolved to amend the Company's Articles of Incorporation to increase the total capital to \$105,000,000 thousand and issue 227,273 thousand ordinary shares by private placement at NT\$22 per share, amounting to \$5,000,000 thousand. The record date of the capital increase was set on October 27, 2023, which has been approved by the Ministry of Economic.

### Capital Surplus

The capital surplus from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

The capital surplus from investments using equity method, employee share options and conversion options may not be used for any purpose.

Taishin Financial Holding's Board of Directors resolved the fourth share options and warrants issue plan based on IFRS Accounting Standards 2 on September 2, 2010. According to the plan, subsidiaries shall recognize the grant of equity instruments from Taishin Financial Holding to their employees as equity-settled shared-based payments transaction to measure the services provided by subsidiaries' employees, the increase in equity as funding from Taishin Financial Holding, and the same amount of increase in equity as current expenses based on the fair value of the equity instrument and the percentage of service provided by Taishin Financial Holding to its subsidiaries over the vesting period, as well as adjust additional paid-in capital - share warrants. The estimate is revised if subsequent information indicates that the number of share options expected to vest differs from previous estimates.

All the employee share options issued by parent company of the Company had been acquired.

## Retain Earnings and Dividends Policy

In accordance with dividends policy of the Articles of Incorporation of the Company, where the Company makes profit in a fiscal year, the profit shall be first utilized for paying taxes, adjusted in accordance with accounting standards, then offsetting losses of previous years firstly. The remaining profit, if any, would be set aside as legal reserve and set aside or reversed a special reserve in accordance with the laws and regulations. The special reserve after reversal would be added into undistributed earnings at the beginning of the period. The remaining profit, if any, should be preferentially distributed the dividends and bonus in accordance with the Articles of Incorporation of the Company in each year of preferred share outstanding. Then, the remaining profit together with any undistributed retained earnings shall be used by the Company's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. Cash distributions in any given year cannot exceed 15% of the Company's paid-in capital including, but not limited to, self-owned capital and risk-weighted assets ratio lower than regulations of the authorities. But if the Company's legal reserve equals to or exceeds paid-in capital, this restriction does not apply.

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

Refer to Special Reserves for the information relating to special reserves.

The appropriations of earnings for 2022 and 2021 were resolved by the board of directors on behalf of the shareholders on June 8, 2023 and June 9, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
			<b>(NT\$)</b>	
	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Legal reserve appropriated	\$ 3,645,758	\$ 3,908,039		
Special reserve appropriated	(4,450,310)	(13,944)		
Cash dividends of				
Ordinary shares	4,056,461	7,000,001	\$ 0.44	\$ 0.79
Stock dividends of				
Ordinary shares	-	2,132,700	-	0.24

## Special Reserves

The Company reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 11202709871 issued by the FSC.

The Company appropriated special reserves in accordance with Order No. 1090150022 issued by the FSC and the Q&As on "Question and Answer for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards".

The Company appropriated and reversal special reserves in accordance with Order No. 10510001510 and No. 10802714560 issued by the FSC for the development of financial technology and protection of the bank employees' rights.

## Other Equity - Unrealized Gain (Loss) on Financial Assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (4,826,827)	\$ 126,739
Recognized during the year		
Unrealized gains or losses		
Debt instruments	2,340,888	(6,116,370)
Equity instruments	(45,746)	(357,271)
Income tax related to profit or loss of debt instruments	(135,996)	404,385
Share of subsidiaries and associates accounted for using equity method	(779)	(10)
Reclassification adjustments		
Disposal of investments in debt instruments	<u>12,773</u>	<u>961,943</u>
Other comprehensive loss recognized during the year	<u>2,171,140</u>	<u>(5,107,323)</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>348,024</u>	<u>153,757</u>
Balance at December 31	<u>\$ (2,307,663)</u>	<u>\$ (4,826,827)</u>

## 29. NET INTEREST INCOME

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest revenues		
Loans	\$ 44,079,222	\$ 30,312,479
Investment in marketable securities	15,481,715	5,532,427
Revolving interest of credit cards	1,311,155	1,230,683
Others	<u>5,996,647</u>	<u>3,116,012</u>
	<u>66,868,739</u>	<u>40,191,601</u>
Interest expenses		
Deposits	(36,162,198)	(12,442,917)
Structured products	(3,518,305)	(1,235,661)
Securities sold under repurchase agreements	(1,263,568)	(842,234)
Others	<u>(1,320,323)</u>	<u>(1,273,192)</u>
	<u>(42,264,394)</u>	<u>(15,794,004)</u>
Net interest income	<u>\$ 24,604,345</u>	<u>\$ 24,397,597</u>

### 30. NET SERVICE FEE AND COMMISSION INCOME

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Service fee and commission income		
Interbank	\$ 1,106,572	\$ 1,029,250
Loan	418,541	522,082
Trustee business and trustee affiliated business	2,444,383	2,261,283
Insurance commission	5,332,236	4,638,855
Credit cards	5,557,191	4,398,278
Others	<u>1,834,494</u>	<u>1,791,121</u>
	<u>16,693,417</u>	<u>14,640,869</u>
Service fee and commission expenses		
Credit cards	(2,831,312)	(2,030,082)
Marketing	(753,975)	(485,729)
Interbank	(365,532)	(349,812)
Others	<u>(939,815)</u>	<u>(851,018)</u>
	<u>(4,890,634)</u>	<u>(3,716,641)</u>
Net service fee and commission income	<u>\$ 11,802,783</u>	<u>\$ 10,924,228</u>

The Company provided custody, trust, investment managements and consultancy services to the third party. Therefore, the Company involved in the execution of planning management and trading of financial instruments. In order to the purpose of inner management, the Company recorded in independent accounts and prepared financial statements for management of custody and application of trust and portfolio, but it not included in the financial statements of the Company.

### 31. GAIN (LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Disposal gains (losses)		
Shares and beneficiary certificates	\$ 112,301	\$ 590,231
Bills	12,696	(14,577)
Bonds	296,052	(40,468)
Derivative financial instruments	<u>5,201,748</u>	<u>1,363,168</u>
	<u>5,622,797</u>	<u>1,898,354</u>
Valuation gains (losses)		
Shares and beneficiary certificates	563,962	(144,972)
Bills	39,364	17,274
Bonds	1,313,034	(840,241)
Derivative financial instruments	<u>(1,551,091)</u>	<u>1,718,381</u>
	<u>365,269</u>	<u>750,442</u>
Interest revenue	1,067,585	471,714
Dividends	487,012	104,705
Interest expense	<u>(182,327)</u>	<u>(167,148)</u>
	<u>\$ 7,360,336</u>	<u>\$ 3,058,067</u>

### 32. REALIZED GAIN (LOSS) ON FINANCIAL ASSETS AT FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Disposal gains (losses)		
Bonds	\$ (7,696)	\$ (951,488)
Beneficiary certificates	<u>(5,077)</u>	<u>(10,455)</u>
	(12,773)	(961,943)
Dividends income		
Related to investments held at the end of the year	90,096	238,358
Related to investments derecognized at the end of the year	<u>180,113</u>	<u>58,303</u>
	<u>\$ 257,436</u>	<u>\$ (665,282)</u>

### 33. EMPLOYEE BENEFITS EXPENSES

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term benefits	\$ 13,195,352	\$ 11,826,298
Post-employment benefits		
Defined contribution plans	440,214	417,983
Defined benefit plans	26,799	18,099
Share-based payments		
Cash-settled share-based payments	95,187	735
Others	<u>129,332</u>	<u>119,982</u>
	<u>\$ 13,886,884</u>	<u>\$ 12,383,097</u>

#### a. Employees' compensation

In compliance with the Articles, the Company accrued employees' compensation at a rate of 0.01% of net profit before income tax. The employee's compensation for the years ended December 31, 2023, and 2022 were \$1,799 thousand and \$1,473 thousand, respectively.

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and will make adjustments next year.

The Company held board of directors' meetings on February 23, 2023 and February 17, 2022 in which it resolved the appropriations of employees' compensation. There is no difference between the actual amounts of compensation of employees and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

#### b. Cash-settled share-based payments

The Company issued share appreciation rights (SARs) to employees that required the Company's parent company Taishin Financial Holding to pay the intrinsic value of SARs to the qualified people. Provision for the expense recognized by the Company for the years ended December 31, 2023 and 2022 were \$95,187 thousand and \$735 thousand, respectively. The related liabilities, recognized as of December 31, 2023 and 2022 were \$119,277 thousand and \$85,642 thousand, respectively.

### 34. DEPRECIATION AND AMORTIZATION EXPENSES

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Property and equipment	\$ 1,048,897	\$ 1,080,386
Right-of-use assets	705,288	727,907
Intangible assets	<u>496,299</u>	<u>442,038</u>
	<u>\$ 2,250,484</u>	<u>\$ 2,250,331</u>

### 35. INCOME TAX

The governments of Japan, Australia and Vietnam, where the Company is registered, enacted the Pillar Two income tax legislation, effective January 1, 2024. Since the legislation was not effective as of the end of the reporting period, there was no related current income tax impact on the Company. The Company will continuously assess the possible impact of the Pillar Two income tax legislation on its future financial performance.

a. Income tax recognized in profit or loss

The major components of tax expense (profit) were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 3,389,021	\$ 1,701,362
Adjustments for prior years	34,626	(97,003)
Offshore income tax expense	76,176	39,378
Deferred tax		
In respect of the current year	(433,239)	736,330
Adjustments for prior years	<u>14,200</u>	<u>169,360</u>
Income tax expense recognized in profit or loss	<u>\$ 3,080,784</u>	<u>\$ 2,549,427</u>

Reconciliation of profit before income tax and income tax was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Income before income tax attributable to owner of parent	<u>\$ 17,988,717</u>	<u>\$ 14,725,522</u>
Income tax expense calculated at the statutory rate	\$ 3,597,743	\$ 2,945,104
Tax impact of adjustments		
Nondeductible expenses in determining taxable income	4,675	2,591
Tax-exempt income	(627,123)	(699,156)
Temporary differences	(19,513)	189,153
Offshore income tax expense	76,176	39,378
Adjustments to prior years' tax	<u>48,826</u>	<u>72,357</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 3,080,784</u>	<u>\$ 2,549,427</u>



b. Income tax recognized in other comprehensive income (loss)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Deferred tax</u>		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	\$ 135,996	\$ (404,385)
Remeasurement of the defined benefit plans	<u>(6,449)</u>	<u>32,279</u>
Total income tax recognized in other comprehensive income	<u>\$ 129,547</u>	<u>\$ (372,106)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax assets		
Tax refund receivable	\$ <u>-</u>	\$ <u>124,565</u>
Current tax liabilities		
Income tax payable	<u>\$ 2,915,703</u>	<u>\$ 1,234,518</u>

d. Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

	<b>For the Year Ended December 31, 2023</b>			
	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Ending Balance</b>
<u>Deferred tax assets</u>				
Allowance for bad debts in excess of tax limit	\$ 1,203,208	\$ (103,676)	\$ -	\$ 1,099,532
Reserve for guarantee liabilities in excess of tax limit	4,335	2,890	-	7,225
Linked debt settlement compensation	15,594	-	-	15,594
Credit card bonus points liabilities	153,156	(32,035)	-	121,121
Unfunded pension liabilities	223,765	(1,671)	6,449	228,543
Unrealized gains or losses on financial instruments	136,199	527,008	-	663,207
Compensation of dispute	683	-	-	683
Unrealized gains or losses on financial assets at FVTOCI	470,350	-	(135,996)	334,354
Others	<u>-</u>	<u>26,521</u>	<u>-</u>	<u>26,521</u>
	<u>\$ 2,207,290</u>	<u>\$ 419,037</u>	<u>\$ (129,547)</u>	<u>\$ 2,496,780</u>
<u>Deferred tax liabilities</u>				
Land value increment tax	\$ (53,552)	\$ -	\$ -	\$ (53,552)
Property and equipment depreciation	<u>(4,812)</u>	<u>2</u>	<u>-</u>	<u>(4,810)</u>
	<u>\$ (58,364)</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ (58,362)</u>

**For the Year Ended December 31, 2022**

	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Ending Balance</b>
<u>Deferred tax assets</u>				
Allowance for bad debts in excess of tax limit	\$ 1,883,705	\$ (680,497)	\$ -	\$ 1,203,208
Reserve for guarantee liabilities in excess of tax limit	3,195	1,140	-	4,335
Linked debt settlement compensation	15,594	-	-	15,594
Credit card bonus points liabilities	151,212	1,944	-	153,156
Unfunded pension liabilities	259,527	(3,483)	(32,279)	223,765
Unrealized gains or losses on financial instruments	360,516	(224,317)	-	136,199
Compensation of dispute	683	-	-	683
Unrealized gains or losses on financial assets at FVTOCI	<u>65,965</u>	<u>-</u>	<u>404,385</u>	<u>470,350</u>
	<u>\$ 2,740,397</u>	<u>\$ (905,213)</u>	<u>\$ 372,106</u>	<u>\$ 2,207,290</u>
<u>Deferred tax liabilities</u>				
Land value increment tax	\$ (53,552)	\$ -	\$ -	\$ (53,552)
Property and equipment depreciation	<u>(4,335)</u>	<u>(477)</u>	<u>-</u>	<u>(4,812)</u>
	<u>\$ (57,887)</u>	<u>\$ (477)</u>	<u>\$ -</u>	<u>\$ (58,364)</u>

- e. The estimated payables to Taishin Financial Holding due to the adoption of the linked-tax system were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Linked-tax receivables to Taishin Financial Holding (recorded under current tax assets)	\$ -	\$ 124,565
Linked-tax payables to Taishin Financial Holding (recorded under current tax liabilities)	<u>\$ 2,696,815</u>	<u>\$ 926,945</u>

- f. Income tax assessments

The Company's income tax returns through 2017 have been assessed by the tax authorities.

### 36. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic earnings per share	<u>\$ 1.61</u>	<u>\$ 1.34</u>
Diluted earnings per share	<u>\$ 1.61</u>	<u>\$ 1.34</u>

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

#### Net Income for the Year

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Earnings attributable to owner of parent used in computation of basic earnings per share	<u>\$ 14,907,933</u>	<u>\$ 12,176,095</u>
Earnings attributable to owner of parent used in computation of diluted earnings per share	<u>\$ 14,907,933</u>	<u>\$ 12,176,095</u>

#### Weighted Average Number of Ordinary Shares Outstanding

Unit: Number of Shares in Thousands

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares used in computation of basic earnings per share	9,255,271	9,098,982
Effect of dilutive potential ordinary shares: Employees' compensation	<u>102</u>	<u>90</u>
Weighted average number of ordinary shares used in computation of dilutive earnings per share	<u>9,255,373</u>	<u>9,099,072</u>

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

### 37. CASH FLOW INFORMATION

#### Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2023

	Beginning Balance	Cash Flows	Non-cash Changes			Ending Balance
			New Leases	Termination of Lease Contract	Fair Value Adjustments	
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 8,490,936	\$ 1,248,075	\$ -	\$ -	\$ -	\$ 9,739,011
Bank notes payable	28,000,000	-	-	-	-	28,000,000
Lease liabilities	2,106,706	(667,453)	798,675	(1,036)	-	2,236,892
Financial liabilities designated as at FVTPL	<u>2,483,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,172</u>	<u>2,548,652</u>
	<u>\$ 41,081,122</u>	<u>\$ 580,622</u>	<u>\$ 798,675</u>	<u>\$ (1,036)</u>	<u>\$ 65,172</u>	<u>\$ 42,524,555</u>

For the year ended December 31, 2022

	Beginning Balance	Cash Flows	Non-cash Changes			Ending Balance
			New Leases	Termination of Lease Contract	Fair Value Adjustments	
Due to the Central Bank and banks (including call loans from other banks and bank overdrafts)	\$ 39,859,845	\$ (31,368,909)	\$ -	\$ -	\$ -	\$ 8,490,936
Bank notes payable	34,800,000	(6,800,000)	-	-	-	28,000,000
Lease liabilities	2,452,383	(731,873)	387,613	(1,417)	-	2,106,706
Financial liabilities designated as at FVTPL	<u>3,023,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(540,098)</u>	<u>2,483,480</u>
	<u>\$ 80,135,806</u>	<u>\$ (38,900,782)</u>	<u>\$ 387,613</u>	<u>\$ (1,417)</u>	<u>\$ (540,098)</u>	<u>\$ 41,081,122</u>

### 38. CAPITAL RISK MANAGEMENT

#### a. Summary

The Company's goals in capital management are as follows:

- 1) The Company's eligible self-owned capital should meet the requirement of legal capital, and reached the minimum capital adequacy ratio.
- 2) The calculation of eligible self-owned capital and legal capital are according to the regulation of administration.
- 3) To ensure the Company is able to meet the capital needs of taking any kinds of risks, it should be evaluated periodically and observed the variation between eligible self-owned capital and risk assets.

#### b. Capital management procedures

The Company maintains a sound capital adequacy ratio to meet the requirement of the administration, and reports to the administration quarterly. In addition, the capital management procedures for the overseas branches of the Company are carried out according to the regulation of local administrations.

The Company's capital adequacy performance, which is calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, is reported to the Asset and Liability Management Committee monthly. The regulatory capital is classified into Tier I capital and Tier II capital, respectively.

Tier I capital: Include common equity Tier I and other Tier I capital.

- 1) Common equity Tier I: Include ordinary shares, additional paid-in capital in excess of par, capital reserves, legal reserve, special reserve, accumulated earnings, non-controlling interests and other equity and deduct legal adjustment of calculations announced by administration.

- 2) Other Tier I capital: Include noncumulative perpetual preferred shares, additional paid-in capital in excess of par and noncumulative perpetual subordinated debts and deduct legal adjustment of calculations announced by administration.

Tier II capital: Include long-term subordinated bonds, property at fair values or revaluation values as firstly applied by IAS recognized as increases of retained earning, 45% of unrealized gains or losses on financial assets at FVTOCI and operating reserve and allowance and deduct legal adjustment of calculations announced by administration.

c. Capital adequacy ratio

Item		Period	December 31, 2023	December 31, 2022
Self-owned capital	Common equity Tier I		\$ 166,274,738	\$ 144,156,590
	Other Tier I capital		24,999,730	24,999,730
	Tier II capital		30,122,963	31,526,011
	Self-owned capital		221,397,431	200,682,331
Risk-weighted assets	Credit risk	Standardized approach	1,269,203,004	1,184,483,410
		IRB	-	-
		Securitization	4,651,015	1,651,953
	Operation risk	Basic indicator approach	-	-
		Standardized approach/ optional standard	136,122,400	122,627,613
		Advanced internal-rating based approach	-	-
	Market price risk	Standardized approach	59,223,513	36,872,063
		Internal model approach	-	-
	Total		1,469,199,932	1,345,635,039
	Capital adequacy ratio			15.07%
Common equity Tier I to risk-weighted assets ratio			11.32%	10.71%
Tier I capital to risk-weighted assets ratio			13.02%	12.57%
Leverage ratio			6.77%	6.63%

Note 1: The ratios are calculated in accordance with the Letters issued by the MOF on December 23, 2019 (Ref. No. FSC 10802744341) and on February 18, 2022 (Ref. No. FSC 11102703692).

Note 2: Formula:

- a) Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital.
- b) Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) × 12.5.
- c) Capital adequacy = Self-owned capital ÷ Risk-weighted assets.
- d) Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets.
- e) Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets.
- f) Leverage ratio = Tier I capital ÷ Adjusted average assets.

## 39. FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments

#### a. Summary

Fair value is the exchange price in an orderly transaction between market participants and is the amount to be received on the sale of an assets or the amount to be paid on the transfer of a liability.

Financial instruments are initially measured at fair value. In many cases, the transaction price will equal the fair value. Subsequently, the financial instruments are measured at fair value, unless the financial assets meet the criteria for being measured at amortized cost. A quoted price in an active market provides the most reliable evidence of fair value. If financial instruments have no quoted prices in an active market, the Company will use valuation techniques or refer to Bloomberg or Reuters' quotes or the fair value quoted by the counterparty.

#### b. The definition of three levels of fair value

- 1) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Active markets must have the following attributes: (A) assets or liabilities traded in the market are identical, (B) the market is principal (or most advantageous), providing ease in finding buyers and sellers that are both able and willing to transact an asset sale or liability transfer; and (C) pricing information is readily available on an ongoing basis to the public.
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., value derived from price), in the active markets.
  - a) Quoted prices of similar financial instruments in active market are the Company's fair value of financial instruments if based on recent quoted price for similar financial instruments. Similar financial instruments should be decided in accordance with characteristics and transaction conditions of these instruments. Fair value of financial instruments will vary depending on factors specific to the similar asset or liability. The factors include: Prices are not current, price quotations vary substantially, transaction price between related parties, relevance of quoted price of similar instruments and the quoted price of financial instruments.
  - b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
  - c) Valuation models are used to measure fair value, and the inputs (e.g., interest rate, yield curve, and volatilities) are based on accessible data from the markets (the observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data).
  - d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
- 3) Level 3 inputs are inputs that are not available in the market. Unobservable inputs are inputs such as historical volatilities used in option pricing model. Historical volatility typically does not represent current market participants' expectations about future volatility.

c. Financial instruments measured at fair value

1) Information on fair value hierarchy

The financial instruments measured at fair value of the Company are measured at fair value on a recurring basis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Financial Assets and Liabilities	December 31, 2023			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurement</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares and beneficiary certificates	\$ 7,445,904	\$ 6,763,256	\$ -	\$ 682,648
Bond investments	30,239,155	6,084,128	24,155,027	-
Investment in bills	54,371,699	-	54,371,699	-
Financial assets at FVTOCI				
Share investments	3,043,963	777,912	-	2,266,051
Bond investments	126,750,525	3,706,659	123,043,866	-
Beneficiary securities	1,007,163	-	1,007,163	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	234,207	234,207	-	-
Financial liabilities designated as at FVTPL	2,548,652	-	2,548,652	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	48,679,034	12,613	39,147,400	9,519,021
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	52,174,682	140,569	42,125,590	9,908,523

Financial Assets and Liabilities	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurement</u>				
<u>Non-derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares and beneficiary certificates	\$ 2,492,839	\$ 1,900,790	\$ -	\$ 592,049
Bond investments	15,841,007	4,414,296	11,426,711	-
Investment in bills	43,436,249	-	43,436,249	-
Financial assets at FVTOCI				
Share investments	3,845,230	1,771,008	-	2,074,222
Bond investments	110,563,739	3,905,138	106,658,601	-
Investment in bills	1,819,411	1,819,411	-	-
Beneficiary securities	1,140,195	-	1,140,195	-
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	75,360	75,360	-	-
Financial liabilities designated as at FVTPL	2,483,480	-	2,483,480	-
<u>Derivative assets and liabilities</u>				
Assets				
Financial assets at FVTPL	44,557,113	10,325	34,295,144	10,251,644
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	44,638,713	7,817	34,042,302	10,588,594

2) The valuation techniques based on fair value

Financial instruments are initially measured at fair value. In many cases the transaction price will equal the fair value. Subsequently, the financial instruments are measured at fair value, unless the financial assets meet the criteria for being measured at amortized cost. A quoted price in an active market provides the most reliable evidence of fair value. If financial instruments have no quoted prices in an active market, the Company will use valuation techniques or refer to Bloomberg or Reuters' quotes or the fair value quoted by the counterparty.

If there is an active market and a price for a financial instrument quoted in that market, the quoted price will be the fair value of the financial instrument. Market prices provided by major stock exchanges and market prices of popular central government bonds announced by the Taipei Exchange (formerly the GreTai Securities Market) are considered to be the basis of fair values for equity instruments and debt instruments with active market.

If a quoted price, which represents the price being practically and frequently transacted in orderly transactions, can be acquired from stock exchanges, brokers, underwriters, pricing service institutions or the administration in time then there is an active market for the financial instrument. If the conditions mentioned above are not met, then the market is regarded as inactive. Generally speaking, extremely high bid-ask spread, significant increase of bid-ask spread or extremely low transaction amounts are all indications of an inactive market.



The Company's financial instruments with active markets and the basis of their fair values are described as follows:

a) Foreign currency products

Since the foreign exchange market is very active, the Company adopts the market prices of each respective currency or the last trading prices as fair values.

b) Government bonds and part of interest rate derivatives

i. New Taiwan Dollar Central Government Bonds: If there is a trading price on the measurement date, then the last trading price is the fair value. If there is no trading price for reference and the subordinated bond fair price provided by the Taipei Exchange is not in the market quoted price interval, then the median price of the market quoted prices is the fair value. If the subordinated bond fair price is in the market quoted price interval, then the fair price is the fair value.

ii. Interest rate derivatives: The quoted price from Reuters is the fair value.

c) Share-related products

The Company adopts stock market quoted prices or the last trading prices as fair values.

d) Credit-related products

The quoted price from Bloomberg is the fair value.

Except for the financial instruments with active market, fair values of other financial instruments are acquired based on valuation techniques or the quoted prices from counterparties. Fair values acquired through valuation techniques can be calculated using models based on fair values from financial instruments with similar conditions and characteristics, cash flow discount method and other valuation techniques, including accessible information on the balance sheet date such as the yield curve from the Taipei Exchange or the average quoted price from Reuters commercial papers interest rate.

When measuring financial instruments that are not standardized and with low complexity such as options without active market, the Company will adopt valuation techniques consistent with those generally used by other market participants to price financial instruments. Parameters applied for the valuation models for this type of financial instruments are observable in the market.

With regard to financial instruments with high complexity, the Company will adopt self-developed valuation techniques and methods consistent with those generally used by other market participants and valuation models to measure fair values. These types of valuation models are often applied to derivatives, embedded bond instrument or securitized products, etc. Part of input parameters for the valuation models of this type of financial instruments are not observable in the market. Therefore, the Company makes appropriate estimates based on assumptions.

Valuation of derivatives is based on valuation models consistent with those generally used by other market participants, such as the discount rate method or the option pricing models.

Valuation of investments in equity instruments is based on generally used valuation methods, which are consistent with those described in the Statements of Valuation Standards (SVS) No. 11 "Business Valuation", such as the asset-based approach and the market approach (which is comparable to the market approach).

### 3) Adjustments of fair values

#### a) Limits of valuation models and indeterminate input value

Valuation models generate estimated approximate values. That is, valuation techniques may not be able to reflect all the factors relevant to the performance of the Company's financial instruments. Thus, the results generated by valuation models are adjusted appropriately by using additional parameters, such as determinants of fair value (prevailing economic conditions, financial condition of counterparties to financial instruments, etc.) or assumptions and forecasts (future economic conditions, amount and pricing of future cash flows, etc.). Based on the Company's valuation basis manual and model management policies, the price information and parameters used in the valuation process are carefully assessed and appropriately adjusted in accordance with actual market conditions.

#### b) Credit risk value adjustments

Credit risk value adjustments are mainly classified into credit value adjustments (CVA) and debit value adjustments (DVA) as follows:

The CVA is an adjustment to the valuation of derivative contracts made in decentralized market, which is the Over the counter (OTC) market, to reflect within fair value the possibility that the counterparty may default and that the Company may not receive the full market value of the transactions.

The DVA is an adjustment to the valuation of derivative contracts made in decentralized market, which is the OTC market, to reflect within fair value the possibility that the Company may default, and that the Company may not pay the full market value of the transactions.

The Company would calculate CVA by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying by exposure at default (EAD) of the counterparty. On the contrary, DVA is computed by applying probability of default of the Company and considering loss given default of the Company before being multiplied by exposure at default of the Company.

The Company manages PD through its regular internal rating review. After examining the experiences of foreign financial institutions, the Company adopted 60% as its LGD and chose the marking to market of OTC derivative instruments to determine EAD. In addition, in calculating the fair values of financial instruments, the Company took credit risk rating adjustments into consideration to reflect competitors' credit risk and the Company's credit quality, respectively.

### 4) The transfer between Level 1 and Level 2

The source used to measure the fair value of part of bonds held by the Company has been changed from a quoted price in an active market to an evaluation price from yield curve information in the market put into the general practice bond evaluation model. Therefore, it has been reclassified to the Level 2 based on observable price information other than a quoted price in an active market. There were no bonds reclassified from the Level 1 to the Level 2 for the years ended December 31, 2023 and 2022, respectively.

5) Reconciliation of Level 3 financial assets

For the Year Ended December 31, 2023								
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial assets at FVTPL	\$ 10,843,693	\$ (1,047,017)	\$ -	\$ 676,450	\$ -	\$ (271,457)	\$ -	\$ 10,201,669
Financial assets at FVTOCI	2,074,222	-	191,875	-	-	(46)	-	2,266,051
Total	\$ 12,917,915	\$ (1,047,017)	\$ 191,875	\$ 676,450	\$ -	\$ (271,503)	\$ -	\$ 12,467,720

Note: No transfer from Level 3.

For the Year Ended December 31, 2022								
Item	Beginning Balance	Valuation Gains (Losses)		Increase		Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial assets at FVTPL	\$ 5,381,451	\$ 3,954,276	\$ -	\$ 1,677,025	\$ -	\$ (169,059)	\$ -	\$ 10,843,693
Financial assets at FVTOCI	1,952,854	-	(5,036)	133,867	-	(7,463)	-	2,074,222
Total	\$ 7,334,305	\$ 3,954,276	\$ (5,036)	\$ 1,810,892	\$ -	\$ (176,522)	\$ -	\$ 12,917,915

Note: No transfer from Level 3.

Above-mentioned valuation gains (losses) recognized in current profits or losses in the amounts of \$(1,029,593) thousand and \$4,172,354 thousand were attributed to gains (losses) on assets owned for the years ended December 31, 2023 and 2022, respectively.

Above-mentioned valuation gains (losses) recognized in other comprehensive income in the amounts of \$191,874 thousand and \$(5,036) thousand were attributed to gains (losses) on assets owned for the years ended December 31, 2023 and 2022, respectively.

Reconciliation of Level 3 financial liabilities:

For the Year Ended December 31, 2023							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial liabilities at FVTPL	\$ 10,588,594	\$ (1,037,064)	\$ 565,209	\$ -	\$ (208,216)	\$ -	\$ 9,908,523

Note: No transfer from Level 3.

For the Year Ended December 31, 2022							
Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal or Delivery	Transfer out	
Financial liabilities at FVTPL	\$ 4,555,827	\$ 4,533,298	\$ 1,573,746	\$ -	\$ (74,277)	\$ -	\$ 10,588,594

Note: No transfer from Level 3.

Above-mentioned valuation gains (losses) recognized in current profits or losses in the amounts of \$1,033,371 thousand and \$(4,534,320) thousand were attributed to gains (losses) on liabilities owned for the years ended December 31, 2023 and 2022, respectively.

6) Quantitative information of the fair value measurement of significant unobservable inputs (Level 3)

Most of the Level 3 fair value attributed to the Company only has single significant unobservable input.

The quantitative information of significant unobservable inputs was as follows:

	Fair Value on December 31, 2023	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
<u>Non-derivative financial instruments</u>					
Financial assets at FVTPL Financial assets mandatorily classified as at FVTPL Share investments	\$ 682,648	Assets method	Discount for lack of marketability Non-controlling interest discount	10%-30% 10%-30%	The higher the discount for lack of marketability, the lower the fair value. The higher the discount for non-controlling interests, the lower the fair value.
Financial assets at FVTOCI Share investments	2,081,442	Assets method	Discount for lack of marketability Non-controlling interest discount	10%-30% 10%-30%	The higher the discount for lack of marketability, the lower the fair value. The higher the discount for non-controlling interests, the lower the fair value.
	184,609	Market method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
<u>Derivative financial assets</u>					
Financial assets at FVTPL Interest rate swaps	29,344	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.
<u>Derivative financial liabilities</u>					
Financial liabilities at FVTPL Interest rate swaps	323,575	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.

	Fair Value on December 31, 2022	Valuation Technique	Significant Unobservable Inputs	Range of Estimate	Relationship Between Inputs and Fair Value
<u>Non-derivative financial instruments</u>					
Financial assets at FVTPL Financial assets mandatorily classified as at FVTPL Share investments	\$ 592,049	Assets method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	10%-30%	The higher the discount for non-controlling interests, the lower the fair value.
Financial assets at FVTOCI Share investments	1,945,431	Assets method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
			Non-controlling interest discount	10%-30%	The higher the discount for non-controlling interests, the lower the fair value.
	128,791	Market method	Discount for lack of marketability	10%-30%	The higher the discount for lack of marketability, the lower the fair value.
<u>Derivative financial assets</u>					
Financial assets at FVTPL Interest rate swaps	32,940	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.
<u>Derivative financial liabilities</u>					
Financial liabilities at FVTPL Interest rate swaps	335,164	Cash flow discount method	Discount for lack of marketability	0%-20%	The higher the discount for lack of marketability, the lower the fair value.

7) The assessment of fair value based on Level 3 inputs

The financial instruments assessment group of the Company's department of risk management is responsible for independently verifying fair value, using an impartial, reliable source of information, so that the evaluation results reflect market status closely, same with other resource and representing executable price calibrating the assessment model regularly, and updating input values, information and any other information needed to ensure that the assessment model results are reasonable.

The department of investment management targets in equity instruments which obtain financial information audited or reviewed recently from invested company and collect information acquired from public market or private market for the purpose of valuation in proper method.

The department of finance and the department of risk management set assessment policies and procedures for determining the fair values of financial instruments and ensure that these policies and procedures are in compliance with IFRS Accounting Standards.

d. Not measured at fair value

1) Fair value information

The Company's assets that are not measured at fair value, such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, loans, 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 have carrying amounts that are equal to, or reasonably approximate, their fair values.

	<b>December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 530,952,892	\$ 523,693,802	\$ 450,869,560	\$ 441,027,414

2) Information on fair value hierarchy

<b>Assets and Liabilities</b>	<b>December 31, 2023</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets				
Investments in debt instruments at amortized cost	\$ 523,693,802	\$ 21,605,022	\$ 502,088,780	\$ -

<b>Assets and Liabilities</b>	<b>December 31, 2022</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets				
Investments in debt instruments at amortized cost	\$ 441,027,414	\$ 16,221,776	\$ 424,805,638	\$ -

3) Valuation techniques

- a) Financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, deposits from the Central Bank and banks, securities sold under repurchase agreements, payables, remittances and other financial liabilities, are disclosed at their carrying amounts as shown in the individual balance sheets since their maturities are very short or their future payments/receipts approximate their carrying amounts.
- b) Investments in debt instruments at amortized cost: Refer to Note 39. (c) for related information.
- c) Loans (including delinquent loans)

The Company's loan interest rate is usually determined based on the prime rate plus or minus basis points (i.e., the floating rate), which reflects the market interest rate. The expected recovery of loans is taken into consideration. Therefore, loans are disclosed at their carrying amounts.

Medium and long-term loans, which are determined at fixed rates and account for a minor proportion of loans, are disclosed at their carrying amounts.

d) Deposits

Considering that most of the banking transactions are within one year of maturity, deposits are disclosed at their carrying amounts.

e) Bank notes payable

The bank notes payable issued by the Company are intended to enhance liquidity or for capital management purpose instead of earning short-term profits; therefore, the bank notes payable are disclosed at carrying amounts.

### Financial Assets and Financial Liabilities Offsetting

The Company signs net settlement contracts or similar agreements with counterparties. When both transaction parties choose to do netting, the Company can offset financial assets and financial liabilities after the signing of the net settlement agreement. If not, the Company would execute total settlement. However, if one of the transaction parties breaks a contract, the other party can choose to execute net settlement. The table below shows more information on the offset of financial assets and financial liabilities.

December 31, 2023						
Offset and Execution of Net Settlement or Similar Agreement on Financial Assets						
Interpretation	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Net Financial Assets in the Balance Sheets (c)=(a)-(b)	Amount of Offset Not Shown in the Balance Sheets (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collateral	
Derivative	\$ 34,397,091	\$ -	\$ 34,397,091	\$ 28,177,490	\$ 4,818,249	\$ 1,401,352

Note: Including net settlement and non-cash collateral.

December 31, 2023						
Offset and Execution of Net Settlement or Similar Agreement on Financial Liabilities						
Interpretation	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets (b)	Net Financial Liabilities in the Balance Sheets (c)=(a)-(b)	Amount of Offset Not Shown in the Balance Sheets (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Pledged Cash Collateral	
Derivative	\$ 46,187,572	\$ -	\$ 46,187,572	\$ 28,177,490	\$ 12,136,540	\$ 5,873,542

Note: Including net settlement and non-cash collateral.

December 31, 2022						
Offset and Execution of Net Settlement or Similar Agreement on Financial Assets						
Interpretation	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Net Financial Assets in the Balance Sheets (c)=(a)-(b)	Amount of Offset Not Shown in the Balance Sheets (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Received Cash Collateral	
Derivative	\$ 28,324,642	\$ -	\$ 28,324,642	\$ 21,413,575	\$ 1,563,900	\$ 5,347,167

Note: Including net settlement and non-cash collateral.

December 31, 2022						
Offset and Execution of Net Settlement or Similar Agreement on Financial Liabilities						
Interpretation	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets (b)	Net Financial Liabilities in the Balance Sheets (c)=(a)-(b)	Amount of Offset Not Shown in the Balance Sheets (d)		Net (e)=(c)-(d)
				Financial Instruments (Note)	Pledged Cash Collateral	
Derivative	\$ 38,400,126	\$ -	\$ 38,400,126	\$ 21,413,575	\$ 12,402,343	\$ 4,584,208

Note: Including net settlement and non-cash collateral.

### Transfer of Financial Assets

The Company treats debt securities under repurchase agreements as transferred financial assets that do not qualify for full derecognition; thus, the Company will recognize debts on the transferred financial assets to be bought back at a confirmed price because of the transfer of cash on the debt security contracts. In addition, the Company should not use, sell or pledge the transferred financial assets during the transaction validity period. However, the Company still bears interest and credit risks although the financial assets will not be fully derecognized. The following table shows the amounts of the financial assets that did not qualify for full derecognition and information on the related financial liabilities:

December 31, 2023		
Financial Assets	Transferred Financial Assets - Carrying Amount	Related Financial Liabilities - Carrying Amount
Financial assets at FVTPL sold under repurchase agreement	\$ 46,917,137	\$ 46,957,171
Financial assets at FVTOCI sold under repurchase agreement	26,019,924	27,187,384

December 31, 2022		
Financial Assets	Transferred Financial Assets - Carrying Amount	Related Financial Liabilities - Carrying Amount
Financial assets at FVTPL sold under repurchase agreement	\$ 39,982,111	\$ 39,505,585
Financial assets at FVTOCI sold under repurchase agreement	28,075,875	27,899,619
Investments in debt instruments at amortized cost sold under repurchase agreement	3,080,292	3,150,273

### Financial Risk Management Objectives and Policies

#### a. Summary

The Company's goal in risk management is to balance the risks and returns by giving consideration to business operations, overall risk appetite, and external legal restrictions. The major risks the Company sustains include on- and off-balance-sheet credit risks, market risks (including interest rate, exchange rate, equity security prices, credit spread and commodity price risks), liquidity risks and climate-related risks.



The parent company, Taishin Financial Holding, has rules for risk management policies, which, after review by the risk management committee, have been approved by the board of directors. Additionally, the Company has established written risk control procedures, which have been reviewed and approved by the level authorized by the board of the parent company, in order to effectively identify, measure, supervise and control credit risks, market risks, liquidity risks and climate-related risks. Climate-related risk is not an independent risk type that will directly or indirectly aggravate the impact of the above-mentioned existing risks through the economic environment and various businesses. The Company follows climate risk management principles, which have been established by the parent company, Taishin Financial Holding.

b. Organizational structure of risk management function

The board of directors is the highest level in the risk management function in the Company and takes the full responsibility for risk management issues. The board of directors authorizes the monthly risk management meeting to examine policies and standards and establish risk management system. Significant risk management issues need to be reported to the board of parent company. The chairman of Risk Management Committee takes charge of risk management and reports to the board of directors periodically.

Risk management department is independent of business department and identifies, assesses, and controls various risks according to risk management standards. In addition, internal auditing department is responsible for the independent review of risk management and control environment.

c. Market risk

1) The source and definition of market risk

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

a) Interest rate risks

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

b) Exchange rate risks

Exchange rate risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in foreign exchange rates. The Company's exchange rate risk mainly comes from derivatives such as spot and forward exchange positions and forward exchange options, as well as assets and liabilities denominated in non-functional currencies.

c) Equity securities price risks

Equity security price risk is the valuation effect on the position held by the Company when the equity security price changes. The Company's equity security price risk mainly comes from public and OTC shares, index futures and options.

d) Credit spread risk

Credit spread risk is the risk of the effect of changes in credit spreads on positions held by the Company. The major risk comes from derivatives such as credit default swaps.

The major market risks of the Company are equity securities price risks, credit spread risks, interest rate risks, and exchange rate risks. The main position of equity securities risk includes domestic public and OTC shares, domestic share index options and share index futures. The main position of credit spread risk includes the credit derivatives, such as credit default swaps and convertible bond asset swap (CBAS), etc. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Company's investments denominated in foreign currencies, such as foreign currency spots and foreign currency options.

Effect of interest rate benchmark reforms

As the cessation of all LIBOR currencies and terms was officially completed on July 1, 2023, the cross-department LIBOR transition project team has already finished the transition project. The exposures of the transition are replaced by alternative rates, like the Secured Overnight Financing Rate (SOFR), other market rates, or fallback rates permitted by the rate oversight authorities (including but not limited to Synthetic LIBOR).

The following table contains details of all of the financial instruments held by the Company which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

December 31, 2023

	<b>Effect of Interest Rate Benchmark Reform</b>
<b>Interest Rate Benchmark</b>	<b>Synthetic USD LIBOR</b>
	<b>Whole Period</b>
<b>Type</b>	<b>Maturity Date after September 30, 2024</b>
Non-derivative financial assets - carrying amount	\$ 499,664
Financial assets at FVTOCI	499,664

Note a: The carrying amount is the total value, that is, impairment loss or allowance for bad debt is not deducted.

Note b: The due date for all LIBOR currencies and terms has been officially completed. The due date for the Synthetic USD LIBOR for 1 month, 3 months and 6 months is September 30, 2024.

December 31, 2022

Interest Rate Benchmark	Effect of Interest Rate Benchmark Reform	
	USD LIBOR	Other IBOR
	Whole Period	Whole Period
Type	Maturity Date after June 30, 2023	Overdue LIBOR Transition Date
Non-derivative financial assets - carrying amount	\$ 54,697,381	\$ 230,460
Financial assets at FVTOCI	5,680,720	-
Investments in debt instruments at amortized cost	3,326,385	-
Securities purchased under resell agreements	2,107,559	-
Loans	43,582,717	230,460
Non-derivative financial liabilities - carrying amount	2,996,965	-
Securities sold under repurchase agreements	2,996,965	-
Derivative instruments - nominal principal amount	163,811,126	-

Note a: The carrying amount is the total value, that is, impairment loss or allowance for bad debt is not deducted.

Note b: Other IBOR includes SGD SIBOR and SGD SOR.

Note c: Except that the due date for the USD LIBOR overnight, 1 month, 3 months, 6 months and 12 months was extended to June 30, 2023, the due date for other LIBOR currencies is December 31, 2021.

## 2) Market risk management policy

The Company's risk management policy clearly defines the risk management procedures for risk identifying, risk measuring, risk controlling and risk reporting, which are executed by risk management department independently of trading and other departments. The risk management department develops management principles for different businesses and for various aspects of market risk management based on the risk management policy. It establishes market risk management system and regulates market risks, risk limits, stop loss limit and stress tests of various financial assets.

## 3) Market risk management procedures

### a) Identifying risks and measuring possible effects

The Company's risk management department identifies the exposures of positions or new financial instruments to market risks and measures the gains and losses on positions held due to changes in market risk factors based on standards.

The risk management department calculates price sensitivity and gains and losses on positions which are recorded in trading books daily; and calculates the maximum potential losses recorded in each trading books monthly. The Company takes measures to avoid tremendous losses that will harm the Company's operations due to overwhelming changes in market risk factors.

b) Controlling of risk and reporting of issues

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

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

4) Principles of the market risk management

Based on the related risk management standards, the Company classifies financial instruments into trading books and banking books according to the purpose of holding the instruments and manages them with different methods.

Trading portfolios consists of financial instruments held for trading purposes or commodities held to hedge positions in trading books. A position, such as self-run position or position produced by matched principal brokering or market making, is for trading purposes if it is intended to be sold within a short period, to earn or to lock in profit from actual or expected short-term price fluctuations.

Non-trading portfolios are positions other than aforementioned trading portfolios positions, consisting of medium to long-term equity investments and hedging positions to earn from the appreciation of values and dividends, bonds and notes investments and hedging positions to earn interests, positions held for fund dispatching, liquidity risk management, and interest rate risk management in banking books, and positions held for other management purposes.

a) Management strategy

The goal of market risk management is to pursue maximum return on capital, meaning maximizing the capital usage efficiency to improve shareholders' equity.

In order to control market risks, the risk management department sets risk limits for various investment portfolio based on trading strategies, category of trading products and annual profit goals in order to control exposure to risks on positions and losses.

b) Management principles

The parent company stipulated "Principles of Market Risk Limit Management" and "Instructions of Valuation Benchmark" to manage market risk and valuation.

c) Valuation gains and losses

If objective prices of financial instruments exist in open market, such as trading prices, gains and losses on positions are valued in accordance with the market prices by the risk management department. If fair value data is inaccessible, the risk management department will cautiously adopt verified mathematical models to value gains and losses and review the assumptions and parameters of the valuation models periodically.

d) Risk measuring methods

The methods applied by the risk management department in measuring market risks are as follows:

i. Measure the price sensitivity of various risk factors

i) Interest rate risk

It applies DV01 to measure interest risk. DV01 is the change in the value of interest rate risk positions when the yield curve moves upward by one basis point (1bp).

ii) Exchange rate risks

It applies Delta to measure the exchange rate risk of the first order change and applies Gamma to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate.

iii) Equity securities price risks

It applies Delta to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of shares.

iv) Credit spread risk

It applies CS 01, which is the impact of the changes in fair value of a position in response to a one basis point (1bp) credit spread change.

ii. Refer to item 7 for the risk assumptions and calculation methods.

iii. Measure potential losses (stress losses) resulting from extreme market volatility in order to assess capital adequacy and essential position adjustments. Refer to item 6 for the stress test.

e) Risk management procedures

The risk management department identifies the products that can be included in the portfolio, evaluates the risk factors on positions, and sets stop-loss limit and limit of VaR to control exposure to position loss. If the stop-loss limit is reached, then the trading department should take immediate remedial steps to reduce the exposure to the risk position.

5) Interest rate risk management in the banking book positions

Banking book interest rate risk involves bonds and bills, transactions under repurchase agreement, transactions under resell agreements and their hedge positions, which are held to manage the Bank's liquidity risk and the interest rate risk of deposits and loans undertaken by business departments. The interest rate risk is transferred to banking book management department for centralized management through internal fund transfer pricing (FTP) system. Banking book interest rate risk is the effect on net interest income of risk exposure positions held due to adverse changes in interest rate and shareholder equity economic value.

a) Management strategy

The goal of banking book interest rate risk management is to control interest rate risk position and pursue stability and growth of banking book net interest income under the circumstances that liquidity is appropriate.

b) Management principles

The Company stipulated “The Principles of Banking Book Interest Rate Risk Management” as the important control regulations for banking book interest rate risk management.

c) Measuring methods

The banking book interest rate risk is the risk of quantitative or repricing term differences due to the differences in amounts or repricing dates of banking book assets, liabilities and off-balance-sheet items. The Company has rules for risk taken and limits management. Risk taken is in accordance with supervision regulation IRRBB (Interest Rate Risk in the Banking Book), monitoring changes in economic value, Tier I capital ratio and net interest income. The Company measures the effect on net interest income when the yield curve moves upward by 1bp.

d) Management procedures

The Company defines the instruments of banking book interest rate management and sets the risk appetite and limit of interest rate risk in order to avoid severe recession of net interest income when the interest rate changes unfavorably. The banking book management unit sets limits and keeps the interest rate risk within the risk appetite and limits.

6) Stress test

A stress test is applied to measure loss under extremely unfavorable market circumstances in order to assess financial institutions’ tolerance to extreme market volatility.

The risk management unit is required to execute the stress test at least once a month to calculate stress losses for trading portfolios. The risk management unit observes historical information on market prices and sets the biggest possible volatility range for various market risk factors as the stress circumstances. The stress circumstance should be reviewed annually, which should be approved by the high-level risk management and reported to the Chief of Taishin Financial Holding risk management department. Since there are so many market risk factors that affect trading portfolios, there might be plenty of permutations and combinations of stress circumstances when the unit calculates stress loss. For instance, a change in a market risk factor might result in the biggest loss of one investment portfolio but create profits for another investment portfolio. Based on conservative principles, the risk management unit will take into account the correlation between various risk factors to calculate the biggest loss as the stress loss.

The risk management unit should confirm that overall stress loss for trading portfolios does not exceed the stress loss limit and report to the high-level management as references for adjusting positions or resource distributions.

7) Value at risk, “VaR”

The Company uses a variety of methods to control market risk; the VaR is one of them. The Company is using risk model to assess the value of trading portfolios and potential loss amount of holding positions. VaR is the Company’s important internal risk control system, and the board of directors and monthly risk management meeting, review and establish trading portfolio’s limits annually. Actual exposures of the Company are monitored daily by risk management.

VaR is used to estimate adverse market potential loss of existing positions. The VaR model uses historical simulation method, a one-year historical observation period, the estimate of 99% confidence interval, the maximum possible amount of loss holding positions for one day, and the probability that actual losses may exceed the estimate.

**For the Year Ended December 31, 2023**

	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Ending Balance</b>
Exchange VaR	\$ 3,477	\$ 15,144	\$ 791	\$ 15,144
Interest rate VaR	50,840	116,874	28,406	53,915
Equity securities VaR	53,227	77,499	26,724	72,735
Credit spread VaR	19,235	29,003	344	20,112
Value at risk	70,747	101,039	50,557	78,841

**For the Year Ended December 31, 2022**

	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Ending Balance</b>
Exchange VaR	\$ 13,612	\$ 33,301	\$ 754	\$ 2,086
Interest rate VaR	25,876	52,679	9,685	29,870
Equity securities VaR	39,894	82,824	12,055	25,890
Credit spread VaR	9,288	23,408	265	23,408
Value at risk	55,857	95,217	32,471	51,906

8) Information of exchange rate risk concentration

For information regarding the Company's non-functional currency financial assets and liabilities on the balance sheet date, refer to Note 44.

d. Credit risk

1) Source and definition

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

Credit risk can be divided into the following categories based on the object and nature of business:

a) Credit risk

Credit risk is the risk that a borrower is unable to pay its debt or fulfill its debt commitments in credit loans operation.

b) Issuer (guarantor) risk of the underlying issue

It is the credit risk that share issuers go into liquidation or are unable to pay back money when debt, bills and other securities mature.

c) Counterparty risk

It is the credit risk that the counterparty undertaking OTC derivatives or RP/RS transactions are unable to fulfill settlement obligations.

Counterparty risk is also divided into settlement risk and pre-settlement risk.

i. Settlement risk

It is the loss resulting from the counterparty failing to deliver goods or other money on the settlement date when the Company had fulfilled settlement obligations.

ii. Pre-settlement risk

It is the loss resulting from the counterparty failing to fulfill settlement or pay the obligations and from changes in market prices before the settlement date.

d) Other credit risks

Country risk, custodian risk and brokers risk, etc.

2) Credit risk management policies

To ensure its credit risk is under control within the tolerable range, the Company has stipulated in the guidelines for risk management that for all the products provided and businesses conducted, including all on- and off-balance sheets transactions in the banking and trading books, the Company should make detailed analyses to identify existing and potential credit risks and calculate the expected credit loss under different scenarios and time spans to measure climate-related risks through the analysis of climate change scenarios. Before launching new products or businesses, the Company ensures compliance with all applicable rules and regulations and identifies relevant credit risks. For sophisticated credit extensions, such as accounts receivable factoring and credit derivative instruments, the Company also establishes risk management system described in the related rules and guidelines.

Unless the local authorities regulate the assessment of asset qualities and provision for potential losses of the overseas business department, it is in accordance with the Company's risk management policies and guidelines.

The measurement and management procedures of credit risks in the Company's main businesses are as follows:

a) Credit granting business (including loans and guarantees)

i. Credit risk rating

For risk management purposes, the Company rates credit qualities (by using internal rating models for credit risk or credit score tables) in accordance with the nature and scale of a business.

The corporate finance department's internal rating adopts two aspects. One is obligor risk rating (ORR) and the other is Facility Risk Rating (FRR). ORR is used to assess the possibility of the debtor performing financial commitments, which is a quantitative value based on the probability of default (PD) within one year. FRR is used to assess the effect of rating structures and collateral conditions on credit rating, which is a quantitative value based on loss given default (LGD). At the same time, experts also engage in judging and adjusting the rating overrides of statistic models to make up for the limitation of the model.

The consumer finance department's internal rating system adopts product characteristic and debtor condition (such as new case or behavior grading) as the basis of segmentation. It is to ensure that the same pools of debtors and risk exposure are homogeneous. At the same time, review of loans based on experts' override is complemented to make up for the limitation of the model.



ii. Strengthening of management and tracking of credit account after loan

Corporate Finance Department post-loan control unit has built post-loan management system. Online functions include post-loan condition inspections, reviews, early warning indicators, material information notifications, and management of accounts under observation etc. It hopes to make tracking and processing of interim management information of credit accounts faster via system automation and strengthen the management and reduce credit risk.

iii. The measurement of ECLs

At the end of the reporting period, the Company evaluates the risk of default occurring over the expected life of loans, to determine if the credit risk has increased significantly since original recognition. In order to perform this evaluation, the Company considers the information regarding whose credit risk has significantly increased since the respective loan's initial recognition as well as corroborative information (including forward-looking information). The key indicators include quantitative indicators such as changes in internal and external credit ratings, overdue conditions (such as being more than one month overdue), etc., as well as qualitative indicators such as a worsening of debt paying ability, unfavorable changes in operating financial and economic conditions and significant increases in credit risk of borrowers' other financial instruments. At the end of the reporting period, the Company assumes that the credit risk has not increase significantly for those whose credit risk is determined to be low.

The Company has the same definition of default on credit assets and credit impairment. The evidence of credit losses on financial assets includes overdue conditions (e.g., past due for more than three months) and significant financial distress of the borrower. The definitions of default and credit impairment are consistent with the definitions of the financial assets for the purpose of internal credit risk management, which are also used in the relevant impairment assessment model.

In order to assess the ECLs, the loans will be assessed in groups based on the nature of the products, borrowers' credit ratings and collateral, and the Company takes into consideration each borrower's probability of default (PD), loss given default (LGD) and exposure at default (EAD) for the next 12 months and for the lifetime of the loan and considers the impact of the monetary time value in order to calculate the ECLs for 12 months and for the lifetime of the loan, respectively.

The PD and LGD used in the impairment assessment are based on internal historical information (such as credit loss experience) of each combination and are calculated based on current observable data and forward-looking general economic information.

The Company assesses the EAD, PD and LGD using the current exposure method, the group estimating method and the recovery rate adjustment method, respectively. When assessing internal credit ratings, the Company takes factors into account to adjust PD as follows: It considers the respective borrower's future financial and business prospect, guarantors, shareholders and group background, as well as the forward-looking effects of environmental changes in the economy, markets and regulations in corporate finance; and it considers overall economic indicators (e.g., gross domestic product (GDP)) that are adjusted according to the asymptotic single risk factor (ASRF) model.

There was no significant change in valuation techniques and major assumptions used to assess the ECLs of the loans by the Company in 2023 and 2022.

In addition to the aforementioned assessment procedures, which classify loans in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, the loans are classified into five categories for evaluation. Except for normal loans, the remainder are classified into the first category. After the assets are assessed on the basis of the guarantee status of the claims and the length of the time overdue, they are respectively classified within the remaining categories according to the probability of recovery as follows: The second category is for notable assets; the third category is for assets which are expected to be recovered; the fourth category is for assets which will be difficult to recover; and the fifth category is for assets for which recovery is considered hopeless. The highest values of the aforementioned evaluation results are taken to measure the allowance loss.

In order to manage problematic loans, procedures are adopted for the reorganization of loan loss provisions, the allowance for bad debt or guarantee liability provisions, the measurement of overdue loans and the collection of default loans. In the management of loans, the Company is also guided by the Regulations Governing the Procedures for Corporation Credit Businesses to Evaluate Assets and Deal with Non-performing Assets, Measures for Corporation Credit Businesses to Be Taken When Credit Extensions Become Past Due and Regulations Governing Collection Procedures, Regulations Governing the Procedures for Consumer Finance to Evaluate Assets and Deal with Non-performing Assets, Regulations Governing the Procedures for Overdue Loans, Non-accrual Loans and Doubtful Loans.

#### iv. Write-off policy

Overdue loans and non-accrual loans for which one of the following events have occurred should have the estimated recoverable amount deducted and should then be written off as bad debts.

- The debtor may not recover all or part of the obligatory claim due to dissolution, disappearance, settlement, bankruptcy or other reasons.
- The appraisal of the collateral, the property of the principal debtor and the surety is low, or the amount of the loan's priority is deducted, or the collection implementation costs may approach or exceed the amount that the Company can repay, or the loan is not able to be collected.
- The property of the principal debtor and the surety were auctioned off at multiple auctions, no one was required to buy it and the Company did not bear the benefit.
- Overdue loans and non-accrual loans, which have been overdue for more than two years have been collected but have not been received.

However, for overdue loans and non-accrual loans which have been overdue for more than three months but less than two years, after the collection has not been recovered and after deducting the recoverable portion, the remainder will be written off as bad debts.

Loans are written off in accordance with relevant regulations and procedures; the activities of the principal debtor and the surety from obligatory claims shall still be monitored by the relevant business department. If there is property that is available for execution, the Company shall sue according to the relevant laws.

If an evaluation determines that there is no benefit to be gained from the collection activities described in the preceding paragraph, such shall be reported to and approved by the board of directors, and the debt shall no longer be posted in the accounts and subject to control; however, such debt shall continue to be recorded in registry books for acknowledgement.

b) Due from and call loans to banks

The Company evaluates the credit status of counterparties before deals are closed. The Company grants different limits to the counterparties based on their respective credit ratings as suggested by external qualified credit rating institutes.

c) Security investment and financial derivatives transaction

Regarding the credit risk of security investments and financial derivatives, the Company manages the risk by internal credit rating of issuers, issued underlying assets, counterparties, and by external credit rating of debt instruments and counterparties or status of regions/countries.

The other banks with which the Company conducts derivative transactions are mostly considered investment grade. The credits extended to counterparties that are not rated as investment grade are assessed on a case-by-case basis. The credits extended to counterparties are monitored in accordance with the related contract terms and conditions, and the credit limits for derivatives established in normal credit granting processes. Meanwhile, the Company has set the total position limit on trading and banking book securities and each issuer's limit based on credit ratings.

The Company assesses the change in risk of default over the expected lifetime of investments in debt instruments as of the end of the reporting period, so as to determine whether there has been a significant increase in credit risk since initial recognition. In order to make this assessment, the Company considers reasonable indicators of a significant increase in credit risk since initial recognition and corroborative information (including forward-looking information). The main indicators include quantitative indicators, such as external credit ratings, qualitative indicators, such as weakening solvency from adverse changes in operating, financial and economic conditions, and a significant increase in credit risk of the issuer's other financial instruments. Where the Company determines that the credit risk is low as of the reporting date, it will assume that the credit risk will not have a significant increase.

The Company defines default of investments in debt instruments and credit impairment the same. Evidence of financial asset credit impairment includes external credit ratings and the issuers experiencing severe financial difficulties. The definitions of default and credit impairment apply to the relevant impairment assessment model.

Based on credit assessment charts, the Company manages the internal and external credit assessment of debt instruments according to Moody's long-term credit ratings. Credit risk is significant increase if:

- i. The rating is over Baa3 on the initial recognition date, and the rating is lower than Ba1, not including ratings of Ca-D on the measurement date.
- ii. The rating is Ba1-Ba3 on the initial recognition date, and the rating is downgraded to B1-Caa3 on the measurement date.
- iii. The rating is B1-Caa3 on the initial recognition date.

A loan is considered to have been defaulted on if the rating is Ca-D on the measurement date.

The trading department should monitor the credit position of investments in debt instruments. Once it knows that the issuer, guarantor or issued underlying has a credit event (such as a downgrade of credit ratings to non-investment grade, a discharge or a default), it should notify the relevant department immediately and dispose of the investments in debt instruments.

In order to assess the purpose of the ECLs, debt instruments are assessed by grade based on their credit rating. In order to measure the ECLs, the default probability of the issuers is considered, the PD, LGD, EAD for the next 12 months and over the full lifetime of the debt instruments shall be considered, and the impact of the time value of money shall be considered. From this, the 12-month and full-lifetime ECLs shall be calculated separately.

The Company assesses the EAD of investments in debt instruments using the current exposure method (CEM) and adopts external rating information, PD and LGD which are announced periodically by international credit rating agencies (S&P and Moody's), to calculate the ECLs.

Due to international credit rating agencies already considering the prospective information, it is appropriate to assess such information and then include it in the assessment of the related ECLs of the Company.

The Company evaluated that the assessment techniques or material assumptions of the ECLs of investments in debt instruments had no material change in 2023 and 2022.

### 3) Credit risk hedging or mitigation policies

#### a) Collateral

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

The requirements for collateral for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collateral.

The following table details the information on the collateral of credit-impaired financial assets:

December 31, 2023

	<b>Gross Carrying Amount</b>	<b>Impairment under IFRS 9</b>	<b>Proportion of Loans/ Collateral (Note)</b>
Personal housing loans	\$ 4,439,040	\$ 1,318,864	34.10%
Business guaranteed loans	1,355,476	337,263	102.49%
Others	6,556,016	2,407,128	
<b>Total</b>	<b>\$ 12,350,532</b>	<b>\$ 4,063,255</b>	

Note: The value of the collateral is calculated based on the latest accessible internal and external data.

December 31, 2022

	<b>Gross Carrying Amount</b>	<b>Impairment under IFRS 9</b>	<b>Proportion of Loans/ Collateral (Note)</b>
Personal housing loans	\$ 8,292,425	\$ 2,582,904	38.13%
Business guaranteed loans	2,184,899	890,039	102.18%
Others	6,471,399	1,894,775	
Total	\$ 16,948,723	\$ 5,367,718	

Note: The value of the collateral is calculated based on the latest accessible internal and external data.

b) Credit risk concentration limits and control

To avoid the concentration of credit risks, the Company has included credit limits for the same person (entity) and for the same related-party corporation (group) based on the credit risk arising from loans, securities investment and derivative transactions.

Meanwhile, for trading and banking book investments, the Company has set a ratio, which is the credit limit of a single issuer in relation to the total security position. The Company has also included credit limits for a single counterparty and a single group.

In addition, to manage the concentration risk on each category of financial assets, the Company has set credit limits based on type of industry, conglomerate, country and transactions collateralized by shares, and integrated within one system to supervise concentration of credit risk in these categories. The Company monitors concentration of each asset and controls various types of credit risk concentration in a single transaction counterparty, group, related-party corporation, industries, nations.

c) Net settlement

The Company settles most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or some circumstances where the transactions with counterparties are terminated due to defaults.

d) Other credit enhancements

To reduce its credit risks, the Company stipulates in its credit contracts the terms for offsetting to state clearly that the Company reserves the right to offset the borrowers' debt against their deposits in the Company.

4) Maximum exposure to credit risk and credit quality analysis

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

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

Based on risk ratings, the amounts of maximum credit risk exposure (excluding the guarantees or other credit enhancements) at each stage of ECLs on December 31, 2023 and 2022 are as follows:

	December 31, 2023			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 848,545,967	\$ 21,432,843	\$ -	\$ 869,978,810
Good	5,825,283	61,751	-	5,887,034
Acceptable	-	193,601	-	193,601
Default	-	-	7,975,338	7,975,338
Corporate finance				
Excellent	347,251,523	-	-	347,251,523
Good	304,541,658	-	-	304,541,658
Acceptable	23,000	553,284	-	576,284
Default	-	-	2,003,342	2,003,342
Total	\$ 1,506,187,431	\$ 22,241,479	\$ 9,978,680	\$ 1,538,407,590
Receivables (including non-performing receivables transferred, from other than loans)				
Consumer finance				
Excellent	\$ 70,024,425	\$ 75,481	\$ -	\$ 70,099,906
Good	227,178	368	-	227,546
Acceptable	-	73,447	-	73,447
Default	-	-	1,752,680	1,752,680
Corporate finance				
Excellent	23,723,368	-	-	23,723,368
Good	5,659,908	-	-	5,659,908
Acceptable	16	2,496	-	2,512
Default	-	-	619,172	619,172
Others	-	11,234,659	-	11,234,659
Total	\$ 99,634,895	\$ 11,386,451	\$ 2,371,852	\$ 113,393,198
Debt instruments at FVTOCI				
Excellent	\$ 127,757,688	\$ -	\$ -	\$ 127,757,688
Investments in debt instruments at amortized cost				
Excellent	\$ 530,992,007	\$ -	\$ -	\$ 530,992,007
Financial guarantees				
Excellent	\$ 21,111,429	\$ -	\$ -	\$ 21,111,429
Good	8,479,050	-	-	8,479,050
Total	\$ 29,590,479	\$ -	\$ -	\$ 29,590,479
Loan commitments				
Excellent	\$ 1,216,706,453	\$ 264,204	\$ -	\$ 1,216,970,657
Good	240,898,719	-	-	240,898,719
Acceptable	-	105,067	-	105,067
Default	-	-	317,983	317,983
Total	\$ 1,457,605,172	\$ 369,271	\$ 317,983	\$ 1,458,292,426

	December 31, 2022			
	12-month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Loans				
Consumer finance				
Excellent	\$ 763,071,322	\$ 25,714,345	\$ -	\$ 788,785,667
Good	6,394,069	115,498	-	6,509,567
Acceptable	-	125,946	-	125,946
Default	-	-	12,170,562	12,170,562
Corporate finance				
Excellent	301,306,155	-	-	301,306,155
Good	316,029,080	-	-	316,029,080
Acceptable	456,780	724,679	-	1,181,459
Default	-	-	2,253,371	2,253,371
Total	\$ 1,387,257,406	\$ 26,680,468	\$ 14,423,933	\$ 1,428,361,807
Receivables (including non-performing receivables transferred, from other than loans)				
Consumer finance				
Excellent	\$ 64,031,087	\$ 87,541	\$ -	\$ 64,118,628
Good	179,814	571	-	180,385
Acceptable	-	43,656	-	43,656
Default	-	-	1,900,096	1,900,096
Corporate finance				
Excellent	28,904,510	-	-	28,904,510
Good	8,048,799	-	-	8,048,799
Acceptable	494,612	1,453	-	496,065
Default	-	-	624,694	624,694
Others	-	9,895,364	-	9,895,364
Total	\$ 101,658,822	\$ 10,028,585	\$ 2,524,790	\$ 114,212,197
Debt instruments at FVTOCI				
Excellent	\$ 113,523,345	\$ -	\$ -	\$ 113,523,345
Investments in debt instruments at amortized cost				
Excellent	\$ 450,895,153	\$ -	\$ -	\$ 450,895,153
Financial guarantees				
Excellent	\$ 19,181,055	\$ -	\$ -	\$ 19,181,055
Good	5,086,480	-	-	5,086,480
Acceptable	5,000	-	-	5,000
Total	\$ 24,272,535	\$ -	\$ -	\$ 24,272,535
Loan commitments				
Excellent	\$ 1,220,869,188	\$ 344,706	\$ -	\$ 1,221,213,894
Good	220,552,855	893	-	220,553,748
Acceptable	30,728	86,162	-	116,890
Default	-	-	438,835	438,835
Total	\$ 1,441,452,771	\$ 431,761	\$ 438,835	\$ 1,442,323,367

5) Situation of credit risk concentration

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

The Company's information on loans with a significant concentration of credit risk were as follows:

Industry Type	December 31			
	2023		2022	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Manufacturing	\$ 183,049,382	12	\$ 189,311,374	13
Wholesale and retail	65,677,703	4	62,001,352	4
Finance and insurance	141,133,562	9	126,526,145	9
Real estate and leasing	160,209,014	10	142,467,017	10
Service	27,577,945	2	23,921,466	2
Individuals	898,966,768	59	826,994,728	58
Others	<u>61,793,216</u>	4	<u>57,139,725</u>	4
	<u>\$ 1,538,407,590</u>		<u>\$ 1,428,361,807</u>	

Geographic Location	December 31			
	2023		2022	
	Carrying Amount	Percentage of Item (%)	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,429,224,017	93	\$ 1,319,496,837	92
Europe	9,548,062	1	11,669,999	1
America	2,577,551	-	1,913,484	-
Others	<u>97,057,960</u>	6	<u>95,281,487</u>	7
	<u>\$ 1,538,407,590</u>		<u>\$ 1,428,361,807</u>	

e. Liquidity risk

1) The source and definition of liquidity risk

Liquidity risk is the potential loss that the Company may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth. Sources of liquidity risk are as follows:

- a) Inability to fulfill funding gap due to asymmetric time and amount in cash inflows and outflows.
- b) Liabilities paid off in advance before maturity, inability to maintain liabilities at maturity or inability to acquire funds from the market.
- c) Inability to liquidate current assets at reasonable price or raising funds to fulfill funding gap with price higher than the reasonable one.

Except for the liquidity risks arising from normal operation, the Company's liquidity might be affected by events such as credit ratings being downgraded, credibility seriously damaged, financial system's system risk, causing customers to lack confidence and canceling deposits before maturity, call loans from banks being suspended, resell or repurchase transactions being deterred and liquidity of financial assets decreasing.



## 2) Liquidity risk management policy

The objective of liquidity risk management is to ensure that the Company can acquire funds at a reasonable price to pay off debt, perform obligations and contingent liabilities and satisfy demands required by business growth either in normal operation or under sudden, serious and unusual circumstances.

The Company has established policies on assets and liabilities management that stipulate related liquidity risk management rules, stipulate clear distinction between accountability and responsibility of Asset and Liability Committee and management departments and regulate the setting of liquidity risk appetite and limits, risk measuring, risk monitoring and the scope and procedures of reporting to ensure that overall liquidity risk is within the limits of liquidity risk approved by the board of directors.

Basic principles of liquidity risk management policy are as follows:

- a) Principle of risk diversification: The Company should avoid excessively concentrating funds on the same maturity, instruments, currencies, regions, funding sources or counterparties.
- b) Principle of stability: The Company should follow stable strategies and pay attention to market and internal funding liquidity. For example, the Company should absorb the core deposits at appropriate time in order to prevent market volatility from affecting funding sources and thus lower dependence on unstable fund sources.
- c) Principle of maintaining appropriate asset liquidity: Market liquidity will indirectly affect funding liquidity. Therefore, the Company should make sure total assets could pay off total liabilities and maintain certain proportion of assets with high liquidity or collateral in order to finance funds and pay off current liabilities in critical and urgent time.
- d) Principle of matching asset and liability maturity: The Company should pay attention to the spread of maturity and liquidity of liquid assets and current assets should be sufficient to pay off current liabilities.

For urgent or sudden liquidity events, the Company has stipulated urgent fund dispatching handling plan as the highest principle for urgent events in order to integrate the Company's resources quickly to resolve emergencies efficiently.

## 3) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities

### a) Financial assets held to manage liquidity risk:

The Company holds cash and cash equivalents, due from the Central Bank and banks and financial assets at FVTOCI and investments in debt instruments at amortized cost held for the purpose of managing liquidity risk, in order to perform contractual obligations when due and meet the needs of urgent fund dispatching.

b) Maturity analysis of non-derivative financial liabilities

The Company's non-derivative financial liabilities presented based on the residual maturities from the balance sheet date to the contract maturity date were as follows:

Financial Instruments Item	December 31, 2023									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Deposits from the Central Bank and banks	\$ 10,995,531	\$ 2,502,977	\$ 566,799	\$ 2,983,000	\$ 19,500	\$ 3,500	\$ -	\$ -	\$ -	\$ 17,071,307
Non-derivative financial liabilities at FVTPL	223,085	-	-	-	-	11,122	-	-	12,358,260	12,592,467
Securities sold under repurchase agreements	67,831,635	6,040,020	272,900	-	-	-	-	-	-	74,144,555
Payables	13,737,365	2,081,855	747,784	8,443,532	38,873	8,551	1	-	-	25,057,961
Deposits and remittances	255,290,910	305,464,032	230,397,270	335,868,918	997,496,323	3,540,814	1,024	-	-	2,128,059,291
Bank notes payable	-	-	3,000,000	-	4,950,000	-	6,000,000	-	14,050,000	28,000,000
Lease liabilities	326,183	248,845	170,550	122,880	226,227	489,670	347,235	164,306	264,007	2,359,903
Other financial liabilities	4,396,443	3,701,530	4,441,507	3,308,806	2,526,697	1,503,597	8,985,346	2,132,255	74,700,500	105,696,681
<b>Total</b>	<b>\$ 352,801,152</b>	<b>\$ 320,039,259</b>	<b>\$ 239,596,810</b>	<b>\$ 350,727,136</b>	<b>\$1,005,257,620</b>	<b>\$ 5,557,254</b>	<b>\$ 15,333,606</b>	<b>\$ 2,296,561</b>	<b>\$ 101,372,767</b>	<b>\$2,392,982,165</b>

Financial Instruments Item	December 31, 2022									
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	Total
Deposits from the Central Bank and banks	\$ 8,146,614	\$ 6,102,355	\$ 956,464	\$ 2,975,600	\$ 13,000	\$ 19,500	\$ -	\$ -	\$ -	\$ 18,213,533
Non-derivative financial liabilities at FVTPL	75,360	-	-	-	-	-	-	-	12,363,893	12,439,253
Securities sold under repurchase agreements	53,338,547	16,425,245	529,691	261,994	-	-	-	-	-	70,555,477
Payables	12,022,760	1,866,956	475,896	7,330,684	21,065	6,997	-	-	-	21,724,358
Deposits and remittances	225,856,103	331,681,237	216,736,922	333,406,263	829,886,697	3,289,329	580	-	-	1,940,857,131
Bank notes payable	-	-	-	-	8,000,000	4,950,000	-	6,000,000	9,050,000	28,000,000
Lease liabilities	114,561	113,069	166,943	321,827	580,239	433,930	262,510	156,222	225,689	2,374,990
Other financial liabilities	2,701,101	3,711,585	1,558,683	2,488,174	5,278,597	2,345,184	743,134	9,029,677	67,361,018	95,217,153
<b>Total</b>	<b>\$ 302,255,046</b>	<b>\$ 359,900,447</b>	<b>\$ 220,424,599</b>	<b>\$ 346,784,542</b>	<b>\$ 843,779,598</b>	<b>\$ 11,044,940</b>	<b>\$ 1,006,224</b>	<b>\$ 15,185,899</b>	<b>\$ 89,000,600</b>	<b>\$2,189,381,895</b>

The maturity analysis of time deposits in "deposits and remittances" is allocated to each time band based on the Company's historical experience. If all the time deposits were required to be paid off in recent period, the funds outflows in less than one-month time band would have been \$1,127,450,545 thousand and \$1,066,729,823 thousand as of December 31, 2023 and 2022, respectively.

4) Maturity analysis of derivative financial liabilities

The Company disclosed amounts of derivative financial liabilities at FVTPL using fair values recognized in the earliest time band as follows:

Financial Instruments Item	December 31, 2023					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 52,174,682	\$ -	\$ -	\$ -	\$ -	\$ 52,174,682

Financial Instruments Item	December 31, 2022					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL	\$ 44,638,713	\$ -	\$ -	\$ -	\$ -	\$ 44,638,713

5) Maturity analysis of off-balance-sheet items

Below are the amounts of the Company's off-balance-sheet items presented based on the residual maturities from the balance sheet date to the maturity date of loan commitments, guarantees or letters of credit. As of December 31, 2023 and 2022, assuming that all amounts, including the amounts in the longest time band, were due in less than one-month time band, the amounts would have been \$25,480,787 thousand and \$20,353,805 thousand, respectively, for guarantees; \$4,109,692 thousand and \$3,918,730 thousand, respectively, for letters of credit; \$885,508,522 thousand and \$875,109,906 thousand, respectively, for loans commitments (excluding credit card); and \$10,624,922 thousand and \$10,718,399 thousand, respectively, for credit card commitments.

Item	December 31, 2023					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 2,379,148	\$ 5,774,056	\$ 3,830,198	\$ 3,591,371	\$ 9,906,014	\$ 25,480,787
Letters of credit	866,436	3,156,285	68,729	18,242	-	4,109,692
Loan commitments (excluding credit cards)	3,689,125	112,121,615	238,059,342	392,489,973	139,148,467	885,508,522
Credit card commitments	1,002	62,738	144,021	251,918	10,165,243	10,624,922

Item	December 31, 2022					
	1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Guarantees	\$ 4,045,640	\$ 2,515,550	\$ 4,279,724	\$ 2,433,816	\$ 7,079,075	\$ 20,353,805
Letters of credit	1,141,090	2,065,426	627,943	84,271	-	3,918,730
Loan commitments (excluding credit cards)	13,557,205	172,313,037	154,389,964	408,245,596	126,604,104	875,109,906
Credit card commitments	1,463	47,381	88,858	220,779	10,359,918	10,718,399

**Structured Entities**

The Company holds interests in structured entities which are not in the Company's financial statements and the Company does not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by the Company. The information of these unconsolidated structured entities is disclosed as follows:

Type of Structured Entity	Nature and Purpose	Interests Owned
Real estate-backed securities	The risks and rewards related to the structured entities' assets transferred to investors to receive returns through bonds issued	Investment in real estate-backed securities issued by the entities

As of December 31, 2023 and 2022, the carrying amounts related to the interests in unconsolidated structured entities are disclosed as follows:

	December 31	
	2023	2022
<u>Real estate-backed securities</u>		
Financial assets at FVTOCI	\$ 1,007,163	\$ 1,140,195
Investments in debt instruments at amortized cost	<u>22,166,720</u>	<u>7,117,185</u>
	<u>\$ 23,173,883</u>	<u>\$ 8,257,380</u>

#### 40. OTHER DISCLOSURES REQUIRED FOR OF FINANCIAL INSTITUTIONS

a. Asset quality

Non-performing loans and receivables

Item		December 31, 2023					December 31, 2022				
		Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Corporate finance	Secured	\$ 535,944	\$ 323,411,182	0.17%	\$ 3,703,532	691.03%	\$ 679,575	\$ 311,172,402	0.22%	\$ 3,497,032	514.59%
	Unsecured	583,379	343,007,895	0.17%	5,685,557	974.59%	596,383	319,575,323	0.19%	5,267,194	883.19%
Consumer finance	Mortgage loans (Note d)	119,569	412,148,612	0.03%	6,168,081	5,158.60%	209,341	386,700,407	0.05%	5,807,007	2,773.95%
	Cash cards	4,740	198,078	2.39%	39,574	834.89%	8,852	309,549	2.86%	47,572	537.42%
	Credit loans (Note e)	238,624	98,130,252	0.24%	1,091,654	457.48%	205,507	86,481,922	0.24%	992,864	483.13%
	Others (Note f)										
	Secured	289,642	355,067,327	0.08%	3,816,836	1,317.78%	266,595	321,922,495	0.08%	3,521,960	1,321.09%
	Unsecured	2,043	6,444,244	0.03%	68,556	3,355.65%	2,309	2,199,709	0.10%	24,910	1,078.82%
Subtotal		1,773,941	1,538,407,590	0.12%	20,573,790	1,159.78%	1,968,562	1,428,361,807	0.14%	19,158,539	973.23%
Credit card		167,377	70,278,804	0.24%	711,666	425.19%	135,063	64,937,068	0.21%	641,310	474.82%
Accounts receivable factoring with no recourse (Note g)		-	27,476,624	-	900,794	-	-	35,824,274	-	1,047,380	-

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

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

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

Note d: Mortgage loans are for applicants to build or repair the buildings owned by the applicants, their spouses or their minor children. These applicants provide their buildings as collaterals and assign the right on mortgage to financial institutions.

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

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

Note g: In accordance with the Letter issued by the Banking Bureau on August 24, 2009 (Ref. No. Jin-Guan-Yin 09850003180), accounts receivable without recourse are classified as non-performing loans if not compensated by the factor or insurance company within three months.

Exempted from report as non-performing loans and receivables

Business Type	Item	December 31, 2023		December 31, 2022	
		Exempted from Report as Non-performing Loans	Exempted from Report as Non-performing Receivables	Exempted from Report as Non-performing Loans	Exempted from Report as Non-performing Receivables
Amounts negotiated in accordance with the agreement (Note a)		\$ 100,138	\$ 35,921	\$ 146,116	\$ 52,270
Loans executed in accordance with debt clearing and renewal regulations (Note b)		1,675,745	1,024,882	1,750,328	1,117,438
Total		1,775,883	1,060,803	1,896,444	1,169,708

Note a: Disclosed in accordance with the Letter issued by the Banking Bureau on April 25, 2006 (Ref. No. FSC (1) 09510001270).

Note b: Disclosed in accordance with the letter issued by the Banking Bureau on September 15, 2008 (Ref. No. FSC (1) 09700318940) and September 20, 2016 (Ref. No. FSC 10500134790).

b. Concentration of credit risk

Year Rank (Note a)	December 31, 2023			December 31, 2022		
	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity
1	A Group (activities of other holding companies)	\$ 16,047,121	8.44%	A Group (activities of other holding companies)	\$ 16,265,719	9.73%
2	B Group (wireless telecommunications)	13,140,173	6.91%	C Group (other financial service, not elsewhere classified)	11,657,530	6.97%
3	C Group (other financial service, not elsewhere classified)	12,932,206	6.80%	B Group (wireless telecommunications)	10,343,855	6.19%
4	D Group (real estate development)	10,666,000	5.61%	E Group (other financial service, not elsewhere classified)	10,312,786	6.17%
5	E Group (other financial service, not elsewhere classified)	10,148,220	5.34%	D Group (real estate development)	10,280,000	6.15%
6	F Group (activities of other holding companies)	9,858,573	5.19%	F Group (activities of other holding companies)	10,051,141	6.01%
7	G Group (financial leasing industry)	9,595,821	5.05%	G Group (financial leasing industry)	10,022,477	5.99%
8	H Group (real estate development)	9,127,600	4.80%	K Group (manufacture of computers)	9,078,641	5.43%
9	I Group (rolling and extruding of iron and steel)	8,570,014	4.51%	I Group (rolling and extruding of iron and steel)	8,691,126	5.20%
10	J Group (manufacture of computers)	7,754,191	4.08%	J Group (manufacture of computers)	7,652,057	4.58%

Note a: Sorted by the balance of loans, excluding government or state-owned business. If borrowers belong to the same business group, the aggregated credit amount of the business group is disclosed, and code and industry additionally disclosed. If the borrower is a business group, the industry with the largest risk exposures in the business group is disclosed. The industry disclosure should follow the guidelines of Directorate-General of Budget, Accounting and Statistics.

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

Note c: Loans include import and export bill negotiations, bills discounted, overdrafts, short-term loans, short-term secured loans, financing receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, delinquent loans, inward remittances, factoring without recourse, acceptances, and guarantees.

c. Interest rate sensitivity information

**Interest Rate Sensitivity (New Taiwan Dollars)**

Item	December 31, 2023				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,469,465,977	\$ 36,183,628	\$ 98,531,993	\$ 216,167,627	\$ 1,820,349,225
Interest-sensitive liabilities	574,706,758	143,977,104	120,529,469	851,974,673	1,691,188,004
Interest sensitivity gap	894,759,219	(107,793,476)	(21,997,476)	(635,807,046)	129,161,221
Net equity					190,336,299
Ratio of interest-sensitive assets to liabilities					107.64%
Ratio of interest sensitivity gap to net equity					67.86%

**Interest Rate Sensitivity (New Taiwan Dollars)**

Item	December 31, 2022				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,319,311,500	\$ 43,562,070	\$ 58,851,989	\$ 207,871,928	\$ 1,629,597,487
Interest-sensitive liabilities	577,073,868	121,135,183	146,529,246	669,902,880	1,514,641,177
Interest sensitivity gap	742,237,632	(77,573,113)	(87,677,257)	(462,030,952)	114,956,310
Net equity					167,379,412
Ratio of interest-sensitive assets to liabilities					107.59%
Ratio of interest sensitivity gap to net equity					68.68%

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

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

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

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

**Interest Rate Sensitivity (U.S. Dollars)**

(In Thousands of U.S. Dollars)

Item	December 31, 2023				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 12,697,794	\$ 2,037,194	\$ 3,967,801	\$ 3,654,148	\$ 22,356,937
Interest-sensitive liabilities	12,540,786	2,294,126	2,222,157	4,859,559	21,916,628
Interest sensitivity gap	157,008	(256,932)	1,745,644	(1,205,411)	440,309
Net equity					(46,653)
Ratio of interest-sensitive assets to liabilities					102.01%
Ratio of interest sensitivity gap to net equity					(943.80%)

## Interest Rate Sensitivity (U.S. Dollars)

(In Thousands of U.S. Dollars)

Item	December 31, 2022				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 11,562,309	\$ 2,061,731	\$ 1,875,469	\$ 4,959,343	\$ 20,458,852
Interest-sensitive liabilities	11,629,997	1,547,047	1,928,070	4,809,746	19,914,860
Interest sensitivity gap	(67,688)	514,684	(52,601)	149,597	543,992
Net equity					(79,336)
Ratio of interest-sensitive assets to liabilities					102.73%
Ratio of interest sensitivity gap to net equity					(685.68%)

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

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

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

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

### d. Profitability

(Unit: %)

Item		For the Year Ended December 31, 2023	For the Year Ended December 31, 2022 (Restated)
Return on total assets	Pretax	0.71	0.66
	After tax	0.59	0.55
Return on net equity	Pretax	9.97	8.87
	After tax	8.25	7.37
Profit margin		33.01	31.67

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2023 and 2022.

e. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)**

	Total	December 31, 2023				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	More Than 1 Year
Major maturity cash inflow	\$ 2,721,337,901	\$ 816,619,522	\$ 430,471,586	\$ 276,073,845	\$ 233,144,406	\$ 965,028,542
Major maturity cash outflow	3,304,414,286	457,098,432	503,729,497	472,827,177	527,913,503	1,342,845,677
Gap	(583,076,385)	359,521,090	(73,257,911)	(196,753,332)	(294,769,097)	(377,817,135)

**Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)**

	Total	December 31, 2022				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	More Than 1 Year
Major maturity cash inflow	\$ 2,439,482,635	\$ 632,790,587	\$ 475,390,861	\$ 214,389,191	\$ 202,779,698	\$ 914,132,298
Major maturity cash outflow	3,005,738,328	395,022,339	561,916,504	365,471,569	484,884,839	1,198,443,077
Gap	(566,255,693)	237,768,248	(86,525,643)	(151,082,378)	(282,105,141)	(284,310,779)

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

**Maturity Analysis of Assets and Liabilities (U.S. Dollars)**

(In Thousands of U.S. Dollars)

	Total	December 31, 2023				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	More Than 1 Year
Major maturity cash inflow	\$ 71,729,852	\$ 22,857,836	\$ 20,643,225	\$ 12,409,463	\$ 7,504,726	\$ 8,314,602
Major maturity cash outflow	71,514,981	24,344,306	21,183,700	11,328,942	8,871,937	5,786,096
Gap	214,871	(1,486,470)	(540,475)	1,080,521	(1,367,211)	2,528,506

**Maturity Analysis of Assets and Liabilities (U.S. Dollars)**

(In Thousands of U.S. Dollars)

	Total	December 31, 2022				
		Period Remaining until Due Date and Amount Due				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	More Than 1 Year
Major maturity cash inflow	\$ 54,153,761	\$ 15,253,307	\$ 18,651,215	\$ 7,385,123	\$ 4,407,310	\$ 8,456,806
Major maturity cash outflow	53,999,836	14,569,507	19,017,274	8,117,653	6,218,580	6,076,822
Gap	153,925	683,800	(366,059)	(732,530)	(1,811,270)	2,379,984

Note: The above amounts included only U.S. dollar amounts held by the Bank.

f. Trust accounts

Under Article 3 of the Trust Law, the Company can offer trust services. The items and amounts of trust accounts were as follows:

	December 31	
	2023	2022
Special purpose trust account - foreign and domestic investments	\$ 233,209,975	\$ 206,195,211
Domestic securities investment trust for custody	384,903,287	326,661,199
Other monetary fund	70,703,799	50,712,965
Employee benefit trust	9,228,024	5,419,995
Securities trust	30,178,307	30,046,989
Collective administration account	300,724	320,859
Real estate trust	91,127,044	74,830,918
Monetary and securities trust	482,927	581,875
	<u>\$ 820,134,087</u>	<u>\$ 694,770,011</u>



#### 41. RELATED-PARTY TRANSACTIONS

a. Names and relationships of related parties were as follows:

Name	Relationship
Taishin Financial Holding	Parent Company
Taishin Venture Capital	Fellow subsidiary
Taishin Asset Management Co., Ltd. (“Taishin AMC”)	Fellow subsidiary
Taishin Securities	Fellow subsidiary
Taishin Securities Investment Trust Co., Ltd. (“Taishin Securities Investment Trust”)	Fellow subsidiary
Taishin Securities Venture Capital Co., Ltd. (“Taishin Securities Venture Capital”)	Fellow subsidiary
Taishin Securities Investment Advisory Co., Ltd. (“Taishin Securities Investment Advisory”)	Fellow subsidiary
Taishin Capital Co., Ltd. (“Taishin Capital”)	Fellow subsidiary
Taishin Futures Co., Ltd. (“Taishin Futures”)	Fellow subsidiary
Credidi Inc. (“Credidi”)	Fellow subsidiary (became a non-related party on November 21, 2023)
Taishin Health Investment Co., Ltd. (“Taishin Health Investment”)	Fellow subsidiary
Taishin Life Insurance Co., Ltd. (“Taishin Life Insurance”)	Fellow subsidiary
Taishin Sports Entertainment Co., Ltd	Fellow subsidiary
Taishin D.A. Finance	Subsidiary
Taishin Real-Estate	Subsidiary
Taishin Financial Leasing (China)	Second-tier subsidiary
An Hsin Construction Manager Corp. (“An Hsin Construction Manager”)	Associate
Shin Kong Life Insurance Co., Ltd. (“Shin Kong Life Insurance”)	Other
Shin Kong Synthetic Fibers Co., Ltd. (“Shin Kong Synthetic Fibers”)	Other
Dah Chung Bills Finance Corp. (“Dah Chung Bills”)	Other
CyberSoft Digital Service Corp. (“CyberSoft Digital Service”)	Other
Shin Kong Mitsukoshi Department Store Co., Ltd. (“Shin Kong Mitsukoshi”)	Other
Shin Kong Insurance Co., Ltd. (“Shin Kong Insurance”)	Other
An Shin Construction Manager Corp. (“An Shin Construction Manager”)	Other
Yuanta Commercial Bank Co., Ltd. (“Yuanta Bank”)	Other
Tasco Chemical Corp. (“Tasco Chemical”)	Other
Taiwan Fieldrich Corp. (“Taiwan Fieldrich”)	Other
Chin Wei Corp. (“Chin Wei”)	Other
Yi Huan Co., Ltd. (“Yi Huan”)	Other
Xiang Zhao Investment Co., Ltd. (“Xiang Zhao”)	Other
Excel Chemical Corp. (“Excel Chemical”)	Other
MasterLink Securities Corp. (“MasterLink Securities”)	Other
Yun Teh Corporation (“Yun Teh”)	Other
Chang Her Industrial Corp. (“Chang Her”)	Other
Hung Shin Enterprise Co., Ltd. (“Hung Shin”)	Other
Mega Green Energy Corporation (“Mega Green Energy”)	Other
Jia Hao Corporation (“Jia Hao”)	Other
Ezconn Corporation (“Ezconn”)	Other
Sercomm Corporation (“Sercomm”)	Other
Oneness Biotech Co., Ltd. (“Oneness Biotech”)	Other
Taipei Exchange (“TPEX”)	Other

(Continued)

Name	Relationship
Bora Biologics Co., Ltd. (“Bora Biologics”)	Other
Nan Ya Plastics Corporation (“Nan Ya Plastics”)	Other
Bor Sy Industrial Corp. (“Bor Sy”)	Other
Taiwan Depository & Clearing Corporation (“TDCC”)	Other (became a non-related party on October 3, 2023)
Delin Industrial Corp., Ltd. (“Delin Industrial”)	Other
Individual A	Key management personnel’s spouse
Individual B	Key management personnel
Individual C	Key management personnel
Others	Including key management personnel and others (Concluded)

b. Material transactions with related parties

Details of material transactions between the Company and other related parties are disclosed as follows:

1) Loans, deposits and guaranteed loans

Loans

	Ending Balance	Percentage of Loans (%)
December 31, 2023	\$ 2,501,120	0.16
December 31, 2022	2,407,121	0.17

For the years ended December 31, 2023 and 2022, the amounts of interest income were \$57,202 thousand and \$36,750 thousand, respectively. Interest rates ranged from 1.08% to 15.00% and from 0.75% to 10.59%, respectively.

December 31, 2023						
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
133 accounts	\$ 520,644	\$ 724,032	\$ 520,644	\$ -	Land, buildings and chattels	None
<u>Self-used residence mortgage loans</u>						
154 accounts	1,085,915	1,224,691	1,085,915	-	Land and buildings	None
<u>Other loans</u>						
Ezconn	368,000	2,516,000	368,000	-	Land and buildings	None
Shin Kong Synthetic Fibers	250,000	2,050,000	250,000	-	Securities - shares	None
Others	<u>276,561</u>	4,264,841	<u>276,561</u>	-	Land, buildings and securities - deposits	None
	<u>\$ 2,501,120</u>		<u>\$ 2,501,120</u>	<u>\$ -</u>		

**December 31, 2022**

	Ending Balance	Highest Amount	Normal Loans	Non- performing Loans	Collateral	The Different Terms with Non-related Parties
<u>Consumer loans</u>						
135 accounts	\$ 570,153	\$ 659,740	\$ 570,153	\$ -	Land, buildings and chattels	None
<u>Self-used residence mortgage loans</u>						
154 accounts	1,096,418	1,269,593	1,096,418	-	Land and buildings	None
<u>Other loans</u>						
Ezconn	380,000	3,278,000	380,000	-	Land and buildings	None
Shin Kong Synthetic Fibers	150,000	600,000	150,000	-	Securities - shares	None
Others	<u>210,550</u>	2,896,836	<u>210,550</u>	-	Land, buildings and securities - deposits	None
	<u>\$ 2,407,121</u>		<u>\$ 2,407,121</u>	<u>\$ -</u>		

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

Deposits

	Ending Balance	Percentage of Deposits (%)
December 31, 2023	\$ 42,026,841	1.97
December 31, 2022	42,770,501	2.20

For the years ended December 31, 2023 and 2022, the amounts of interest expenses were \$633,734 thousand and \$164,066 thousand, respectively. Interest rates ranged from 0.00% to 10.00% and from 0.00% to 6.05%, respectively.

	<b>December 31, 2023</b>		
	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taishin Financial Holding	\$ 19,767,642	0.00-1.40	\$ (244,973)
Oneness Biotech	4,598,818	0.01-5.19	(230,346)
Taishin Life Insurance	2,822,109	0.00-2.20	(12,511)
TPEX	1,941,485	0.11-1.54	(14,855)
Sercomm	1,616,812	0.15-1.36	(3,564)
Taishin Securities	1,269,861	0.00-1.70	(17,896)
Taishin Futures	944,317	0.00-5.53	(4,501)
Shin Kong Mitsukoshi	812,306	0.00-0.53	(7,419)
Dah Chung Bills	416,861	0.00-1.20	(3,696)
Ezconn	400,909	0.00-5.50	(10,264)
Taishin Securities Investment Advisory	344,853	0.41-5.35	(7,544)
Shin Kong Synthetic Fibers	330,285	0.00-0.85	(2,731)
Tasco Chemical	298,878	0.01-0.85	(633)
Excel Chemical	253,184	0.01-0.53	(22)

(Continued)

<b>December 31, 2023</b>			
	<b>Ending Balance</b>	<b>Interest Rate (Per Annum %)</b>	<b>Interest Expense</b>
Taishin D.A. Finance	\$ 220,954	0.00-1.51	\$ (2,039)
Hung Shin	212,254	0.01-0.01	(8)
Delin Industrial	205,672	0.01-5.35	(840)
Taishin Securities Investment Trust	204,827	0.08-1.70	(881)
An Hsin Construction Manager	198,031	0.25-0.53	(3,461)
Mega Green Energy	195,417	0.41-1.56	(2,274)
Shin Kong Insurance	143,481	0.00-1.51	(1,616)
Taiwan Fieldrich	140,033	0.01-5.37	(6,432)
Individual A	102,746	0.01-0.85	(475)
Shin Kong Life Insurance	100,564	0.08-0.85	(956)
Others	<u>4,484,542</u>		<u>(53,797)</u>
	<u>\$ 42,026,841</u>		<u>\$ (633,734)</u> (Concluded)

<b>December 31, 2022</b>			
	<b>Ending Balance</b>	<b>Interest Rate (Per Annum %)</b>	<b>Interest Expense</b>
Taishin Financial Holding	\$ 20,320,940	0.00-1.22	\$ (77,495)
Oneness Biotech	4,361,930	0.01-4.93	(27,861)
Taishin Life Insurance	2,462,888	0.00-0.41	(4,471)
Taishin Securities	2,183,608	0.00-1.44	(5,682)
TPEX	1,903,698	0.01-1.42	(7,864)
Shin Kong Mitsukoshi	1,496,388	0.00-0.41	(2,774)
An Shin Construction Manager	549,257	0.01-0.41	(1,474)
Tasco Chemical	519,691	0.00-0.41	(161)
Shin Kong Insurance	497,120	0.00-1.26	(1,765)
Shin Kong Synthetic Fibers	464,146	0.00-0.41	(1,505)
Dah Chung Bills	427,213	0.00-0.41	(552)
Taishin Futures	398,492	0.16-0.41	(114)
Excel Chemical	381,240	0.01-0.41	(14)
Ezconn	346,049	0.00-4.80	(3,254)
Taishin Securities Investment Advisory	310,996	0.01-2.75	(3,066)
Mega Green Energy	267,570	0.01-1.31	(1,165)
Hung Shin	201,288	0.01-0.01	(10)
Sercomm	144,295	0.00-0.41	(241)
Taishin Securities Investment Trust	139,445	0.01-1.26	(257)
Taiwan Fieldrich	133,601	0.01-5.00	(1,191)
Taishin Venture Capital	133,004	0.01-0.41	(183)
Taishin D.A. Finance	117,800	0.00-1.14	(179)
Bora Biologics	114,979	0.01-0.50	(119)
Individual B	106,886	0.00-4.00	(432)
Others	<u>4,787,977</u>		<u>(22,237)</u>
	<u>\$ 42,770,501</u>		<u>\$ (164,066)</u>

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

2) Call loan to banks and call loan from banks

<b>December 31, 2023</b>				
	<b>Item</b>	<b>Ending Balance</b>	<b>Interest Rate (Per Annum %)</b>	<b>Interest Revenue</b>
Yuanta Bank	Call loan to banks	\$ -	4.58-5.36	\$ 2,406

  

<b>December 31, 2023</b>				
	<b>Item</b>	<b>Ending Balance</b>	<b>Interest Rate (Per Annum %)</b>	<b>Interest Expense</b>
Yuanta Bank	Call loan from banks	\$ -	5.10-5.36	\$ (653)

  

<b>December 31, 2022</b>				
	<b>Item</b>	<b>Ending Balance</b>	<b>Interest Rate (Per Annum %)</b>	<b>Interest Revenue</b>
Dah Chung Bills	Call loan to banks	\$ -	0.29-0.94	\$ 1,583
Yuanta Bank	Call loan to banks	-	0.07-3.72	1,596

  

<b>December 31, 2022</b>				
	<b>Item</b>	<b>Ending Balance</b>	<b>Interest Rate (Per Annum %)</b>	<b>Interest Expense</b>
Yuanta Bank	Call loan from banks	\$ -	1.56-3.01	\$ (447)

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

3) Trading securities

	<b>December 31, 2023</b>					
	<b>Purchase Price</b>	<b>Sales Price</b>	<b>Repurchase Agreements</b>		<b>Resell Agreements</b>	
	<b>(Accumulated Amount)</b>	<b>(Accumulated Amount)</b>	<b>Ending Balance</b>	<b>Interest Rate (Per Annum %)</b>	<b>Ending Balance</b>	<b>Interest Rate (Per Annum %)</b>
MasterLink Securities	\$ 4,471,461	\$ 2,073,277	\$ -	-	\$ -	-
Taishin Financial Holding	-	-	250,000	0.80-0.98	-	-
Dah Chung Bills	2,900,540	100,000	-	-	-	-
Yuanta Bank	-	199,776	-	-	-	-
Chin Wei	-	-	61,289	0.87-0.99	-	-
Yi Huan	-	-	15,042	0.79-0.96	-	-
Xiang Zhao	-	-	12,063	0.79-0.96	-	-
Jia Hao	-	-	30,375	0.79-0.99	-	-
Yun Teh	-	-	15,006	0.78-0.97	-	-
Nan Ya Plastics	300,000	-	-	-	-	-
Individual C	-	-	70,223	0.78-0.98	-	-
	<u>\$ 7,672,001</u>	<u>\$ 2,373,053</u>	<u>\$ 453,998</u>		<u>\$ -</u>	

	<b>December 31, 2022</b>					
	<b>Purchase Price (Accumulated Amount)</b>	<b>Sales Price (Accumulated Amount)</b>	<b>Repurchase Agreements</b>		<b>Resell Agreements</b>	
			<b>Ending Balance</b>	<b>Interest Rate (Per Annum %)</b>	<b>Ending Balance</b>	<b>Interest Rate (Per Annum %)</b>
MasterLink Securities	\$ 1,315,821	\$ 1,606,897	\$ -	-	\$ -	-
Taishin Financial Holding	-	-	200,000	0.17-0.81	-	-
Taishin Securities	-	49,139	-	-	-	-
Dah Chung Bills	49,744	-	-	-	-	-
Yuanta Bank	-	2,095,838	-	-	-	-
Yi Huan	-	-	6,008	0.18-0.76	-	-
Xiang Zhao	-	-	49,219	0.18-0.81	-	-
Jia Hao	-	-	35,034	0.18-0.81	-	-
Chang Her	-	-	44,024	0.52-0.81	-	-
Yun Teh	-	-	81,003	0.52-0.79	-	-
Nan Ya Plastics	-	-	3,547,450	0.58-0.90	-	-
Bor Sy	-	-	60,141	0.60-0.80	-	-
TDCC	518,487	870,733	-	-	-	-
	<u>\$ 1,884,052</u>	<u>\$ 4,622,607</u>	<u>\$ 4,022,879</u>		<u>\$ -</u>	

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

#### 4) Derivatives

	<b>December 31, 2022</b>						
	<b>Related Parties</b>	<b>Derivative Contracts</b>	<b>Period</b>	<b>Nominal</b>	<b>Valuation</b>	<b>Account</b>	<b>Balance</b>
				<b>Principal Amount</b>	<b>Gain (Loss)</b>		
Dah Chung Bills	Interest rate swaps	2017/6/15-2022/6/20	\$ 300,000	\$ (639)	Financial assets at FVTPL	\$ -	

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

#### 5) Liability contracts with related parties

	<b>Item</b>	<b>December 31</b>	
		<b>2023</b>	<b>2022</b>
Taishin Life Insurance	Accounts receivables	\$ 176,017	\$ 98,507

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

6) Other material transactions

<b>For the Year Ended December 31</b>					
		<b>2023</b>		<b>2022</b>	
	<b>Item</b>	<b>Amount</b>	<b>Item</b>	<b>Amount</b>	
CyberSoft Digital Service	Operating expenses	\$ (236,216)	Operating expenses	\$ (348,547)	
Shin Kong Mitsukoshi	Service charge and operating expenses	(360,924)	Service charge and operating expenses	(368,336)	
Shin Kong Mitsukoshi	Fee income	351,383	Fee income	348,788	
Shin Kong Life Insurance	Commission income	26,210	Commission income	57,690	
Taishin Life Insurance	Commission income	3,046,241	Commission income	1,500,062	
Taishin Securities	Fee income	191,567	Fee income	162,161	

All transactions with related parties are made under arm's length terms, which are consistent with normal policies.

7) The Company leases houses and buildings to subsidiaries and fellow subsidiaries through operating leases. The monthly rentals, which had been paid by the lessees, were based on rentals for buildings near the Bank. The rental income for the years ended December 31, 2023 and 2022 were \$65,670 thousand and \$64,626 thousand, respectively.

8) On March 17, 2022, the Company's board of directors resolved to acquire a real estate from Taishin AMC with the acquisition price of \$360,000 thousand. The transaction was completed and recognized on April 2022. The transaction with the related party was made under arm's length terms, which are consistent with normal policies.

c. Remuneration of key management personnel

For the years ended December 31, 2023 and 2022, the remuneration of directors and other members of key management personnel were as follows:

<b>For the Year Ended December 31</b>		
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 459,746	\$ 448,159
Post-employment benefits	5,951	5,352
Share-based payment	<u>33,655</u>	<u>3,127</u>
	<u>\$ 499,352</u>	<u>\$ 456,638</u>

## 42. PLEDGED ASSETS

The following assets were provided as collateral for overdrafts from Central Bank and other banks, derivative trading, repurchase agreements and other operating deposits:

Pledged Assets	Description	December 31	
		2023	2022
Investments in debt instruments at FVTOCI	Bonds	\$ 312,563	\$ 390,100
Investments in debt instruments at amortized cost	Securities and bonds	16,526,284	18,161,821
Refundable deposits	Cash and certificates of time deposits	14,124,774	13,199,402
Operating deposits and settlement funds	Cash and certificates of time deposits	52,156	32,140

## 43. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in other notes, the Company has items as follows:

	December 31	
	2023	2022
Trust liabilities	\$ 820,134,087	\$ 694,770,011
Securities custody payable	97,180,742	85,891,124
Unpaid engineering equipment and software	1,081,543	821,814

As of December 31, 2023, the remaining capital commitments for the contracted private equity fund of the Company was \$304,167 thousand.

b. Under Article 17 of the implementation rules of the Trust Law, the Company disclosed its balance sheets and income statements of trust accounts and its asset items, as follows:

Trust Accounts Balance Sheets December 31, 2023 and 2022					
Trust Assets	2023	2022	Trust Liabilities	2023	2022
Deposit	\$ 76,490,739	\$ 54,127,398	Payables	\$ 2,695	\$ 1,251
Financial assets			Securities custody payable	384,903,287	326,661,199
Bonds	58,223,725	37,489,826	Trust capital	426,494,500	369,202,230
Shares	44,269,200	41,632,293	Reserves and retained earnings		
Mutual funds	141,850,389	134,371,765	Net income (loss)	11,536,790	(5,979,753)
Other foreign marketable securities	1,769,945	1,930,966	Retained earning	(156,616)	7,743,781
Structured products	29,227,075	28,893,989	Deferred carryover	111,469	(93,965)
Short term bills	150,000	-	Income distribution and others	(2,758,038)	(2,764,732)
Receivables	47,783	27,517			
Real estate					
Land	58,700,331	52,819,181			
Buildings	53,815	47,759			
Construction-in-progress	24,447,798	16,768,118			
Securities custody asset	<u>384,903,287</u>	<u>326,661,199</u>			
	<u>\$ 820,134,087</u>	<u>\$ 694,770,011</u>		<u>\$ 820,134,087</u>	<u>\$ 694,770,011</u>



**Trust Income Statements**  
**For the Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Revenues		
Interest	\$ 565,571	\$ 201,151
Rent	1,506	3,754
Dividends	1,358,187	1,707,997
Fund distribution	105,133	93,308
Investment benefits	9,662,546	8,246
Others	<u>17,592</u>	<u>236,462</u>
	<u>11,710,535</u>	<u>2,250,918</u>
Expenses		
Administration fees	(22,640)	(21,272)
Supervisor fees	(238)	(247)
Taxes	(57,279)	(21,804)
Service charge	(1,663)	(10,640)
Professional service fees - CPA	(200)	(200)
Investment loss	(43,900)	(8,127,289)
Others	<u>(19,079)</u>	<u>(34,873)</u>
	<u>(144,999)</u>	<u>(8,216,325)</u>
Net income (loss) before tax	11,565,536	(5,965,407)
Net income (loss) equalization	<u>(28,746)</u>	<u>(14,346)</u>
Net income (loss)	<u>\$ 11,536,790</u>	<u>\$ (5,979,753)</u>

**Trust Asset Summary**  
**December 31, 2023 and 2022**

<b>Investment Item</b>	<b>2023</b>	<b>2022</b>
Deposits	\$ 76,490,739	\$ 54,127,398
Financial assets		
Bonds	58,223,725	37,489,826
Shares	44,269,200	41,632,293
Mutual funds	141,850,389	134,371,765
Other foreign marketable securities	1,769,945	1,930,966
Structured product investments	29,227,075	28,893,989
Short term bills	150,000	-
Receivables	47,783	27,517
Real estate		
Land	58,700,331	52,819,181
Buildings	53,815	47,759
Construction-in-progress	24,447,798	16,768,118
Securities custody asset	<u>384,903,287</u>	<u>326,661,199</u>
	<u>\$ 820,134,087</u>	<u>\$ 694,770,011</u>

According to the General Agreement, the net assets value denominated in U.S. dollar should be translated into New Taiwan dollar at the settlement rate of New Taiwan dollar against U.S. dollar announced by Taipei Forex Brokerage Co., Ltd. for the day on a net basis. If foreign exchange rates are not available, the last known rate should be used.

#### 44. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31					
	2023			2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
AUD	\$ 2,137,916	20.99	\$ 44,881,303	\$ 1,749,216	20.84	\$ 36,450,505
CAD	47,616	23.20	1,104,833	86,592	22.67	1,963,329
CHF	48,745	36.53	1,780,745	13,804	33.25	459,032
RMB	8,701,751	4.33	37,662,934	7,275,104	4.41	32,099,798
EUR	370,135	34.00	12,584,184	272,079	32.75	8,910,550
GBP	35,981	39.17	1,409,363	49,654	37.06	1,840,390
HKD	4,146,567	3.93	16,301,259	5,648,099	3.94	22,258,463
JPY	109,402,427	0.22	23,766,255	86,545,153	0.23	20,126,075
SGD	190,976	23.30	4,450,058	295,135	22.88	6,751,968
USD	17,164,556	30.71	527,192,179	14,335,904	30.73	440,513,653
ZAR	1,038,948	1.66	1,721,970	1,165,166	1.81	2,113,276
Non-monetary items						
USD	330,463	30.71	10,149,853	264,474	30.73	8,126,760
<u>Financial liabilities</u>						
Monetary items						
AUD	824,083	20.99	17,299,991	717,424	20.84	14,949,818
CAD	62,799	23.20	1,457,125	56,257	22.67	1,275,535
RMB	11,408,705	4.33	49,379,179	8,219,965	4.41	36,268,787
EUR	518,555	34.00	17,630,296	304,271	32.75	9,964,840
GBP	103,716	39.17	4,062,496	36,673	37.06	1,359,264
HKD	3,656,755	3.93	14,375,678	2,994,630	3.94	11,801,467
JPY	150,809,741	0.22	32,761,456	94,171,945	0.23	21,899,686
NZD	51,941	19.49	1,012,221	47,351	19.44	920,589
SGD	35,590	23.30	829,299	47,020	22.88	1,075,713
USD	19,544,053	30.71	600,276,047	18,700,233	30.73	574,620,747
ZAR	3,854,740	1.66	6,388,912	3,777,986	1.81	6,852,179
Non-monetary items						
AUD	94,565	20.99	1,985,215	117,711	20.84	2,452,877
USD	364,775	30.71	11,203,710	389,411	30.73	11,965,836
<u>Derivative instruments</u>						
Financial assets						
AUD	643,552	20.99	13,510,102	414,697	20.84	8,641,533
CAD	1,149,068	23.20	26,661,985	46,023	22.67	1,043,503
CHF	30,211	36.53	1,103,656	1,963	33.25	65,258
RMB	56,560,687	4.33	244,806,077	22,214,533	4.41	98,016,740
EUR	888,860	34.00	30,220,241	439,138	32.75	14,381,735
GBP	75,628	39.17	2,962,315	25,182	37.06	933,363
JPY	60,809,388	0.22	13,210,049	29,166,378	0.23	6,782,641
SGD	223,391	23.30	5,205,399	8,431	22.88	192,873
USD	27,530,764	30.71	845,579,892	5,071,297	30.73	155,830,802
ZAR	3,448,268	1.66	5,715,219	3,803,190	1.81	6,897,892
Financial liabilities						
AUD	1,871,571	20.99	39,289,936	1,335,348	20.84	27,826,230
CAD	1,134,131	23.20	26,315,404	75,438	22.67	1,710,421
CHF	74,467	36.53	2,720,415	8,305	33.25	276,157
RMB	53,954,402	4.33	233,525,550	21,145,960	4.41	93,301,894
EUR	744,064	34.00	25,297,325	419,863	32.75	13,750,456
GBP	6,573	39.17	257,460	44,688	37.06	1,656,321
HKD	801,385	3.93	3,150,459	2,977,948	3.94	11,735,728
JPY	19,140,460	0.22	4,158,016	20,340,850	0.23	4,730,265
SGD	378,491	23.30	8,819,499	255,821	22.88	5,852,560
USD	25,352,498	30.71	778,676,631	990,916	30.73	30,448,870
ZAR	633,530	1.66	1,050,023	1,190,662	1.81	2,159,517

**45. BUSINESS OR TRANSACTION ACTIVITIES, JOINT BUSINESS PROMOTION ACTIVITIES, INTERACTIVE USE OF INFORMATION, OR SHARING OF BUSINESS EQUIPMENT OR PREMISES WITH OTHER SUBSIDIARIES OF FINANCIAL HOLDING COMPANIES, AND THE METHOD OF APPORTIONING REVENUE, COSTS, EXPENSES, AND PROFITS AND LOSSES**

a. Please refer to Note 41 for the major businesses or transactions between the Company and Taishin Financial Holding and other fellow subsidiaries.

b. Joint business promotion activities

In order to provide customers with diversified and convenient financial services to meet their needs, further improve the performance of the subsidiaries of the parent company Taishin Financial Holdings, and create the best synergy, Taishin Financial Holding and its subsidiaries actively use the resources of each subsidiary to integrate the marketing mechanism through financial holdings, assist each other in the cross-selling business, and fully demonstrate the advantages of complementary channels.

c. Interactive use of information

In accordance with the “Financial Holding Company Act”, “Administrative Measures for Joint Marketing Between Subsidiaries of Financial Holding Companies”, “Personal Data Protection Act” and relevant letters and orders issued by the Financial Supervisory Commission, the Company and its subsidiaries that conduct joint marketing, and subsidiaries of mutual use have signed the “Joint Customer Information Confidentiality Agreement”, and announced “Joint Marketing Customer Information Confidentiality Measures” on its website and business offices to maintain the confidentiality of customer information or limit its use, and provide a customer exit mechanism in a legal and safe environment.

d. Sharing of business equipment or premises

In order to provide the most suitable products and one-stop shopping services, and to conduct joint marketing business within the scope approved by laws and regulations, customers can conduct related businesses at the business offices of Taishin Securities and Taishin Life Insurance, subsidiaries of the parent company Taishin Financial Holdings.

e. The method of apportioning revenue, costs, expenses, and profits and losses

In order to expand the economic scale and utilize the benefits of the Group’s resources, the Company and subsidiaries of the parent company Taishin Financial Holdings will jointly promote the business or share part of the business equipment and premises. Their income and expense allocation methods are directly attributable to the subsidiaries according to the nature of the business, or appropriately apportioned to the respective companies.

**46. DISCLOSURES UNDER STATUTORY REQUIREMENTS**

On December 5, 2023, Taishin D.A. Finance acquired a 100% equity interest in Taishin Financial Leasing (China) from Taishin Venture Capital, which are both 100% owned subsidiaries of Taishin Financial Holdings. According to IFRS Q&A “Business Combinations under Common Control” issued by the Accounting Research and Development Foundation, the financial statements were prepared in accordance with the interpretations because IFRS3 “Business Combinations” does not explicitly stipulate under common control.

According to the interpretations issued by the Accounting Research and Development Foundation, Taishin D.A. Finance acquires the equity interest in Taishin Financial Leasing (China). The transaction was a reorganization under common control, which recognized the carrying amounts originally held by Taishin Venture Capital with the book-value method. When a company prepares a comparative financial statement, the financial statements are retroactively restated to reflect the merger assuming both entities have merged. Taishin D.A. Finance paid Taishin Venture Capital \$2,356,113 thousand in cash to acquire equity interest in Taishin Financial Leasing (China). The difference in price and the carrying amount of the investment accounted for using equity method held by Taishin Venture Capital of \$155,844 thousand (including the exchange difference of other interests - the conversion of the financial statements of foreign operating institutions) is recognized as a capital surplus.

#### 47. DISCLOSURES UNDER STATUTORY REQUIREMENTS

- a. Information to be disclosed according to Article 18 of the Regulations Governing the Preparation of Financial Reports by the company is as follows:

Material transactions are summarized as follows:

No.	Item	Explanation
1	Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital	Table 1
2	Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital	None
3	Disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital	None
4	Discounts of service charges for related parties amounting to at least \$5 million	None
5	Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital	None
6	Sales of NPL	None
7	Authorities securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other transactions that may have significant impact on the decision made by the financial statement users	None

- b. Information on the Company's subsidiaries:

No.	Item	Explanation
1	Financings provided to others	None (Note)
2	Endorsements/guarantees provided	None (Note)
3	Marketable securities held	Table 2
4	Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital	Table 1
5	Derivative transactions of investees	None

Note: It is not required to disclose if the investee is a bank, insurance or security company.

- c. Names, locations and related information of investees: Refer to Table 3.  
d. Information of investment in Mainland China: Refer to Table 4.f.

## TAISHIN INTERNATIONAL BANK CO., LTD.

ACCUMULATED PURCHASES AND SALES OF SPECIFIC MARKETABLE SECURITIES OVER NT\$300 MILLION OR 10% OF OUTSTANDING CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2023  
 (In Thousands of Units; in Thousands of New Taiwan Dollars)

Buyer or Seller	Type and Name of Marketable Security	Account Recorded	Transaction Party	Issuer's Relationship to the Buyer or Seller	Beginning of the Period		Purchases		Sales				Others		End of the Period	
					Shares (Units)/ Par Value	Amount	Shares (Units)/ Par Value	Amount	Shares (Units)/ Par Value	Selling Price	Carrying Amount	Disposal Gain (Loss)	Shares (Units)/ Par Value	Amount	Shares (Units)/ Par Value	Amount
The Company	Shares Chang Hwa Commercial Bank	Financial assets at FVTOCI	Public market	-	28,149	\$ 482,759	-	\$ -	28,149	\$ 524,372	\$ 460,830	\$ 63,542	-	\$ 41,613 (Note 1)	-	\$ -
Taishin D.A. Finance	Taishin Financial Leasing (China)	Investments accounted for using equity method	Taishin Venture Capital	Fellow subsidiaries	-	-	80,000	2,356,113	-	-	-	-	-	(21,660) (Note 2)	80,000	2,334,453

Note 1: Valuation gains or losses from change in fair value.

Note 2: Includes income (loss) on investment and the accumulated amount of exchange differences on translation of foreign financial statements.

## TAISHIN INTERNATIONAL BANK CO., LTD.

## MARKETABLE SECURITIES HELD BY SUBSIDIARIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars; in Thousands of Units)

Holding Company	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares/Units/ Nominal	Carrying Amount	Percentage of Ownership (%)	Market Value	
Taishin D.A. Finance	<u>Share</u> Yuan Tai Forex Brokerage Co., Ltd.	Its corporate director is Taishin D.A. Finance	Investments in equity instruments at FVTOCI	600,000	\$ 8,948	5.00	\$ 8,948	Go out of business
	Bon-Li International Technology Co., Ltd.	None	Investments in equity instruments at FVTOCI	125,000	-	1.50	-	
	Taishin Financial Leasing (China)	Investee under the equity method	Investments accounted for using equity method	80,000	2,334,453	100.00	2,334,453	
Taishin Real Estate	<u>Share</u> Metro Consulting Service Ltd.	Its corporate director is Taishin Real Estate	Investments in equity instruments at FVTOCI	300	2,778	6.00	2,778	

## TAISHIN INTERNATIONAL BANK CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands, Except for Percentages and Shares)

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note 1)				Note
							Current Shares	Imputed Shares (Note 2)	Total		
									Shares	Ownership Interest (%)	
<u>Financial business</u> Taishin D.A. Finance	16094812	7F., No. 44, Jungshan N. Rd., Sec. 2, Taipei City 114, Taiwan	Rental and leasing, wholesale of medical equipment, wholesale of machinery, retail sale of medical equipment, and retail sale of machinery and equipment	100.00	\$ 4,251,531	\$ 125,913	313,626,369	-	313,626,369	100.00	
<u>Nonfinancial business</u> Taishin Real-Estate	89597170	2F-4, No. 9 Dehuei St., Taipei, Taiwan	Construction manager, housing and building development and rental, industrial factory development and rental, specialized field construction and development, investment, development and construction in public construction	60.00	209,666	13,091	20,000,000	-	20,000,000	100.00	Investments accounted for using the equity method
An Hsin Construction Manager	89458276	No. 100, Sinyi Rd., Sec. 5, Taipei, Taiwan	Construction manager, housing and building development and rental, industrial factory development and rental, specialized field construction and development, investment, development and construction in public construction	30.00	76,279	6,312	4,500,000	-	4,500,000	30.00	
<u>Financial business</u> Sunlight Asset Management Co., Ltd.	28008025	11F, No. 85 and No. 87, Nanjing E. Rd., Sec. 2, Taipei, Taiwan	Financial institution creditor's right (money) purchase business, credit investigation services, investment consulting, software design services, and data processing services	18.21	12,233	-	1,092,317	-	1,092,317	18.21	Investments in equity instruments at FVTOCI
Dah Chung Bills	89391748	4F-1, -2, -3 No. 88, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan	Bills finance	18.29	1,243,256	-	86,849,623	-	86,849,623	18.80	
Taiwan Futures Exchange	16092130	13F, No. 102, and 14F, No. 100, Luossu Fu. Rd., Sec. 2, Taipei, Taiwan	Futures exchange and futures clearing houses	0.96	240,535	-	8,034,745	-	8,034,745	1.47	
Taipei Foreign Exchange Brokerage Co., Ltd.	84703601	8F, No. 400, Bade Rd., Sec. 2, Taipei, Taiwan	Exchange trading, DEPOS, swap, and other permitted foreign exchange business	0.81	6,766	-	160,000	-	160,000	0.81	
Financial Information Service Co., Ltd.	16744111	No. 81, Kang Ning Rd., Sec. 3, Taipei, Taiwan	Software design services, data processing services, electronic information supply services, conference room rental, and enterprise management consultancy	2.48	362,249	-	12,926,542	-	12,926,542	2.48	

(Continued)

Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note 1)				Note	
							Current Shares	Imputed Shares (Note 2)	Total			
									Shares	Ownership Interest (%)		
Taiwan Asset Management Co., Ltd.	70808864	11F and 12F, No. 85 and No. 87, Nanjing E. Rd., Sec. 2, Taipei, Taiwan	Financial institution creditor's right (money) purchase business, process financial institution creditor's right (money) appraisal and auction business, financial institution creditor's right (money) management business and services, account receivable purchase business, and Overdue Receivables Management Services	0.57	\$ 71,006	\$ -	6,000,000	-	6,000,000	0.57	Investments in equity instruments at FVTOCI	
Taiwan Financial Asset Service Co., Ltd.	70820924	10F, No. 300, Zhongxiao E. Rd., Sec 4, Taipei, Taiwan	Fair third-party asset auction business, process financial institution creditor's right (money) appraisal and auction business	2.94	44,269	-	5,000,000	-	5,000,000	2.94		
Taiwan Mobile Payment Corporation	54390700	2F., No. 210, Ruiguang Rd., Neihu Dist., Taipei, Taiwan	Computer equipment installation, wholesale of machinery, wholesale of computer software, wholesale of electronic materials, and retail sale of machinery and equipment	3.00	8,832	-	1,800,000	-	1,800,000	3.00		
Universal Venture Fund Co., Ltd.	16446106	8F, No. 70, Nanjing E. Rd., Sec. 3, Taipei, Taiwan	Venture investment	1.49	3,501	-	174,455	-	174,455	1.49		
Easycard Corporation	70765909	13F., No. 3-1, Yuanqu St., Nangang Dist., Taipei, Taiwan	Electronic payment enterprises	0.96	8,623	-	1,113,986	-	1,113,986	1.59		
GLN International Inc.	-	8th floor, 217, Teheran-ro, Gangnam-gu, Seoul, Korea	Electronic finance business, financial insurance related business, foreign exchange business, value charged and communication business, system development and management	4.67	50,391	-	5,681,818	-	5,681,818	4.67		
Taishan Investment Management Consultants Co., Ltd.	55665698	18F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan	Venture investment, all business activities that are not prohibited or restricted by law, except those that are subject to special approval	4.30	142,446	3,556	185,200,000	-	185,200,000	4.30		
Taishan II Medtech Partnership., Ltd.	42904438	18F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan	Venture investment, all business activities that are not prohibited or restricted by law, except those that are subject to special approval	6.78	349,644	5,582	(Note 3)	-	(Note 3)	6.78		
Taishan III Medtech Partnership., Ltd.	42905083	18F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan	Venture investment, all business activities that are not prohibited or restricted by law, except those that are subject to special approval	9.14	88,602	(6,018)	(Note 3)	-	(Note 3)	9.14		Financial assets at FVTPL
Taiwania Capital Buffalo Fund VI Co., Ltd.	42905289	18F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan	Venture investment, all business activities that are not prohibited or restricted by law, except those that are subject to special approval	6.67	101,957	(16,687)	(Note 3)	-	(Note 3)	10.00		
<b>Nonfinancial business</b>												
EasyCard Investment Holdings Co., Ltd.	28988941	6F-2, No. 3-1 Yuanqu Str., Taipei, Taiwan	Investment, real estate business, real estate leasing, management consulting, and investment consulting	2.40	23,153	-	1,599,861	-	1,599,861	2.40	Investments in equity instruments at FVTOCI	
Kaohsiung Rapid Transit Corp.	70798839	No. 1, Zhong'an Rd., Qianzhen Dist., Kaohsiung Taiwan	Mass rapid transit system transport, telecommunications business, general advertisement service, rail vehicle and parts manufacturing, and parking area operators	0.23	5,108	-	643,031	-	643,031	0.23		

(Continued)



Investees' Names	Unified Business No.	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership				Note
							Current Shares	Imputed Shares (Note 1)	Total		
									Shares	Ownership Interest (%)	
Da Chiang International Co., Ltd.	97430717	15F, No. 109, Ren Ai Rd., Sec. 4, Taipei, Taiwan	International trade, unclassified other services, housing and building development and rental, specific area development, and investment consulting	4.31	\$ 184,609	\$ -	8,620,690	-	8,620,690	4.31	Investments in equity instruments at FVTOCI
Lien An Co., Ltd.	97290477	5F, No. 128, Xing'ai Rd., Neihu Dist., Taipei City 144, Taiwan	Other industrial and commercial services, other repair, rental and leasing, wholesale of precision instruments, and retail sale of precision instruments	5.00	1,522	-	125,000	-	125,000	5.00	

Note 1: All existing or proposed shares held by the Company, the directors, the supervisors, the general manager, the deputy general manager and the related companies that are in compliance with the definition of the Company Law shall be included in the shares.

Note 2: a. The proposed shareholding refers to the purchase of equity-type securities or the derivative goods contract (which has not yet been converted into equity holders) and is linked to the investment business according to the agreed trading conditions and the bank's intention to invest. The equity is also transferred to the investment purpose of Article 74 of this Law, and the shares acquired as a result of the conversion under the assumption of conversion.

b. The former disclosure of "equity securities with equity" refers to securities of the first paragraph of Article 11 of the Securities and Exchange Act, such as convertible corporate bonds and warrants.

c. The "derivative commodity contract" mentioned above refers to those who meet the definition of derivative instruments in Bulletin of Financial Accounting Standards No. 34, such as stock options.

Note 3: Because partnership limited company did not issue stocks, the Group held no shares.

(Concluded)

## TAISHIN INTERNATIONAL BANK CO., LTD.

INVESTMENTS IN MAINLAND CHINA  
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars; In Thousands of Specified Foreign Currency)

1. Name of the mainland investee company, main business items, paid-in capital, investment method, outward and inward remittances of funds, shareholding ratio, investment profit and loss, investment book value and repatriation of investment profit and loss:

Investor	Investee	Main Businesses and Products of Investee	Total Amount of Paid-in Capital of Investee (US\$ in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023 (US\$ in Thousand)	Investment Flows (US\$ in Thousand)		Accumulated Outflow of Investment from Taiwan as of December 31, 2023 (US\$ in Thousand)	Investee's Net Income	Percentage of Ownership (%)	Investment Profit (Loss) Recognized in the Current Period (Note 2)	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
						Outflow	Inflow						
Taishin D.A. Finance (Note 4)	Taishin Financial Leasing (China)	Financial leasing	\$ 2,437,967 (US\$ 80,000)	Note 1. a.	\$ 2,117,767 (US\$ 70,000)	\$ -	\$ -	\$ 2,117,767 (US\$ 70,000)	\$ (56,229)	100	\$ (56,229) (Note 2.b.1)	\$ 2,334,453	\$ 397,631

2. Investment quota in Mainland China:

Investor	Accumulated Investment in Mainland China as of December 31, 2023 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
Taishin D.A. Finance	\$ 2,117,767 (US\$ 70,000)	\$ 2,356,113 (US\$ 80,000)	\$ 28,509,141

Note 1: The methods of investment are as follows:

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

Note 2: Recognized in profit (loss) in the current period:

- If the entity is still in the preparation stage and there is no profit (loss) yet, it should be disclosed.
- The basis of recognition of profit (loss), one of the following categories, should be disclosed:
  - Financial statements have been audited (reviewed) by an international accounting firm that has a working relationship with an accounting firm in the ROC.
  - Financial statements have been audited (reviewed) by the Taiwan parent company's CPA.
  - Others.

Note 3: For Taiwanese banks establishing branches, subsidiary banks, or participating in equity investment in mainland China, as well as Taiwanese banks and their subsidiaries that hold more than 50% of the total issued voting shares or total capital and subsidiary banks in a third area, the accumulated operating funds and investment of related-party corporations that are directly or indirectly controlled by companies investing in the mainland shall not exceed 15% of the bank's net worth at the time of application.

Note 4: Taishin D.A. Finance acquired a 100% equity interest in Taishin Financial Leasing (China) from Taishin Venture Capital on the settlement base date of December 5, 2023.