

——二年度年報

2023

ANNUAL REPORT



Shin Kong Bank



2023 ANNUAL REPORT

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MESSAGE TO OUR SHAREHOLDERS

Operating Results for 2023

Domestic and External Financial Environments

The global economy faced all kinds of challenges in 2023. At the beginning of the year Credit Suisse and some American regional banks went bankrupt because of inadequate liquidity resulting from rising interest rates, and the US-China tech war and the Israeli-Palestinian conflict led to increased geopolitical risk; this was followed by the Red Sea crisis brought on when the Houthi movement in Yemen launched attacks on ships sailing through the Red Sea, striking a severe blow at the operation of global supply chains and adding yet more uncertainty to the persistently high level of global inflation. Fortunately, though, market supply and demand moved gradually toward equilibrium and inflation in the US began losing steam in November; interest rates there were hiked four times during the year, bringing the federal funds rate to 5.25%~5.5%. The Directorate General of Budget, Accounting and Statistics announced that Taiwan's inflation stood at 2.5% for the year, lower than 2022's 2.95% but still the second-highest in 15 years. After considering domestic and external financial conditions, the Central Bank of the ROC (Taiwan) raised interest by a cumulative 0.125 percentage points during the year, boosting the rediscount rate from 1.75% to 1.875%. With the slowdown in inflation, interest rates in 2024 are expected to remain stable. The Directorate General of Budget, Accounting and Statistics has put economic growth for 2023 at 1.31%; with domestic and export sales continuing to recover, economic growth for 2024 is forecast to be 3.43%.

Budget Implementation, Income and Expenditures, and Profitability Analysis

The Bank's consolidated after-tax income for 2023 reached NT\$6,791 million, exceeding the internal budget target. Faced with such uncertainties in the general market economic environment as high interest rates, high inflation, and China's disappointing post-covid economic performance, the Bank promoted its loan business while paying close attention to risk management and the implementation of prudent lending; at the same time we examined the profitability of deposits and loans, adjusting interest rates as necessary to upgrade the SKB's business. Our loans outstanding in 2023 rose 7.0% and deposits 2.1%. In terms of profitability, before-tax ROA and ROE were 0.55% and 9.81%, respectively. In general, despite the challenges posed by interest rate fluctuations and competition in the market, the Bank implemented appropriate business-promotion strategies that boosted net income by 5.6% over 2022; in the area of asset quality, our non-performing loan ratio for 2023 was 0.12% and our coverage ratio was 1,107.13%, both better than the average for all Taiwan banks.

MESSAGE TO OUR SHAREHOLDERS

Most recent credit ratings, and dates of ratings

Rating Institution	Credit Rating		Outlook	Date of Latest Rating
	Long-term	Short-term		
Taiwan Ratings	twA+	twA-1	Negative	Mar. 7, 2024
S&P Global Ratings	BBB-	A-3	Negative	Mar. 7, 2024

Organizational Changes

- The SME Banking Dept. was merged into the Corporate Banking Dept.
- The Consumer Banking Products Dept. was merged into the Consumer Banking Business Dept.
- The Financial Products Dept. was merged into the Wealth Management Dept.
- The Public Relations and Marketing Communication Dept. was merged into the Channel Management Dept.
- The Financial Trading Dept. was merged into the Financial Marketing Dept. and the name of the Financial Management Dept. was altered to Treasury Dept.
- The Digital Information Technology Dept. and Core Information Technology Dept. were reorganized into the Application Information Dept.

Research and Development

In recent years the budget growth rate for the Bank's digital finance plan has been in the double digits every year. In addition to the continuous strengthening of digital product and service processes, the upgrading of business efficiency, and the development and deepening of strategic alliance cooperation, we have vigorously assisted our branches in navigating the digital transition, providing point-of-sales digital tools to support front-line sales and using digital technology to help branches enhance their profitability. In February 2023 we worked with the holding company subsidiary MasterLink Securities in introducing the brand-new Omni-U digital investment account to provide a quick one-time online application process for opening both centralized securities custody and bank settlement accounts, greatly enhancing the convenience of opening accounts by combining financial investment and wealth management information. In September we introduced a new mobile banking APP, completely self-designed and developed, that combines four highlights with a brand-new interface, friendly operation, security with speed and winning affirmation, providing more intuitive, peace-of-mind, and uninterrupted experience services. With a focus on OU digital accounts and encompassing all aspects of customers' livelihood needs, we have strived to create an OU banking ecosystem that provides a more complete array of service experiences.



Domestic and Overseas Awards

- 2023 Wealth Management Awards from Wealth magazine: Best Domestic Customer Recommendation and Best Domestic Bank Graphic Marketing
- Asia Design Awards: Winner
- First Want Want China Times Financial Service Awards: Service Category – Age-Friendly Award
- 2022 Financial Institution ACH and eFCS-DDA Promotion Excellent Performance Award, eACH Business Promotion Award, eDDA Business Promotion Award, eFCS Business Promotion Award, eFCS Business Service Award
- 2023 Taiwan Sustainability Action Awards: SDG 4 Diversified Financial Education Empathic Thinking Award – Silver and SDG 8 Green Finance Leadership Brand Award - Silver
- The Asian Banker: 2023 Best AI Technology Introduction Project Award
- 2023 Excellent Bank Rating: Best Social Inclusion Award, Best Customer Recommendation Award
- Best Wealth Manager Awards: Highly Commended Taiwan
- MUSE Design Awards: Gold
- Seventh PwC Sustainability Impact Awards: Special Prize
- Twentieth National Brand Yushan Awards, Best Product Category: OU Quick Loans – Fully Digitized Application, First Completely Online Application and Verification; AI Embedded Business – Quick-screen Robot
- New York Product Design Awards: Silver
- 2023 Taiwan Corporate Sustainability Awards: Sustainable Individual Performance Award - Aging-Friendly Leadership Award; Corporate Sustainability Reports Award – Banking and Insurance, Category 1 Silver
- 2023 Customer Service Excellence Awards: Group Category – Best Online Customer Service Team Award
- 2023 Buying Power, Social Innovation Products and Services Procurement Awards – Third Prize, Special Prize
- London Design Awards: Gold



MESSAGE TO OUR SHAREHOLDERS


Impact of the External Competitive, Regulatory, and Overall Business Environments

The global economy is expected to leave the age of high interest rates behind in 2024. With the ongoing drop in inflation, major central banks will lower interest rates; the US has space for a reduction of 0.75 to 1.0 percentage points, but the actual size of the cuts will be determined by the economic data. The lingering aftereffects of the rapid contractionary policies of the past two years, plus geopolitical risks, will continue affecting global economic performance during the year. In Taiwan, the momentum for economic growth will switch from services to consumer electronics; this, plus the ongoing reduction in electronic industry inventories and the application of AI, will boost the development of new technologies and stimulate Taiwan's export performance. Taiwan's economic outlook will hopefully turn brighter in the second half of the year.

Business Plans for 2024, and Future Development Strategy

In 2024 the Bank will continue giving due consideration to risk while striving for stable business growth under the core strategies of readjustment of the deposit/loan structure, stable enhancement of profit, upgrading of the contribution of non-interest income, deepening of digital development, and creation of a new sustainability.

- Readjustment of the deposit/loan structure and stable enhancement of profit: The Bank will vigorously pursue opportunities to serve as lead-bank for syndicated loans, develop SME customer and trade financing opportunities, and continuously promote high-interest-spread credit loan products. We will promote the GEB, salary transfer, demand securities deposit, and credit card acquiring businesses in order to enhance deposit ratio and strengthen local operation of branches to expand regular customer deposit business to reduce the proportion of large deposits and increase deposit dispersion, and we will increase the scale of deposits by strengthening customer relationships through external cash collection services.
- Upgrading the contribution of non-interest income: Customer grouping cultivation, potential customer needs will be sought out, the loyalty of the wealth management customer group will be strengthened, credit card consumption venues will be expanded, and credit card fee income will be enhanced. The elder care and insurance trust businesses will be promoted in response to the implementation of the Trust 2.0 policy by the authorities. In addition, capital market operating strategies will be adjusted flexibly in response to changes in the market to grab the profit opportunity.

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- Deepening of digital development: A brand-new official website and mobile banking APP will be built up, the number of online banking deposit accounts will be constantly and vigorously expanded, digital customer channels will be managed, and overall OU account deposits will be increased.
 - Creation of a new sustainability: The SKB will continuously carry out sustainable financial management, vigorously grasping green-energy financing opportunities evolving from the government's promotion of renewable energy policies, follow the portfolio of carbon-reducing target to implement carbon-reducing plans and working hand-in-hand with invested companies, loan customers, suppliers, and other stakeholders to expand our influence and together create common good for society.

In gratitude for the care and support with which our customers, our parent financial holding company, our directors, and our shareholders have favored us over the years, Shin Kong Bank will continue working ceaselessly to carry our operating performance to new heights so that we can pay back something to our shareholders and to society.

Chairman

李維時




COMPANY BACKGROUND

The forerunner of Shin Kong Bank was the Taipei Third Credit Cooperative, which was established in April of 1918 under the original name of “Manka Credit Union.” In July of 1946 the Manka Credit Union was reorganized into the Manka Credit Cooperative. In 1947, restructuring resulted in another name change, this time to Limited Liability Taipei Third Credit Cooperative. In response to another restructuring the name was changed yet again in June of 1966, and it became a guarantee liability organization under the name Guarantee Liability Taipei Third Credit Cooperative—the Taipei Third Credit Cooperative, as the Bank was known before the final restructuring.

Substantial changes began reshaping Taiwan’s financial environment in the late 1980s. Under the impact of interest-rate liberalization, banks steadily expanded their business scope and branch networks. Thus, they encroached upon the original market of credit unions. When the Ministry of Finance announced the “Measures for the Restructuring of Credit Unions into Commercial Banks” in November of 1995, the Taipei Third Credit Cooperative immediately applied for restructuring and in January of 1997 was reorganized into the Makoto Bank. Later on, the Bank moved in line with government policy to help resolve financial problems and expand the scale of its operations. It took over the Hsinchu Second Credit Cooperative and Taichung Eighth Credit Cooperative in 1997 and 1998, respectively, and took advantage of the provision in the Banking Law allowing the establishment of five branches a year. This expanded its operations throughout Taipei, Taoyuan, Hsinchu, and other areas. The Chiayi Second Credit Cooperative was absorbed in early September, 2001 and, pursuant to the operation of the Executive Yuan’s Financial Reconstruction Fund, absorbed the Gangshan Credit Cooperative in the middle of that month. This smoothly expanded the range of the Bank’s services to all of Taiwan, with a total of 80 branches.

In response to development trends in the financial market and to comply with the government’s policy of financial reform, the Bank joined the Shin Kong Financial Holding Co. in Oct. 3, 2005 as a reinvested wholly owned subsidiary. On Dec. 31 that same year, the Financial Holding Company moved to expand its operating scale of the banking system and strengthen its competitiveness by merging Makoto Bank with the Shin Kong



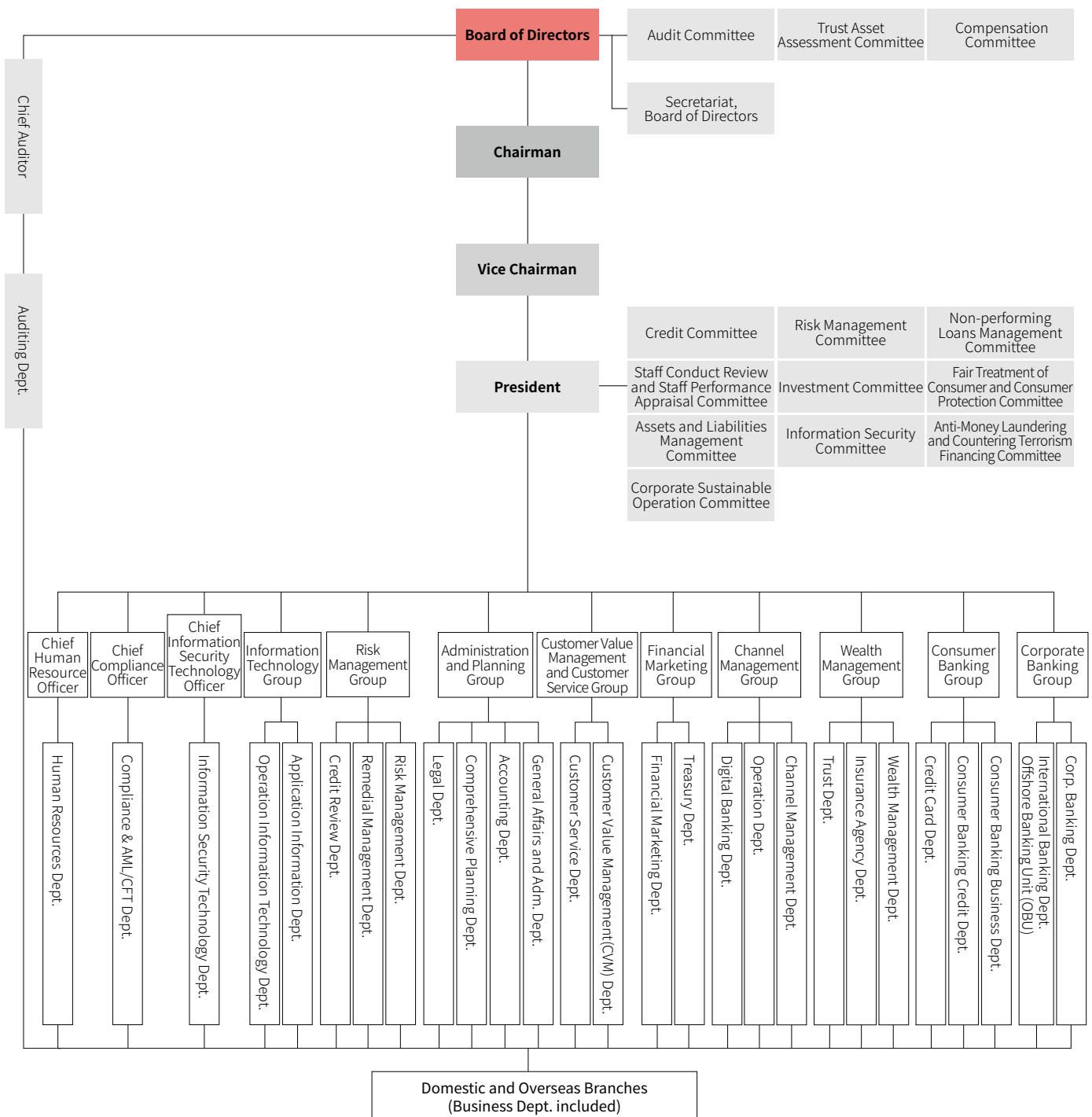
Commercial Bank (itself the result of a July 1, 2000 merger between the Taichung Sixth Credit Cooperative and the Pingtung First Credit Cooperative to form the United-Credit Commercial Bank, which was renamed the Taiwan Shin Kong Commercial Bank on Nov. 15, 2004). The Makoto Bank was the surviving bank after merging and renamed Taiwan Shin Kong Commercial Bank. The number of SKB branches throughout Taiwan reached 103 in 2023.

In years to come the SKB will, with a strategy of stable growth and due consideration to risk management, continue expanding its business scale and international development (establishment of overseas business units: 1. Ho Chi Minh Representative Office established on Dec. 20, 2007; 2. Hong Kong Branch opened for business on May 6, 2011; 3. Application for the establishment of a Bình Dương Branch submitted to the State Bank of Vietnam in November 2013; and 4. Yangon City Representative Office in Myanmar established on Sept. 19, 2015), and will actively practice corporate sustainable development, fulfill its social responsibility, carry out fair treatment of customers, promote inclusive financing, and extend its financial services so as to serve economically disadvantaged groups. The Bank will continue holding to the five operating principles of “innovation, service, sincerity, giving back and teamwork” as it moves in line with technological trends in striving for the development of a full range of financial services, so that SKB will be the first choice of bank for the public. At the same time, the Bank will also espouse the value proposition of “getting close to life and thinking for customers,” deepen customer management, and, through mutual cooperation with the other enterprises of the financial holding group, provide a full range of services and products, realize optimal synergies of integrated operations, strengthen operating scale, offer more comprehensive financial services, and strive constantly to achieve the parent financial holding company’s sustainability spirit and value: “Shin Kong is with you, always and everywhere.”

ORGANIZATION CHART

◆ Organizational Structure

Approved by the 31st. meeting of the Tenth Board of Directors on January 31, 2024.



INFORMATION ON CHAIRMAN AND DIRECTORS

As of February 1, 2024

Title	Name	Prime (Education) Experiences	Current Bank & Other Positions
Chairman	Chin-Yuan Lai	Chairman of Taichung Commercial Bank Co., Ltd. Chairman of Taiwan Shin Kong Commercial Bank Co., Ltd. Department of Economics, Tunghai University	Chairman of Taiwan Shin Kong Commercial Bank Co., Ltd. Supervisor of TANG FA Co., Ltd
Director	Cheng Kuo Lee	Senior Vice President of E.Sun Bank President of Taiwan Shin Kong Commercial Bank Co. Ltd. Bachelor of Business Administration, Tamkang University	Director & President of Taiwan Shin Kong Commercial Bank Co., Ltd.
Director	Yu Yuan Wang	Ambassador of Embassy of the Republic of China to the Holy See Director of the Protocol Department of the Ministry of Foreign Affairs M.A., Chinese Culture University	Director of Taiwan Shin Kong Commercial Bank Co., Ltd Chairman of Shin Kong Bank Cultural and Educational Foundation.
Director	Ching Tai Huang	Director of Taichung Commercial Bank Co., Ltd. Director of Taiwan Shin Kong Commercial Bank Co., Ltd Department of Public Finance and Taxation, National Taipei University of Business	Director of Taiwan Shin Kong Commercial Bank Co., Ltd
Director	Shang Ming Chai	Supervisor of Wholesale Credit Administration Division of Taishin International Bank Director of Taiwan Shin Kong Commercial Bank Co., Ltd MBA, University of Texas at El Paso	Director of Taiwan Shin Kong Commercial Bank Co., Ltd Chairman of Mega Green Energy Corporation
Director	Hsin Chang Wu	Head of Shin Kong Mitsukoshi Business Group Director of Taiwan Shin Kong Commercial Bank Co., Ltd MBA, Waseda University	Director of Taiwan Shin Kong Commercial Bank Co., Ltd Vice Chairman of Taroko Development Corporation Chairman of Shin Kong CinePlex Co., Ltd
Independent Director	Yang Tzong Tsay	Director of Bank of Taiwan Independent Director of Taiwan Shin Kong Commercial Bank Co., Ltd Ph.D., University of Maryland	Independent Director of Taiwan Shin Kong Commercial Bank Co., Ltd Independent Director of Yung Zip Chemical Ind. Co., Ltd.
Independent Director	Chih Jong Suen	Independent Director of Chang Hwa Commercial Bank, Ltd Independent Director of Taiwan Shin Kong Commercial Bank Co., Ltd MBA, The Ohio State University	Independent Director of Taiwan Shin Kong Commercial Bank Co., Ltd
Independent Director	Shou Huang Chen	Political Deputy Minister of Ministry of Justice Independent Director of Taiwan Shin Kong Commercial Bank Co., Ltd Ph.D., National Taiwan Ocean University	Independent Director of Taiwan Shin Kong Commercial Bank Co., Ltd Director of Symbio, Inc.

INFORMATION ON PRESIDENT, EXECUTIVE VICE PRESIDENTS, SENIOR VICE PRESIDENTS, VICE PRESIDENTS, AND MANAGERS OF DEPARTMENTS

Title	Name	Title	Name
President	Cheng Kuo Lee	Senior Vice President	Yu Chin Chiu
Chief Auditor	Mei Ching Yang	Senior Vice President	Ting Hsien Lu
Executive Vice President	Niel Chang	Senior Vice President	Wang Chen Lin
Chief Information Security Technology Officer	Kuo Ping Lin	Senior Vice President	Shu Ying Chou
Chief Information Officer	Johnson Chang	Senior Vice President	Steven Lin
Chief Compliance Officer	Ginger Chou	Senior Vice President	Mei Li Wu
Senior Vice President	Bing Hsin Hsu	Senior Vice President	Ming Jen Yang
Senior Vice President	Ben Yang	Vice President	Shu Hui Liang
Senior Vice President	Po-Yang Chiu	Vice President	Hui Chuan Lien
Senior Vice President	Hsien Chi Lui	Vice President & Chief Corporate Governance Officer	Tzu Yuan Ting
Senior Vice President	Vincent Lin	Vice President	Huei Ping Liao
Senior Vice President	Cho Su Huang	Vice President	Chiang Chin Ta
Senior Vice President.	Jung Shan Chien	Vice President	Chi Pin Huang
Senior Vice President.	Judy Kuo	Vice President	Regina Lin
Senior Vice President.	Tom Lin	Vice President	Shao Hua Hsiang
Senior Vice President	Jerry Lin	Vice President	Yu Ting Chiu
Senior Vice President	Eddie Chung	Vice President	Hung Hsu Yu
Senior Vice President	May Lin	Vice President	Sheng Chin Lee
Senior Vice President	Fea Chin Huang	Vice President	Kozen Lee
Senior Vice President	Yu Su Huang	Vice President	Tzu Hsing Lee
Senior Vice President	Jenny Tsai		

As of February 29, 2024

REVIEW OF OPERATIONS

1. Deposits

Deposits in the Bank in 2023 amounted to NT\$1,095,283 million; this was NT\$22,804 million more than the previous year, for a growth of 2.13%.

Deposit balances for the past two years

Unit: NT\$ million

Items		2023	2022	Increase (Decrease)
Demand deposits	Checking deposits	8,175	8,313	(138)
	Public treasury deposits	464	354	110
	Demand deposits	173,394	188,178	(14,784)
	Demand savings deposits	294,464	269,486	24,978
	Subtotal	476,497	466,331	10,166
Time deposits	Time deposits	416,796	426,890	(10,094)
	Time savings deposits	201,990	179,258	22,732
	Subtotal	618,786	606,148	12,638
Total deposits		1,095,283	1,072,479	22,804

2. Loans Business

The Bank's outstanding loans in 2023 stood at NT\$805,957 million; this was NT\$52,778 million more than the previous year, for a growth of 7.01%.

Unit: NT\$ million

Items	2023	2022	Increase (Decrease)
Secured loans	589,557	551,813	37,744
Unsecured loans	216,400	201,366	15,034
Total loans	805,957	753,179	52,778
Total Loans to Total Assets	63.68%	62.15%	

3. Corporate Banking Business

Corporate loans outstanding in 2023 (excluding the Hong Kong Branch) amounted to NT\$342,100 million, up NT\$19,300 million over the year before for a growth of 5.98%; corporate loans outstanding for the year (including the Hong Kong Branch) stood at NT\$358,900 million, up NT\$19,900 million from the year before for a growth of 5.87%.

Unit: NT\$ million

-Items	2023 Loans outstanding	2022 Loans outstanding	Increase (Decrease)
Corporate Banking(Excluding Hong Kong Branch)	342,105	322,815	19,290
Corporate Banking(Including Hong Kong Branch)	358,873	338,989	19,884

REVIEW OF OPERATIONS

4. Consumer Banking Business

The Bank's mortgage loans outstanding in 2023 stood at NT\$354,420 million, up NT\$19,480 million over 2022 for a growth of 5.82%. Operating income from mortgage loans for the year amounted to NT\$8,310 million. The Bank continued offering superior service quality, focusing on services to satisfy the needs of different customer segments and moving in line with the government's regulatory measures to stabilize its mortgage-loan market share and asset quality while improving loan growth and overall profitability.

The amount of unsecured small loans in 2023 amounted to NT\$80,960 million, up NT\$10,970 million over 2022 for a growth of 15.67%; operating income from this business was NT\$4,140 million. The Bank continued optimizing the customer experience and system automation through digital process transformation, heightening the performance of digital application and diverse service channels to provide the public with more convenient, more secure, and faster channels for the acquisition of funds. Big data analysis was used to optimize risk model pricing in the provision of rapid decisions on approval or non-approval, thereby strengthening product competitiveness and assuring a reasonable income while satisfying customer needs and enhancing service satisfaction. At the same time, the Bank worked toward the goal of sustainable development by introducing unsecured-loan programs to help single-parent families and those needing long-term care, giving disadvantaged groups access to financing services and realizing the goal of inclusive financing.

Auto loans outstanding in 2023 amounted to NT\$11,220 million, up NT\$2,520 million over the year before for a growth of 28.92%; operating income from this business was NT\$300 million. The Bank continued deepening auto dealership loyalty so as to improve its market share and competitive advantage, and focused on the issue of social sustainability by expanding its electric vehicle market, developing green-energy opportunities, and creating new spotlights in the auto-loan market.

5. Wealth Management Business

Service fee income from the Bank's wealth management business totaled NT\$2,800 million in 2023, up NT\$250 million from 2022 for a growth of 9.8%. The growth came mainly from increases of 17.3% in the sale of insurance products and 20% in the sale of portfolio products. Non-discretionary money trust funds under management in 2023 totaled NT\$107,860 million, giving the Bank a market share of 2.04% and ranking it 16th in the industry. In 2023 the SKB was honored with the "Best Private Bank, Wealth Management" Taiwan award from The Asset magazine, "Best Customer Recommendation Award, Domestic Bank" and "Best Graphic Marketing, Domestic Bank" awards from Wealth Magazine, and the "Best Customer Recommendation" ranking from Excellence magazine's Excellence Bank Rating. The Bank continuously holds to the spirit of dedication, innovation, and customer orientation in its wealth management business, mapping out financial management products that meet the needs of customers in different stages of life and help them achieve their life goals in the areas of insurance, education, retirement, wealth management, and estate provision.

6. Digital Banking Business

The number of SKB digital bank users in 2023 broke through the 1.3 million mark, increasing 11% over the 1.17 million users in 2022, and the digital transaction ratio approached 90%. The Bank adheres to the value proposition of "holding close to life, considering customer interests" as it continuously provides rapid, convenient, and secure digital financial products and services while working vigorously to develop a diversified mobile payments business that will satisfy customers' digital banking needs for consumption, payment, and financial planning. The Bank emphasizes an experiential orientation, using digital products, sales channels, and marketing programs to create customer acquisition and management platforms. It also uses digital innovation and agility basing to develop business, create digital products, and lower operating costs while enhancing income and customer management performance. In 2023 the Bank received the Asia Design "Winner" prize, Muse Design "Gold" award, London Design "Gold" award, and a "Silver" in the New York Design Awards.

7. Credit Cards Business

The amount of consumption using SKB-issued credit cards reached NT\$55,600 million in 2023, for a growth of 7% over the year before. The number of valid cards reached 1,071,408, an increase of 2% over the year before, and the number continues to grow.

(1) Focus on Direction of Sustainable Operation

Shin Kong's original bank card has been repositioned as the Shin Kong ESG Card, with the reissued cards

being made of environmentally friendly PETG material. The Bank has passed ISO 14067 carbon footprint and PAS 2060 carbon neutrality certification, achieving the Carbon Footprint Label and becoming a nationally certified issuing bank that has realized the goal of zero-carbon credit cards. The Bank has looked into the card application process for customers and has provided the sole digital application channel, encouraged electronic bill presentation and payment, and designated paybacks for electronic payment and green consumption. This has effectively achieved digitization, prioritized the ESG customer segment, and enhanced the Bank's sustainable credit card brand image and digital competitiveness.

(2) Strengthening Digital Finance to Connect with the Market

The Bank's customers are provided a more convenient digital process for card use through card APP services, and digital tools are used to analyze the customer card journey process in order to further optimize it. The number of customers downloading the APP increased 5.6 times in 2023, and DAU (daily active users) topped 10,000. This has satisfied the card-use needs of customers and implanted the digital credit card image while increasing precise channels for customer communication.

8. Trust Business

Unit: NT\$ million

Items	2023	2022	Increase (Decrease)
Non-discretionary money trust capital investments in domestic funds	3,693	3,037	656
Non-discretionary money trust capital investments in foreign funds (including OBU sales)	9,233	9,379	(146)
Non-discretionary money trust capital investments in foreign bonds (including OBU sales)	12,416	12,793	(377)
Securities certification	6,816	10,498	(3,682)
Securities recertification	65	315	(250)
Other money trust assets	2,272	1,883	389
Stock ownership trust assets	840	724	116
Real estate trust assets	50,680	49,127	1,553
Funds under custodianship	33,017	32,174	843

9. Investment Business

Unit: NT\$ million

Items	2023		2022		Increase (Decrease)
	Amount	%	Amount	%	
Bonds	83,009	23.42%	85,781	24.53%	-2,772
Financial debentures	7,050	1.99%	6,650	1.90%	400
Corporate Bonds	59,123	16.68%	57,966	16.58%	1,157
Stocks	4,499	1.27%	2,873	0.82%	1,626
Beneficiary Certificates	0	0.00%	0	0.00%	0
Beneficiary Securities	330	0.09%	171	0.05%	159
Foreign Securities	93,854	26.47%	82,501	23.60%	11,353
Financial derivatives	2,263	0.64%	4,579	1.31%	-2,316
Inter bank call loan	21,960	6.19%	12,999	3.72%	8,961
Re-deposits	77,901	21.97%	90,350	25.84%	-12,450
Short-term notes and bills	4,514	1.28%	5,784	1.65%	-1,270
Total	354,502	100.00%	349,655	100.00%	4,847

MARKET ANALYSIS

The impact of Taiwan's major economic indexes on potential future supply and demand conditions in the market is briefly described below:

1. Supply

- Financial institutions: Domestic financial institutions were operating a total of 6,398 business units at the end of 2023, of which 427 were headquarters units and 5,971 were branches. (Source: Financial Statistics Monthly, published by the Central Bank)
- Deposits: Taiwan's banking system held a total of NT\$48,568.9 billion in deposits at the end of 2023, an increase of 6.2% over a year earlier.

2. Demand

Major countries throughout the world continued holding to contractionary policies in 2023, and despite a lowering of inflation pressure interest rates remained high. Thanks to the impact of the continued rise in geopolitical conflicts and risks, and the increase in international trade protectionism, international institutions are generally predicting a continued slow growth of the global economy in 2024, giving hope of a soft landing. According to the World Bank's "Global Economic Prospects" report, global economic growth is expected to remain slow in 2024, with a growth of 2.4% for the year. Taiwan's Directorate General of Budget, Accounting and Statistics is forecasting a 3.43% domestic economic growth for the year, up from 2023, and a per-capita GDP of US\$33,783.

3. Growth Prospects

Global economic growth in 2024 is expected to remain little changed from 2023; but most forecasters expect the trend of slowing growth to continue, mainly because of the cumulative effect of monetary tightening by central banks, geopolitics, supply chain fragmentation, and transition in response to climate risk. The readjustment of global inventories gives hope that Taiwan's exports and investments will heat up as global commodities trade recovers and normalizes. Driven by external demand and rising basic wages, teacher, military, and public servant salaries, and income taxes, disposable incomes will increase and this will favor the continued expansion of domestic private consumption. As global inflation slows in 2024, the cycle of interest-rate increases by central banks will approach its end. Manufacturers' inventories are expected to be appropriately readjusted in the first half of the year, and the need to restock new end-consumer electronic products and the constant expansion of new technology applications is expected to stimulate an ongoing rise in investment; this will help Taiwan's export performance to heat up along with a boom in manufacturing. With the seeming alleviation of inflation risk at the end of 2023, prices can be expected to trend toward stability in 2024; but the consumer price index remains far higher than pre-covid levels, and uncertainties such as geopolitical risk, post-covid worker shortages, and climate risk will bring continuing fluctuations to raw materials and commodity prices, making it difficult for manufacturers to judge future trends and continuing to have an impact on the speed of global economic recovery.

4. Favorable and Unfavorable Factors in Development Prospects:

(1) Favorable Factors

External environment:

- Since the government initiated the "Three Major Programs for Investing in Taiwan," investment has exceeded NT\$2,100 billion; the programs will hopefully continue stimulating Taiwanese and external funds to return and invest on the island, motivating small and medium enterprises to "leave their roots in Taiwan," and prompting domestic industries to upgrade and transform. This will favor expansion of the corporate financing and wealth management businesses by banks, and stimulate domestic economic development.
- Customer acceptance of digital banking and demand for contactless service has soared since the pandemic; and with the development and use of artificial intelligence, big data, and other emerging technologies, the integration of products, technology, and services will expand the scope of financial services and upgrade the customer service experience.

The SKB niche:

- The SKB's widespread network of business locations, with 104 domestic and overseas branches, favors the cultivation of local operations; this, together with digital and physical branches, creates an all-channel service model that provides customers with high-quality integrated click-and-mortar services, extends the reach of branches' localized SME services, upgrades the service satisfaction of different customer groups, and expands the Bank's income network.
- Integration of the financial holding company's resources and the advantages provided by subsidiaries' sales channels helps the SKB to realize cross-marketing synergies and provide a full range of financial products and services, consummates the customer experience, and expands the Group's overall income.

(2) Unfavorable Factors

- In 2022 and the first half of 2023 the U.S. Fed raised interest rates by substantial amounts several times in succession in response to the inflation crisis, and until it is determined that prices have stabilized again the market will remain a high-interest environment. The weakening of global consumer demand brought by high interest rates has already caused delays in private investment and sluggish exports in Taiwan, and maintaining loan growth amidst the gloom of recession has become a challenge.
- The impact of the U.S.-China tech wars, geopolitical tensions, and military conflicts has created commodity price fluctuations and aggravated economic divisions; the world is in the midst of a supply chain restructuring, which is inflicting blows and trials on the strategic resilience of industries and the capability of risk control. How to identify risks while maintaining stable profitability of loans and investments under these conditions has become a major challenge for the banking industry.

Overview of Research on Financial Products, and Business Development

1. Scale and Profitability of Major Financial Products, and New Business Units for the Past Two Years

- (1) The SKB issued its OU credit card in 2022 and became the first bank in Taiwan to cooperate with Mastercard in the "consumer carbon calculator and global tree planting project" and Priceless Planet Coalition's international tree planting project, allowing credit card customers to use the mobile banking APP digital channel services to calculate the carbon footprint of their card consumption and planting trees to offset carbon emissions resulting from card consumption, so achieving the goal of carbon reduction. Tree planting has exceeded the goal of 5,000, adding to the effort toward environmental sustainability.
- (2) The Bank strived to build a friendlier financing environment for micro-enterprises in Taiwan, launching "OU Micro-enterprise Loans 2.0" in December of 2022 and increasing digital tech services to create a mutually beneficial win-win operating model for enterprise and society. A massive reduction in paper use was achieved by combining application forms, boosting efficiency to reduce document omission and checking time, and using digital-intelligence micro-loan operations to cut down on cumbersome and time-consuming human evaluation, thus avoiding typographical errors and redundant calculation, checking, and comparison. Cloud AI quick-screening and calculation platform digital tools were brought in to provide early evaluation of customer conditions, thereby reducing the solicitation of invalid cases and operating costs.
- (3) The "credit quick-scanning robot" was put on line in December 2022, realizing the high-efficiency operation of application scenarios through the imbedding of AI in the credit application process. The robot plays the role of a virtual AO, giving customers a quick understanding of credit placement and helping with the development of the loan business, thereby upgrading the quality and quantity of the SKB's credit services.
- (4) The mobile banking APP was given an overall renovation in 2023, with complete self-design and -development. The APP was transformed from a functional orientation to an experiential orientation, with a focus on the user experience in the replanning of the mobile banking APP's transaction process. The brand-new interface, user friendliness, secure and rapid operation, and use of new technology, plus the introduction of the mobile multi-factor authentication mechanism, not only gives customers an enhanced experience but also assures them secure, uninterrupted service.

2. R&D Costs and Results for the Past Two Years, and Future R&D Plans

- (1)Initiation of the “Hong Kong Bank Integrated Financial Transaction Platform Project” by the Hong Kong Branch: This project centers on foreign-exchange products, with the headquarters being responsible for project management and for helping the Hong Kong Branch carry out integration of front-, middle-, and back-office operating procedures, and providing strong risk management. At the same time, the introduction of Straight Through Processing (STP) for foreign exchange, docking with the forex Electronic Trading Platform, and coupling with the Bank’s internal limit management system can reduce the time needed for the Bank to acquire knowledge about positions and facilitate the real-time control of intraday position limits. This project, for which a system installation budget has been allocated, was initiated in March of 2022 and will take an estimated 18 months to complete.
- (2)Daily Securities Trading Management Report Automation Project: This project is being carried out by the Bank itself, with the interfacing of each product system data and market data sources and use of the existing integrated financial transaction platform to automatically produce daily management reports and carry out off-market checking. A Risk Adjusted Return on Capital (RAROC) calculation engine is being developed for use in annual budgeting, quota calculation, and risk appetite measurement. This project was initiated in the second quarter of 2022 and was completed at the end of 2023. The second stage is expected to be initiated in 2024, with the establishment of the Hong Kong Branch platform and integration of front- and middle-office management reporting requirements. This will provide a complete set of daily operating procedure and risk management functions.
- (3)New Minimum Capital Requirements for Market Risk: In response to the simplified approach and new standards for calculating Basel III market risk capital requirements in 2025, the Bank proposes to cooperate with information units in the self-establishment of a calculation model that complies with the needs of capital planning, calculation, and oversight.
- (4)Task-oriented System, Stage 2: Stage 1 of the task-oriented management mechanism went on line at the end of November 2023, Stage 2 establishing a financial consultant management mechanism and providing for the flexible setting of workflow steps as well as a better customer management process through the joint customer management mechanism.
- (5)Quick Investment GO, Stage 2: Stage 1, providing fund subscription, switching, and redemption functions, was put on line in mid-September 2022. Stage 2 will add overseas bond subscription and redemption functions, thus expanding the product categories for trading, providing customers with quick ordering service, and simplifying customer transaction processes and shortening transaction time.
- (6)Telephone Ordering, Stage 2: Stage 1 provided for telephone ordering via three-party conferencing for the fund business. Stage 2 will provide two-party calling, with the customer using a dedicated line to place orders directly with a customer service agent without having to go through a financial advisor, thereby providing fair treatment for customers unfamiliar with digital channels.
- (7)Establishment of an AI Financial Assistant: An AI large language model will be used to help branch financial advisors shorten the time required for internal consultation by establishing automated rapid search tools that provide accurate and timely results. This will upgrade the operating efficiency of financial management teams and boost their satisfaction with internal/external interaction.
- (8)The budget for the SKB’s digital finance plan has grown at double-digit annual rates over the past two years. In addition to the ongoing reinforcement of digital product and service processes, the enhancement of business efficiency, and the development and deepening of strategic alliance cooperation, the Bank is working actively to help branches with the digital transformation, provide digital sales assistant tools to support front-line business operations, and use digital technology to help branches enhance their profitability.

3. Short-term and Long-term Business Development Plans

(1) Short-term Business Plans

Corporate Banking Business

- Complete corporate banking product line services will be built up, existing customers will be further cultivated, differentiated services and products will be planned out in accordance with customer segmentation, and review of customer management strategy will be strengthened in order to upgrade overall income.
- Customer segment management will be deepened and the customer base expanded; at the same time, industrial concentration and single-customer concentration will be dispersed, and a firm understanding of business risks will be acquired in order to achieve stable income growth.
- Lead bank status for syndicated loans to high-quality customers in Taiwan and overseas will be pursued vigorously so as to increase loan and commission fee income.
- The Financial Supervisory Commission's Green Finance 3.0 policy will be implemented, with continuous promotion of renewable and green energy financing; in addition, digital tools will be brought in to heighten customer loyalty.

Consumer Banking Business

- Services to meet customer needs for home loans and on-lending will be developed, the funding needs of the youth group for housing procurement and of high-asset potential customers will be met, and a stable home-loan market share and asset quality will be pursued in line with relevant government regulatory measures.
- A diverse array of digital application channels will be matched with the sale of a range of credit loan products, and lists of high-quality corporate personnel and internal business opportunities will be developed, so as to upgrade customer quality and quantity; at the same time, credit loan products will be continuously innovated and inclusive financing will be realized through the implementation of environmental social governance (ESG) plans.

Wealth Management Business

- High-potential customers will be constantly sought out, the high-value customer segment will be boosted, and customer asset scale will be vigorously expanded.
- Personnel will be acquired through special recruitment projects, and internal personnel and high-performance financial consultants will be guided onto the road to comprehensive career planning and promotion. This will build up a professional team, and will elevate the capacity for energetic action and per capita output value.
- A full range of optimized wealth management services that keep pace with the times will be introduced, with a focus on the customer, in line with the pulse of development of global financial markets; a diverse range of products will be innovated; the financial professionalism of SKB employees will be upgraded; and resources will be integrated to realize synergies, stimulating the overall growth of the wealth management business.

Digital Banking Business

- Digital support for branches to boost digital customer acquisition: Multiple accounts for digital customers will boost income by increasing customer holdings for product lines. Digital deposit accounts matched with multiple products will increase the frequency of account usage by customers. The development of customer segments for digital channels will constantly be strengthened, and third-party cross-industry strategic alliances matched with branch digital operations will be used to provide localized digital services, thereby enhancing customer satisfaction and creating account usage scenarios that strengthen customer loyalty. Digital resources will be used to increase the digital channels used by customers while reducing manual work and external collection operations at branches.
- Reinforcement of digital customer segment operations: The development of digital products and the iterative optimization of digital platforms, matched with digital marketing and community management, will be used to satisfy customers' financial needs and create digital income while helping branches to improve their operating efficiency. Digital customer life-cycle management will be strengthened to heighten customers' brand loyalty and satisfy their needs for rapid, convenient, and secure digital services.

MARKET ANALYSIS

- Data first, focus on experience, agility at the core: Digital marketing capability will be upgraded, customers will be attracted through community and marketing motivation, and data analysis and precision marketing will be utilized to increase customer loyalty and the Bank's income.
- Introduction of new technology: AI embedding tools will be developed to help front-line personnel and boost business promotion performance while creating greater income, and the application of new technology will be used to enhance business and operating efficiency.

Credit Card Business

- Resources will be used to boost the intensive cultivation of the Bank's customer base, manage high-asset customers, develop customers with good potential, and expand the young-customer group; data will be used to analyze the products that customers need, and the number of the Bank's products held by customers will be enhanced in both depth and breadth to strengthen loyalty in business transactions.
- Financial holding group resources will be fully employed in the continuous cross-group recruitment of cardholders and in cooperating with self-acquiring stores, exclusive card-application will be designed for new cardholders in accordance with the attributes of group enterprise customer segments, and resources will be combined for the provision of integrated payment services, thus creating benefit maximization.
- Co-branded card scenarios and the depth of customer-group cooperation will be reinforced, the Bank will work with co-brand enterprises to expand the depth of consumption rewards, and co-brand resources will be used to stimulate card application, use, and acquiring services. This will upgrade the Bank's overall card-promotion momentum and effective card ratio.

Trust Business

- All-out efforts will be devoted to the promotion of the real estate trust, old/unsafe building reconstruction financing trust, advance payment trust (including for e-commerce platforms), escrow trust (including for equities trading), employee stock ownership trust, and foreign-currency trust businesses.
- Business promotion, education, and training will be carried out for the Bank's business units and employees at all levels so as to strengthen the trust capabilities of employees and gain a grasp of potential customer segments.
- In line with the Trust 2.0 policy, the nursing care and insurance trust and employee stock ownership trust businesses will be promoted in combination with the Bank's wealth management and corporate banking resources in order to satisfy the diverse needs of the Bank's customers.
- Financial holding company synergies will be employed in undertaking the custodian bank business for investment trust funds and clearing bank business for book-entry central bank securities.

(2) Long-term Business Plans

Corporate Banking Business

- Overseas markets will be continuously developed, international syndicated loans will be cautiously and selectively undertaken, and cooperative relations with overseas branch institutions will be constantly strengthened in order to expand asset scale and heighten overseas income.
- The Bank will work continuously lower the FI deposit ratio, optimize the deposit structure and cost controls, and enhance interest spread and commission income.
- ESG loan principles will be introduced and, in compliance with Equator Principles and the inclusion of ESG loans in credit processes, examination and effective control will be carried out so as to realize ESG principles and sustainable financing.
- Loans to highly controversial industries will be forbidden, careful assessment will be made of high-risk and high-carbon-emissions industries, ESG loans will be actively promoted, and the Bank will participate in loans to sustainable industries and in sustainability-linked loans.
- The integration and division of labor between front and back offices will be used to expand the momentum for business promotion, boost cross-sales in the derivatives business, and establish close business relations with customers.



Wealth Management Business

- In line with the development of global financial market pulse, the Bank will provide a diverse array of products, constantly strengthen team professionalism, develop digital platforms, integrate digital and physical channels, and build a complete range of customer services.
- Financial products with market competitiveness will be developed continuously in order to offer a more complete, more professionalized range of asset-allocation planning services to satisfy the needs of customers at different levels, and the Bank's operating scale will be further expanded through the use of bank-wide marketing and promotion synergies.
- In response to the trend toward an ageing society with low birth rates, the Bank will develop professional family financial planners, deepen trust services, and help family businesses achieve the goals of sustainable operation and wealth succession through family trust planning.
- The Bank will continuously develop eldercare financial planning consultants and internationally recognized certified financial planners (CFPs), and will use full-dimensional professional services to integrate and provide customers with a more complete range of financial planning to satisfy their diverse needs.

Digital Banking Business

- Management of digital channel customers to upgrade the active account ratio: The management of digital channels will be reinforced so as to bring new accounts to branches and boost product penetration. Digital marketing and cross-industry cooperation resources will be exchanged to offer customers incentives for use, and digital services will be optimized in accordance with the "voice of the customer."
- Development of digital banking industry benchmarking: Digital development trend following of benchmark banks will be carried out, via third-party institutions, in regard to digitally active ratio, extent of digital interaction, and digital marketing performance. The bank will strive constantly to exceed itself, and will not forget its original intent to carry out in-depth management of digital customers.

Credit Card Business

- Data analysis of the credit card customer group will be carried out to gain an understanding of the data and use it effectively, and differentiated development will be undertaken for the early satisfaction of customers' needs for payment-related financial products; this will consolidate consumption by existing customers, expand card-customer resources, and achieve the cross-selling of other Bank products, upgrade customer contribution, and increase the Bank's income.
- All-out development of quality acquiring businesses will be initiated, quality card-use venues with a cash-flow focus will be continuously developed, and, in combination with venues' designated electronic payment, businesses will be assisted in entering the new cash-free multi-payment age in which acquiring will develop corporate cash flow and increase the depth of the Bank's business relationships.
- The continuous optimization of process node automated intelligent services for card application will be carried out to reinforce the functions and performance of digital service systems; this will simplify manual operating processes, reduce operating costs, and increase customers' card-use satisfaction.

Trust Business

- Cooperation with external channels will be strengthened to boost the quantity and energy of such channels, increase sources of trust cases, and boost revenue growth.
- Staff training for the trust business will be reinforced and the professional self-development, negotiation, contract signing, and customer maintenance abilities of sales staff will be cultivated in order to build up an outstanding sales team.
- The Bank will continuously install and optimize computer system functions for the trust and custody businesses in order to build up a complete back-office support system and expand the asset scale of the trust and custody businesses.



BUSINESS PLANS FOR 2024

1. Deposit Business

- The Bank will use deposit account combined with electronic payment account trading to provide preferential deposit treatment, and will pursue the youth segment by continuously promoting exclusive preferences for OU digital deposits. In regard to new customers we will strive to boost the number of product holdings and strengthen loyalty, increase the number of new customers, and boost the raising of deposit funds, thereby creating energy for the wealth management business and heightening opportunities for reinvestment.
- The foreign-currency exchange and deposit module will be continuously developed and optimized to provide customers with a wide range of foreign-currency exchange and deposit services; preferential deposit and exchange programs will be planned in accordance with forex and interest rate trends in order to achieve both cost control and market competitiveness; and preferential programs for New Taiwan dollar/foreign-currency fixed deposits will be introduced in line with consideration of the rhythm of the capital market and the Bank's demand for capital while at the same time boosting the amount of deposits and the ratio of demand deposits.
- Relations with high-quality payroll-transfer corporate customers will be strengthened by offering them integrated programs involving customized preferential banking products in accordance with their corporate characteristics; the high-income payroll-transfer customer group will be continuously cultivated; and account-upgrade preference and preferential-interest deposit programs will be offered to retain and increase the number of customers with assets under management, and to motivate them to become part of the Bank's high-asset customer group.
- In combination with localized business cultivation by SKB branches, the SME customer base will be developed with the aim of boosting the Bank's market competitiveness and market share, optimizing the deposit structure, and constantly lowering the cost of deposits.
- Customer business relations will be enhanced and the cultivation of existing customers will be strengthened with the aim of regaining and maintaining their business with the Bank, advancing good interactive relations, and stimulating the stable development of the deposit business.
- Preferential-rate deposit programs will be introduced to attract new capital, upgrade the position of demand deposits, and optimize the ratio of demand deposits in the Bank.
- Omni-U digital securities accounts will be used, along with the promotion of convenient online account-opening tools, to accelerate the increase in securities activity, accumulate customers rapidly, and raise the level of demand securities deposits.

2. Corporate Banking Business

- In consideration of the characteristics of localized operations, operating efficiency and service quality will be strengthened for existing customers and full-function branches will be added (there are currently 42 of these).
- The introduction of the Shin Kong "Hao Li Dai" loan program will be used to broaden the scope of SKB customers, recruit quality customers from a diversity of industries, lower the Bank's capital consumption, and diversify credit risk.
- SME Credit Guarantee Fund loans will be used to lower loan risk and reduce capital consumption. Focus will be directed at industrial parks in the development of SMEs in the vicinity of SKB branches and customers will be developed in up- and downstream industrial supply chains; this will enlarge the Bank's SME base, boost customer loyalty, and expand product dimensionality.
- A complete range of corporate banking industrial line services will be built up and the diversity of business relationships will be increased; an understanding of customers' core assets and the solicitation of customers with self-liquidating and transactional repayment capability will be used to lower loan risk and boost profit.
- The Bank will focus on the role of lead bank for syndicated loans that offer good income and have good credit ratings, will seek opportunities for the refinancing of existing lead-bank loans, use debt consolidation for existing customers to package loans from other banks into syndicated loans, and seize opportunities for the refinancing of loans with SKB participation while seeking lead-bank status for those syndicated loans. The aim is to use lead-bank status as a stepping stone for the development of SKB loans to high-quality domestic and foreign customers, thereby increasing loan and processing-fee income by boosting the accounts receivable, trade financing, and other businesses.

- The Bank will support corporate sustainable development, use green loans to help guide customer capital into green projects, encourage industries to pursue sustainable development and achieve carbon-reduction targets, and help realize the role and the function of the financial system in promoting the pursuit of sustainable development by society as a whole.

3. Consumer Banking Business

- **Optimization of business processes, and enhancement of employee productivity and service quality:** The power of technology will be used to optimize processes and data; one-stop services for online application, identity verification, and automatic dispersal of funds will be promoted continuously so that manpower can be replaced by automated equipment and the performance of sales personnel can be upgraded; big-data analysis will be used to create a forecasting model that will provide a marketing list and increase the number of products held by SKB customers; and digital services will be used together with physical branches to deeply cultivate business dealings with customers. In this way, the Bank will constantly manifest its superior service quality and expand the scale of its consumer banking business.
- **Creation of a smooth, chokepoint-free digital experience centered on the customer experience:** Key business processes will be constantly improved and optimized with a focus on the customer experience, and the digital-application loan platform will be expanded; consumer loan products will be repackaged, and products, marketing, and processes will be advanced in tandem; in response to digital trends and the rapid development of financial technology, digital platforms will be used to heighten service efficiency; and new business models will be vigorously developed to facilitate integration into customers' consumption scenarios, satisfy their need for immediate financing, expand the coverage of consumer loan products, and provide high-quality and convenient financial services that meet customers' needs.
- **Continuous operation of the auto-loan business and development of loans through car dealerships:** Loans through car dealerships will be continuously developed and the used-car and foreign-currency auto-loan business will be strengthened so as to achieve the stable expansion of the Bank's business base, develop the new-car market, and boost the opening of new-car channels. At the same time, the Bank will constantly strengthen the control of business costs and reduce non-performing loans, with an equal emphasis on broadening income sources and reducing expenditures, so as to create maximum profits for the Bank.
- **Use of mortgage products as a stepping stone to the promotion of other products:** Limited resources will be used on key customers in the pursuit of co-marketing income, and mortgage loans will be used as a stepping stone for connection with other SKB products.
- Provision of relatively preferential loan-to-value ratios and interest rates to purchasers of non-self-use residential properties; Loan policies will be adjusted as necessary to conform to changes in regulations, internal policy directions, and conditions in the real estate market so as to give due consideration to both the Bank's capital adequacy and its loan quality.
- Strict review of loan applications and strengthening of credit-risk controls. Borrowers' repayment sources and capability will be reviewed, and high-quality customers will be selected, in order to reduce non-performing loans. The credit scorecard system will be used to standardize risk controls, enhance business quality and quantity, and reinforce the overall quality of loan assets.

4. Wealth Management Business

- **Mastering of the product rhythm:** In response to changes in the banking environment, in-depth planning of stock and bond allocation will be carried out so as to provide different customer segments with investment and financial management services. In response to the upgrading of wealth management, the penetration of various types of products will be enhanced. In response to changes in the insurance environment, estate and retirement plans will be mapped out and a range of insurance products will be offered to satisfy customer needs.

BUSINESS PLANS FOR 2024

- **Further development of customer segmentation:** Customers will be segmented in accordance with their assets, contributions, loyalty, and other factors; suitable customer rights and special offers will be mapped out; potential customer needs will be pinpointed; the operation and addition of customer products will be strengthened; and the loyalty of the wealth management segment will be enhanced. The rights of high-asset customers will be reinforced, paybacks to high-contribution customers will be enhanced, and a range of customer-rewards services will be used to deepen customer relationships. A wealth-management points program will be used to satisfy the needs of different segments and heighten customer loyalty.
- **The business management mechanism:** The performance management system will be constantly optimized; an out-of-office recording function that includes the SFA system, and joint online credit checking, will be built up; system control will be reinforced; and a checking function for the review period system will be set up. The order checking mechanism for senior customers will be strengthened to protect disadvantaged customers. Recruitment will be upgraded, the evaluation of management skills quantified, and competency methods will be used to carry out system management training with the aim of enhancing the professional skills and management capabilities of financial planners.
- **Establishment of digital platforms:** Trading systems will be constantly optimized, with a core focus on the customer experience, in order to improve trading efficiency; investment will be made in the Quick Go system for online fund subscription, switching, and redemption trading; work-oriented systems and a wealth-management encyclopedia will be put online so as to expand the area of service and enhance service quality; and the telephone ordering process will be optimized to serve senior customers, reduce the digital gap, and fulfill the spirit of fair treatment of customers.

5. Digital Banking Business

- **Strengthening of product design in support of front-line business:** With a core focus on the customer experience and with technology as the accelerator, the Bank will continuously optimize digital products and services and, with a strategy of prioritizing mobile services, will reinforce the experience of mobile banking users so that their needs for enquiry, payment, financial management, and everyday life preferences will be satisfied at any time and any place. This will create digital banking with warmth and accuracy. Chokeholds in the customer experience will be constantly alleviated and both application rate and volume will be increased through data analysis and experimental improvement; feedback from front-line branches will be solicited in the effort to get close to customer-use needs; and branches will be assisted with digital products and services in order to reach business targets.
- **Upgrading of digital innovation to improve business efficiency:** New versions of digital products will be repeatedly developed to provide innovative experiences and enhance efficiency. Overall renovation of the Bank's official website and mobile banking APP will be carried out during this year, with fully independent APP design and development; asset information will be presented via a brand-new infographic interface, with frequently used functions instantly visible and with a brand-new information architecture that makes information browsing even faster. Convenient functions such as FIDO biometric identification and device binding login verification will be adopted, together with deep link and single sign-on (SSO) functions to provide rapid and secure access to different platforms. This will enhance the experience of customers and allow them the secure use of uninterrupted services.
- **Development and deepening of cross-industry cooperation:** In response to the trend toward digital e-payment, the Bank will work in full cooperation with e-payment institutions in offering a full range of integrated e-payment services and will introduce related marketing activities that bring the Bank close to customers' lives and satisfy their financial needs for all kinds of consumption scenarios.
- **Integration of group resources and realization of group synergies:** With a focus on OU digital deposit accounts, linkage will be established with the products of Shin Kong Financial Holding subsidiaries in order to create multifunction accounts and provide customers with special package-type marketing offers, thereby boosting the holding of various product lines and providing customers with special package-type marketing offers. This will enhance customer-acquisition energy while boosting the ratio of product holdings by customers of holding company subsidiaries. For example, we will cooperate with Masterlink Securities in the introduction of the OMNI-U platform to enhance the customer experience and boost account-opening efficiency by integrate account opening with one-stop financial services, and we will cooperate with Shin Kong Life Insurance for the immediate allocation of funds for insurance claims and policy loans, thereby heightening service efficiency and lowering operating costs.

- **Boosting of digital customer satisfaction:** To carry through with customer relationship management, third-party market surveys will be carried out each year and seminars and questionnaires will be used to learn about customers' needs and feelings in regard to the Bank's digital platforms, customer group management, and marketing strategies. During this year we will focus on the new mobile banking APP in carrying out a customer use survey designed to provide an understanding of real customer feedback for use as a basis for iterative platform optimization.
- **Digital transformation and personnel deployment:** The training and deployment of product management, digital marketing, experience design, data analysis, digital technology, and other key personnel will be accelerated, and both quality and quantity of digital personnel will be upgraded.

6. Credit Card Business

- **Strengthening of product category features:** After market trends are observed and product attributes are positioned, products will be offered according to classification, and new blood will be developed and physical conditions optimized in cooperation with sales channels so as to maximize the value of customer group management.
- **Effective customer recruitment through digital media:** In addition to the traditional use of branch and promotion personnel, the Bank will use digital media in the vigorous recruitment of customers and will use precision marketing to acquire emerging diversified, young, and digitized customer groups in order to build up the Bank's credit card customers.
- **Use of two-way cross selling to create a win-win:** The Bank will make use of its depositor resources to seek out high-contribution customer groups and will use self media to communicate with depositors in order to deepen depositor relationships. Internal resources will be integrated for the boosting of customer loyalty and achievement the goals of strengthening card use and customer contribution.

7. Trust Business

- **Real estate trust:** Development-type real estate financing projects will be coupled with trust to reduce credit risk while strengthening stakeholder protection and complying with market needs; the Bank will also respond to the government's implementation of the policies of urban renewal and the reconstruction of old buildings by actively pursuing the old-building reconstruction and urban renewal trust business so as to boost trust-commission income, loan-interest income, and deposit performance. This will promote trust as the ideal protection platform, and will create maximum income for the Bank.
- **Advance payment trust:** Issuers will be assisted with the issuance of gift certificates (including electronic gift certificates and prepaid cards) and will carry out the trust management of advance payments in accordance with the regulations; this will assure protection for purchasers of deferred-consumption products while increasing the Bank's trust income.
- **Real estate escrow trust:** This business fills a market demand, and is now a mature and competitive business. To enhance its competitiveness, the Bank will develop its own information systems to better handle application, price negotiation, and approval operations for this business, and the outstanding functions of these systems will boost the performance of branch business promotion.
- **Nursing care and insurance trust:** In response to the implementation of the government's Trust 2.0 policy, the Bank mapped out and introduced a "Shin Kong makes an appointment with you for the future" project which encompasses both nursing care and insurance trust. The main objective of this project is to provide for the real needs of the elderly and disabled for nursing care; the Bank also planned out standardized procedures, information systems, and standard contracts to help bank branches promote this project and thus burnish the Bank's public-welfare image.
- **Employee stock ownership trust:** In response to the government's implementation of the Trust 2.0 policy, besides operating the employee stock ownership trust business for employees of Shin Kong Financial Holding Co. subsidiaries the Bank will expand this trust business in order to comply with the requirements of the authorities in regard to the promotion of employee retirement planning and directions for the development of the trust business.
- **Custody business:** The Bank makes use of holding company synergies in undertaking custody of investment-type insurance products and discretionary investments of Shin Kong Life Insurance and of the central government book-entry securities clearing bank, custody of discretionary trust investments referred by the MasterLink Securities Investment Advisory Co. and Shin Kong Investment Trust, and custody of foreign investment funds referred by the MasterLink Securities Corp. The Bank also strives to expand profit sources by cooperating actively with external channels in soliciting custody of fully fiduciary discretionary investment and central government book-entry securities.



INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholder
Taiwan Shin Kong Commercial Bank Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Shin Kong Commercial Bank Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

The following are the descriptions of the key audit matters in the audit of the consolidated financial statements of the Group for the year ended December 31, 2023:

Expected Credit Losses of Discounted Loans, Net

As described in Note 13 to the consolidated financial statements, the discounted loans amounted to NT\$795,749,611 thousand, which accounted for 63% of total assets as of December 31, 2023, which are material to the consolidated financial statements as a whole. In addition, as stated in Note 5 of the consolidated financial statements, the measurement of expected credit losses for discounted loans involve various financial factors, such as the probability of default and loss given default and required compliance with relevant laws and regulations. Therefore, the expected credit loss for the discounted loans was identified as a key audit matter.

The relevant accounting policies, estimations, assumptions and other information are referred to in Notes 4, 5, 13, 31 and 37 to the consolidated financial statements.

The audit procedures for the expected credit losses of the discounted loans were as follows:

- We obtained an understanding of and tested the internal controls related to the expected credit losses of the discounted and loans of Taiwan Shin Kong Commercial Bank Co., Ltd.
- We sampled from the schedule of the expected credit losses of discounted and loans, assessed by Taiwan Shin Kong Commercial Bank Co., Ltd., and evaluated the feasibility of expected credit losses.
- We obtained an understanding of and tested the key parameters for the expected credit losses of discounted loans (such as the probability of default and the loss given default). We confirmed that the expected credit losses are reasonable and meet the current experience and economic situation.
- We recalculated the appropriated amounts in conformity with the relevant decrees and ordinances of the competent authority.

Other Matter

We have also audited the parent company only financial statements of Taiwan Shin Kong Commercial Bank Co., Ltd. for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT

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


Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the 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 Wang-Sheng Lin and Yin-Chou Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 21, 2024

Notice to Readers

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

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

INDEPENDENT AUDITORS' REPORT

TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

ASSETS	2023		2022	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 6)	\$ 37,216,734	3	\$ 47,127,490	4
PLACEMENT WITH CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	72,188,468	6	61,584,518	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 34)	88,945,781	7	102,836,659	9
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9 and 35)	180,811,638	14	182,417,824	15
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Note 10)	60,456,592	5	44,270,051	4
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 11)	600,000	-	-	-
RECEIVABLES, NET (Notes 12 and 34)	13,585,298	1	14,065,352	1
DISCOUNTED AND LOANS, NET (Notes 13 and 34)	795,749,611	63	743,341,305	61
PROPERTY AND EQUIPMENT, NET (Note 16)	5,839,806	1	5,951,380	1
RIGHT-OF-USE ASSETS, NET (Notes 17 and 34)	2,539,178	-	2,835,891	-
INVESTMENT PROPERTIES (Note 18)	813,040	-	802,390	-
GOODWILL AND INTANGIBLE ASSETS, NET (Note 19)	1,944,526	-	1,658,746	-
DEFERRED TAX ASSETS (Note 4)	785,207	-	754,141	-
OTHER ASSETS, NET (Notes 20 and 34)	<u>4,202,856</u>	<u>-</u>	<u>4,248,530</u>	<u>-</u>
TOTAL	<u>\$ 1,265,678,735</u>	<u>100</u>	<u>\$ 1,211,894,277</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS OF CENTRAL BANK AND OTHER BANKS (Note 21)	\$ 845,250	-	\$ 323,880	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 34)	7,382,575	1	6,560,818	1
BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS (Note 22)	9,517,255	1	6,234,281	1
PAYABLES (Note 23)	9,445,381	1	8,286,434	1
INCOME TAX LIABILITIES, CURRENT (Notes 4 and 34)	1,089,978	-	1,127,318	-
DEPOSITS AND REMITTANCES (Notes 24 and 34)	1,095,372,924	86	1,072,608,164	88
BANK DEBENTURES (Note 25)	28,200,000	2	26,800,000	2
OTHER FINANCIAL LIABILITIES (Note 26)	32,570,941	3	20,316,450	2
PROVISIONS (Note 27)	1,270,631	-	1,116,719	-
LEASE LIABILITIES (Notes 17 and 34)	2,675,641	-	2,982,625	-
DEFERRED TAX LIABILITIES (Note 4)	460,753	-	459,874	-
OTHER LIABILITIES (Note 28)	<u>1,929,952</u>	<u>-</u>	<u>1,469,746</u>	<u>-</u>
Total liabilities	<u>1,190,761,281</u>	<u>94</u>	<u>1,148,286,309</u>	<u>95</u>
EQUITY (Note 29)				
Common stock				
Capital - common stock	49,815,329	4	49,815,329	4
Capital surplus				
Premium on capital stock	2,516,058	-	2,516,058	-
Other capital reserve	94,063	-	94,063	-
Retained earnings				
Legal reserve	18,595,610	1	16,713,649	1
Special reserve	6,070,620	1	1,433,694	-
Unappropriated retained earnings	6,745,751	1	6,518,887	1
Other equity				
Exchange differences on translating foreign operations	96,571	-	96,320	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,043,203	-	(59,231)	-
Unrealized loss on investments in debit instruments at fair value through other comprehensive income	<u>(10,059,751)</u>	<u>(1)</u>	<u>(13,520,801)</u>	<u>(1)</u>
Total equity	<u>74,917,454</u>	<u>6</u>	<u>63,607,968</u>	<u>5</u>
TOTAL	<u>\$ 1,265,678,735</u>	<u>100</u>	<u>\$ 1,211,894,277</u>	<u>100</u>

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

TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2023		2022		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME (Notes 31 and 34)	\$ 28,451,085	142	\$ 21,194,870	112	34
INTEREST EXPENSE (Notes 31 and 34)	<u>(15,484,160)</u>	<u>(77)</u>	<u>(7,483,290)</u>	<u>(40)</u>	107
NET INTEREST INCOME	<u>12,966,925</u>	<u>65</u>	<u>13,711,580</u>	<u>72</u>	(5)
NON-INTEREST INCOME, NET					
Service fee, net (Notes 31 and 34)	3,539,465	18	3,215,758	17	10
Gain on financial assets and liabilities at fair value through profit or loss, net (Note 31)	1,566,705	8	226,677	1	591
Realized gain on financial assets at fair value through other comprehensive income, net (Note 31)	725,270	4	253,712	2	186
Foreign exchange gain	1,081,628	5	1,368,779	7	(21)
(Impairment loss) reversal of impairment loss recognized on assets (Note 31)	(3,027)	-	7,789	-	(139)
Gain on investment properties (Note 18)	10,650	-	3,598	-	196
Other revenue except for interest revenue, net	<u>115,253</u>	<u>-</u>	<u>149,057</u>	<u>1</u>	(23)
Total non-interest income, net	<u>7,035,944</u>	<u>35</u>	<u>5,225,370</u>	<u>28</u>	35
NET REVENUE	<u>20,002,869</u>	<u>100</u>	<u>18,936,950</u>	<u>100</u>	6
BAD DEBT EXPENSE AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 12, 13, 27 and 31)	<u>(1,112,439)</u>	<u>(5)</u>	<u>(869,657)</u>	<u>(4)</u>	28
OPERATING EXPENSES					
Employee benefits expenses (Note 31)	(5,601,393)	(28)	(5,293,259)	(28)	6
Depreciation and amortization expenses (Note 31)	(1,153,224)	(6)	(1,087,880)	(6)	6
General and administrative expenses (Notes 31 and 34)	<u>(3,797,748)</u>	<u>(19)</u>	<u>(3,393,324)</u>	<u>(18)</u>	12
Total operating expenses	<u>(10,552,365)</u>	<u>(53)</u>	<u>(9,774,463)</u>	<u>(52)</u>	8

(Continued)

INDEPENDENT AUDITORS' REPORT

TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2023		2022		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
CONSOLIDATED INCOME BEFORE INCOME TAX	\$ 8,338,065	42	\$ 8,292,830	44	1
INCOME TAX EXPENSE (Notes 4 and 32)	<u>(1,546,617)</u>	<u>(8)</u>	<u>(1,431,173)</u>	<u>(8)</u>	8
CONSOLIDATED NET INCOME	<u>6,791,448</u>	<u>34</u>	<u>6,861,657</u>	<u>36</u>	(1)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Notes 4 and 27)	(48,149)	-	156,717	1	(131)
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,095,256	5	(1,085,559)	(6)	201
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 32)	9,630	-	(31,344)	-	131
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	251	-	175,182	1	(100)
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	<u>3,461,050</u>	<u>18</u>	<u>(12,098,552)</u>	<u>(64)</u>	129
Other comprehensive income (loss), net of income tax	<u>4,518,038</u>	<u>23</u>	<u>(12,883,556)</u>	<u>(68)</u>	135
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 11,309,486</u>	<u>57</u>	<u>\$ (6,021,899)</u>	<u>(32)</u>	288 (Continued)



TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2023		2022		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET INCOME ATTRIBUTABLE TO:					
Owner of the Company	\$ 6,791,448	34	\$ 6,861,657	36	(1)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 6,791,448</u>	<u>34</u>	<u>\$ 6,861,657</u>	<u>36</u>	(1)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Owner of the Company	\$ 11,309,486	57	\$ (6,021,899)	(32)	288
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 11,309,486</u>	<u>57</u>	<u>\$ (6,021,899)</u>	<u>(32)</u>	288
EARNINGS PER SHARE (Note 33)					
Basic	<u>\$ 1.36</u>		<u>\$ 1.41</u>		
Diluted	<u>\$ 1.36</u>		<u>\$ 1.40</u>		

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

(Concluded)



INDEPENDENT AUDITORS' REPORT

TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	Capital Surplus		
	Capital Stock Ordinary Shares	Premium on Capital Stock	Other
BALANCE, JANUARY 1, 2022	\$ 47,585,921	\$ 1,697,749	\$ 80,586
Appropriations of 2021 earnings			
Legal reserve	-	-	-
Special reserve	-	-	-
Reversal of special reserve	-	-	-
Cash dividends	-	-	-
Stock dividends	81,617	-	-
Issuance of ordinary shares for cash	2,147,791	818,309	-
Share-based payment (Note 30)	-	-	13,477
Net income for the year ended December 31, 2022	-	-	-
Other comprehensive income (loss) after tax for the year ended December 31, 2022, net of income tax	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-
BALANCE, DECEMBER 31, 2022	49,815,329	2,516,058	94,063
Appropriations of 2022 earnings			
Legal reserve	-	-	-
Special reserve	-	-	-
Reversal of special reserve	-	-	-
Net income for the year ended December 31, 2023	-	-	-
Other comprehensive income (loss) after tax for the year ended December 31, 2023, net of income tax	-	-	-
Total comprehensive income for the year ended December 31, 2023	-	-	-
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-
BALANCE, DECEMBER 31, 2023	<u>\$ 49,815,329</u>	<u>\$ 2,516,058</u>	<u>\$ 94,063</u>

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

Equity Attributable to Owners of the Company

Retained Earnings			Other Equity		Total Equity
Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Instruments at Fair Value Through Other Comprehensive Income	
\$ 14,976,346	\$ 261,605	\$ 6,036,689	\$ (78,862)	\$ (1,109,744)	\$ 69,450,290
1,737,303	-	(1,737,303)	-	-	-
-	1,192,239	(1,192,239)	-	-	-
-	(20,150)	20,150	-	-	-
-	-	(2,800,000)	-	-	(2,800,000)
-	-	(81,617)	-	-	-
-	-	-	-	-	2,966,100
-	-	-	-	-	13,477
-	-	6,861,657	-	-	6,861,657
-	-	<u>125,373</u>	<u>175,182</u>	<u>(13,184,111)</u>	<u>(12,883,556)</u>
-	-	<u>6,987,030</u>	<u>175,182</u>	<u>(13,184,111)</u>	<u>(6,021,899)</u>
-	-	<u>(713,823)</u>	<u>-</u>	<u>713,823</u>	<u>-</u>
16,713,649	1,433,694	6,518,887	96,320	(13,580,032)	63,607,968
1,881,961	-	(1,881,961)	-	-	-
-	4,663,532	(4,663,532)	-	-	-
-	(26,606)	26,606	-	-	-
-	-	6,791,448	-	-	6,791,448
-	-	<u>(38,519)</u>	<u>251</u>	<u>4,556,306</u>	<u>4,518,038</u>
-	-	<u>6,752,929</u>	<u>251</u>	<u>4,556,306</u>	<u>11,309,486</u>
-	-	<u>(7,178)</u>	<u>-</u>	<u>7,178</u>	<u>-</u>
<u>\$ 18,595,610</u>	<u>\$ 6,070,620</u>	<u>\$ 6,745,751</u>	<u>\$ 96,571</u>	<u>\$ (9,016,548)</u>	<u>\$ 74,917,454</u>

INDEPENDENT AUDITORS' REPORT

TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income before income tax	\$ 8,338,065	\$ 8,292,830
Adjustments for:		
Depreciation expense	945,533	914,917
Amortization expense	207,691	172,963
Expected credit loss recognized	1,112,439	869,657
Gain on financial assets and liabilities at fair value through profit or loss	(1,566,705)	(226,677)
Interest expense	15,484,160	7,483,290
Interest income	(28,451,085)	(21,194,870)
Dividend income	(689,452)	(308,136)
Compensation costs of employee share options	-	13,477
Loss on disposal of property and equipment, net	2,957	78
(Gain) loss on disposal of financial assets, net	(51,839)	54,424
Impairment loss (reversal of impairment loss) on financial assets	3,027	(7,789)
Unrealized loss (gain) on foreign currency exchange	527,825	(6,547,804)
Gain on fair value adjustment of investment property	(10,650)	(3,598)
Gain on lease modifications	(749)	(8,374)
Net changes in operating assets and liabilities		
Placement with Central Bank and call loans to other banks	(713,955)	(2,351,918)
Financial assets at fair value through profit or loss	16,378,095	21,581,757
Financial assets at fair value through other comprehensive income	6,454,491	4,545,985
Investment in debt instruments at amortized cost	(16,340,438)	(23,226,105)
Receivables	752,550	(169,843)
Discounted and loans	(53,115,591)	(33,851,105)
Other financial assets	(3,468)	(3,447)
Other assets	(21,774)	4,091
Deposits of the Central Bank and other banks	521,370	(5,272,802)
Financial liabilities at fair value through profit or loss	(98,755)	(1,394,701)
Payables	(97,951)	(292,901)
Deposits and remittances	22,764,760	28,685,997
Other financial liabilities	12,254,491	11,822,560
Employee benefits provision	(8,359)	(2,598)
Other liabilities	126,687	(33,342)
Cash used in operations	(15,296,630)	(10,453,984)
Interest received	27,961,213	20,861,209
Dividends received	689,668	308,422
Interest paid	(14,915,008)	(6,548,981)
Income taxes paid	(1,604,514)	(954,642)
Net cash (used in) generated from operating activities	<u>(3,165,271)</u>	<u>3,212,024</u>

(Continued)

TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (539,388)	\$ (493,631)
Proceeds from disposal of property and equipment	76	-
Increase in refundable deposits	-	(2,395,941)
Decrease in refundable deposits	67,448	-
Acquisition for intangible assets	<u>(195,612)</u>	<u>(148,206)</u>
Net cash used in investing activities	<u>(667,476)</u>	<u>(3,037,778)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in funds borrowed from Central Bank and other banks	-	(225,050)
Issuance of bank debenture	2,200,000	2,800,000
Repayment of bank debenture	(800,000)	(3,000,000)
Increase in bills and bonds sold under repurchase agreements	3,282,974	3,902,984
Increase in guarantee deposits received	333,519	411,699
Repayment of the principal portion of lease liabilities	(604,544)	(565,909)
Cash dividends distributed	-	(2,800,000)
Proceeds from issuance of ordinary shares	<u>-</u>	<u>2,966,100</u>
Net cash generated from financing activities	<u>4,411,949</u>	<u>3,489,824</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>37</u>	<u>172,035</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	579,239	3,836,105
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>80,125,201</u>	<u>76,289,096</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 80,704,440</u>	<u>\$ 80,125,201</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2023 and 2022:

	December 31	
	2023	2022
Cash and cash equivalents in consolidated balance sheets	\$ 37,216,734	\$ 47,127,490
Placement with Central Bank and call loans to other banks qualified for cash and cash equivalents under the definition of IAS 7	42,887,706	32,997,711
Bills and bonds purchased under resell agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>600,000</u>	<u>-</u>
Cash and cash equivalents, end of the year	<u>\$ 80,704,440</u>	<u>\$ 80,125,201</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

On September 23, 1996, the Third Credit Cooperative of Taipei, a credit union, was approved by the Republic of China (“ROC”) Ministry of Finance (MOF) under Letter Tai-Tsai-Rong No. 85546025 to reorganize into a commercial bank named Macoto Bank.

Macoto Bank acquired all of the assets and assumed all of the liabilities of the Second Credit Cooperative of Hsinchu, the Eighth Credit Cooperative of Taichung, the Second Credit Cooperative of Chiayi, and the Credit Cooperative of Gang Shang (credit unions) on January 5, 1997, January 1, 1998, August 31, 2001, and September 14, 2001, respectively. The acquisitions were approved by the ROC MOF.

Responding to financial development trend and the government policy to promote financial institutions, Macoto Bank agreed to be acquired by Shin Kong Financial Holding Co., Ltd. by means of share swap in the stockholders’ meeting on June 10, 2005. The share swap was completed on October 3, 2005, and Macoto Bank became a wholly-owned subsidiary of Shin Kong Financial Holding Co., Ltd. On October 4, 2005, the board of directors resolved Macoto Bank’s merger with Taiwan Shin Kong Commercial Bank Co., Ltd. (“TSKCB”), a wholly-owned subsidiary of Shin Kong Financial Holding Co., Ltd., with Macoto Bank as the surviving entity and Taiwan Shin Kong Commercial Bank Co., Ltd. as the eliminated entity. Macoto Bank issued new shares to exchange TSKCB’s total assets and liabilities. For this share swap, Macoto Bank issued 708,727 thousand common shares at the share exchange ratio of 1.5040 common shares of TSKCB for every Macoto Bank share. On December 26, 2005, Macoto Bank obtained approval of the transaction from the Financial Supervisory Commission (FSC). On December 31, 2005, this transaction was completed. At the same time, Macoto Bank was renamed into Taiwan Shin Kong Commercial Bank Co., Ltd. (the “Bank” referred to in these financial statements).

On September 14, 2022, the board of directors of the Bank resolved to merge with Shin Fu Insurance Agency Co., Ltd., a wholly-owned subsidiary, in order to integrate the resources, strengthen management and business synergy. The effective date of this merger was December 30, 2022.

As of December 31, 2023, the Bank had a trust department, a foreign exchange transaction department, an offshore banking branch in Taiwan, 103 domestic branches including a business department and a branch in Hong Kong. The Bank is engaged mainly in financial operations regulated by the Banking Law and others approved by competent authority. The Bank’s ultimate parent is Shin Kong Financial Holding Co., Ltd. (SKFHC).

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on February 21, 2024.



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

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

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- 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 IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

- 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
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are 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.



INDEPENDENT AUDITORS' REPORT

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

Basis of Preparation

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

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

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

Classification of Current and Non-current Assets and Liabilities

Accounts included in the Group's financial statements are not classified as current or non-current but are stated in the order of their liquidity. Please see Note 37 for the maturity analysis of assets and liabilities.

Basis of Consolidation

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


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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) 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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Bills and Bonds Purchased under Resell Agreements/Bills and Bonds Sold under Repurchase Agreements

A bill and bond purchased under resell agreements/a bill and bond sold under repurchase agreements is considered as a financing transaction if the risk and reward are attributed to the dealer. When a bill or bond is purchased under a resell agreement, its purchase price is listed as "bills and bonds purchased under resell agreements," an asset account. For a bill and bond sold under a repurchase agreement, the selling price is listed as "bill and bond sold under repurchase agreements," a liability account. The difference between the purchase (sale) price under the agreement and the actual sale (purchase) price is recorded as interest income (expense).

Financial Instruments

Financial assets and financial liabilities are recognized when the Group 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 issuance 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.

INDEPENDENT AUDITORS' REPORT

a. Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition mismatch that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, and remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 37.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits and certificates of deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

3) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as 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.

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, it will be transferred to retained earnings.

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

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including discounted and loans and receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for discounted and loans and receivables. For all other financial instruments, the Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses 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.

According to the Regulations, the Group determines the allowance for credit losses by evaluating the recoverability of the outstanding balances of various loans at the balance sheet date. The allowances for doubtful accounts are determined based on management's evaluation of the collectability of individual accounts, the borrowers'/clients' financial condition and payment history. Such doubtful accounts are classified into: Normal loans, need attention, less likely to be collectible in full, difficult to collect, and

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uncollectible accounts and the allowance should be provided at 1%, 2%, 10%, 50% and 100%, respectively, of the loan amount to meet the minimum requirement. Under the rule No. 10010006830 issued by the Banking Bureau of the FSC, additional allowance for doubtful accounts should be provided at 1% of the total loans. Under the rule No. 10300329440 issued by the Banking Bureau of the FSC, allowance for doubtful accounts should be provided at 1.5% or more of the loans for real estate. Furthermore, the FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

c. Derecognition of financial assets

The Group 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 at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial liabilities

a. Subsequent measurement

Except the following situations, all 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 financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on such financial liabilities.

Fair value is determined in the manner described in Note 37.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of:

- a) The amount of the loss allowance reflecting expected credit losses; and

- b) The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, the assessment is also performed in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

b. Derecognition of financial liabilities

The difference between the carrying amount of a 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

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including those which are linked to interest rate, exchange rate, index and good.

Derivatives are initially recognized at fair value at the date on which 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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument 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 (e.g., financial liabilities) 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

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 Group 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 Group 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.

Property and Equipment

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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On derecognition an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are measured initially at cost, including transaction costs. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

For a transfer of classification from investment properties to property and equipment, the deemed cost of an item of property for subsequent accounting is its fair value at the commencement of owner-occupation.

For a transfer of classification from property and equipment to investment properties at the end of owner-occupation, any difference between the fair value of an item of property at the transfer date and its previous carrying amount is recognized in other comprehensive income and accumulated in gain on property revaluation under other equity that will be transferred directly to retained earnings when the asset is derecognized.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included 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 Group'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 Group 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.

The Group evaluates the impairment of investments accounted for using the equity method on the basis of the consolidated financial statements of the invested company as a whole as the cash generating unit. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Group recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years.

Intangible Assets

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. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property and Equipment, Right-of-use Asset and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use asset and intangible 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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 assets may be impaired.

The 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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs 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 on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

INDEPENDENT AUDITORS' REPORT

Revenue Recognition

a. Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable.

b. Service fee income

The transaction price of service fee revenue which were generated from loans and other services will be allocated to performance obligations when performance obligations are identified from a contract with a customer by the Group, and revenue will be recognized when performance obligations are satisfied. For contracts where the period between the date on which the Group transfers a service to a customer and the date on which the customer pays for that service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Leases

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

a. The Group 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, variable lease payments which depend on an index or a rate, 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 Group'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.

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.

b. The Group as lessee

The Group 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 by 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 consolidated 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 Group 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 lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease substantially less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

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. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, effect of changes to the asset ceiling and return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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Share-based Payment Arrangements

Shin Kong Financial Holding Co., Ltd. (SKFHC) who is the Group's ultimate parent granted to the Group's employees' equity-settled share-based payment arrangements.

The fair value at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

Taxation

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

a. Current tax

Income tax payable (recoverable) 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 and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.



The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. 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 recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

Current and deferred taxes 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 and deferred taxes 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.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Business combinations involving entities under common control are not accounted for using the acquisition method but are accounted for at the carrying amounts of the entities. Comparative information of the prior period in the consolidated financial statements is restated as if a business combination involving entities under common control have already occurred in that period.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Group considers the possible impact of climate change and related government policies and regulations on cash flow projections, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

INDEPENDENT AUDITORS' REPORT

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of notes discounted and loans, receivables, investments in debt instruments and financial guarantee contracts is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, the estimate of the probability of default is subject to greater uncertainties due to the impact on credit risk of financial assets arising from the uncertain impact and volatility in financial markets.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2023	2022
Cash	\$ 5,512,137	\$ 7,107,334
Notes and checks for clearing	2,143,877	2,138,459
Deposits in other banks	<u>29,560,720</u>	<u>37,881,697</u>
	<u>\$ 37,216,734</u>	<u>\$ 47,127,490</u>

Cash and cash equivalents as of December 31, 2023 and 2022 as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheets as follows:

	<u>December 31</u>	
	2023	2022
Cash and cash equivalents in consolidated balance sheets	\$ 37,216,734	\$ 47,127,490
Placement with Central Bank and call loans to other banks qualified for cash and cash equivalents under the definition of IAS 7	42,887,706	32,997,711
Bills and bonds purchased under resell agreements qualified for cash and cash equivalents under the definition of IAS 7	<u>600,000</u>	<u>-</u>
	<u>\$ 80,704,440</u>	<u>\$ 80,125,201</u>

7. PLACEMENT WITH CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	<u>December 31</u>	
	2023	2022
Reserve - checking account	\$ 16,747,688	\$ 15,804,560
Reserve - demand account	29,300,762	28,586,807
Inter-bank clearing account	4,000,587	4,000,643
Reserve - foreign currency deposit	179,800	193,460
Call loans to other banks	<u>21,959,631</u>	<u>12,999,048</u>
	<u>\$ 72,188,468</u>	<u>\$ 61,584,518</u>

The monthly depositary reserves to be deposited in the Central Bank of the Republic of China are calculated by applying the legally required reserve ratio to the monthly average balance of the reserve accounts. These reserve accounts can be used any time but the demand account can only be used for monthly deposit reserve adjustments.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Financial assets at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
Foreign exchange swap contracts	\$ 2,229,960	\$ 2,273,180
Foreign exchange options	200,166	236,045
Foreign exchange forward contracts	32,541	101,967
Interest rate swap contracts	4,672,378	4,890,099
Equity swap contracts	1,042	14,470
Futures	-	149
Non-derivative financial assets		
Negotiable certificates of deposits	67,796,112	81,841,730
Commercial paper	4,514,358	5,783,539
Stocks listed on domestic markets	140,967	-
Corporate bonds	1,697,994	2,385,528
Government bonds	1,701,331	499,971
Foreign bonds	2,876,527	-
Hybrid financial assets		
Foreign structured notes	1,029,544	912,308
Convertible corporate bonds	<u>2,052,861</u>	<u>3,897,673</u>
	<u>\$ 88,945,781</u>	<u>\$ 102,836,659</u>
<u>Financial liabilities at FVTPL</u>		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange swap contracts	\$ 2,373,699	\$ 1,937,941
Foreign exchange options	203,702	236,047
Foreign exchange forward contracts	340,202	75,928
Interest rate swap contracts	4,463,930	4,296,077
Equity swap contracts	1,042	14,471
Futures	-	354
	<u>\$ 7,382,575</u>	<u>\$ 6,560,818</u>

INDEPENDENT AUDITORS' REPORT

At the end of the reporting period, outstanding derivative financial instruments not under hedge accounting were as follows:

	Contract Amount (Notional Principals in Thousand Dollars)	
	2023	2022
Foreign exchange swap contracts	\$ 221,906,719	\$ 162,064,728
Interest rate swap contracts	170,785,654	122,512,719
Foreign exchange forward contracts	38,535,320	16,707,008
Foreign exchange options	2,146,536	2,588,165
Equity swap contracts	32,370	592,441
Futures	-	87,852

The Bank is engaged in derivative financial instruments in order to accommodate customer demand, arrangement of foreign currencies and risk management.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
Financial assets at FVTOCI		
Investments in debt instruments	\$ 175,074,974	\$ 179,432,811
Investments in equity instruments	<u>5,736,664</u>	<u>2,985,013</u>
	<u>\$ 180,811,638</u>	<u>\$ 182,417,824</u>

a. Investments in debt instruments at FVTOCI

	December 31	
	2023	2022
Government bonds	\$ 70,267,413	\$ 72,738,568
Corporate bonds	36,606,178	39,617,248
Foreign bonds	62,732,928	61,681,890
Bank debentures	<u>5,468,455</u>	<u>5,395,105</u>
	<u>\$ 175,074,974</u>	<u>\$ 179,432,811</u>

The foreign bonds denominated in foreign currencies are as below:

Unit: In Thousands of Foreign Currencies

	December 31	
	2023	2022
USD	\$ 1,788,338	\$ 1,677,616
AUD	94,541	101,839
CNY	727,473	1,081,748
ZAR	1,358,875	1,609,040
NZD	18,542	17,746

- 1) The Group recognized gain on reversal of impairment loss of \$3,026 thousand and \$7,301 thousand in 2023 and 2022, after assessing the expected credit losses of the investments in debt instruments at FVTOCI.

- 2) Refer to Note 37 for information relating to their credit risk management and impairment.
- 3) Financial assets at FVTOCI - government bonds are pledged to district courts for litigation and for issuing financial debenture. Please refer to Note 35.

b. Investments in equity instruments at FVTOCI

	December 31	
	2023	2022
Listed shares	\$ 4,633,133	\$ 2,183,046
Unlisted shares	803,842	638,265
Real Estate Investment Trusts	<u>299,689</u>	<u>163,702</u>
	<u>\$ 5,736,664</u>	<u>\$ 2,985,013</u>

These investments in equity instruments are not held for trading. Instead, they are held for strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

10. DEBT INVESTMENTS MEASURED AT AMORTIZED COST

	December 31	
	2023	2022
Corporate bonds	\$ 19,870,321	\$ 14,553,998
Bank debentures	1,400,000	1,000,000
Foreign bonds	20,689,715	11,049,462
Government bonds	8,410,547	9,174,508
Negotiable certificates of deposits	<u>10,100,000</u>	<u>8,500,000</u>
	60,470,583	44,277,968
Less: Allowance for impairment loss	<u>(13,991)</u>	<u>(7,917)</u>
	<u>\$ 60,456,592</u>	<u>\$ 44,270,051</u>

The foreign bonds denominated in foreign currencies are as below:

Unit: In Thousands of Foreign Currencies

	December 31	
	2023	2022
ZAR	\$ 799,692	\$ 799,697
USD	588,194	288,233
CNY	-	98,782
AUD	60,993	15,039

- a. Upon assessment of expected credit losses of debt instruments measured at amortized cost in 2023 and 2022, impairment loss of \$(6,053) thousand and gain on reversal of impairment loss of \$488 thousand were recognized by the Group.
- b. Refer to Note 37 for information relating to their credit risk management and impairment.

INDEPENDENT AUDITORS' REPORT

11. BILL AND BONDS PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2023	2022
Negotiable certificates of deposits	\$ <u>600,000</u>	\$ <u> -</u>

The post-year resell price and interest rate are as follows:

	December 31	
	2022	2021
Negotiable certificates of deposits	\$ <u>600,253</u>	\$ <u> -</u>
	1.40%	-

12. RECEIVABLES, NET

	December 31	
	2023	2022
Accounts receivable	\$ 9,844,371	\$ 10,161,597
Acceptance notes receivable	172,942	555,433
Interests receivable	3,229,488	2,656,362
Receivable of derivative products	604,332	1,824,044
Other receivables	<u>656,874</u>	<u>689,197</u>
	14,508,007	15,886,633
Less: Allowance for doubtful accounts	<u>(922,709)</u>	<u>(1,821,281)</u>
	<u>\$ 13,585,298</u>	<u>\$ 14,065,352</u>

- a. The following table shows the reconciliation of the total carrying amount of receivables and other financial assets (including deposits in other banks, placement with Central Bank and call loans to other banks, receivables, delinquent receivables not arising from loans and refundable deposits):

2023

Items	12-month Expected Credit Losses	Lifetime Expected Credit Losses (Collective Assessment)	Lifetime Expected Credit Losses (Individual Assessment)	Lifetime Expected Credit Losses (Non-purchased or Originated Credit-impaired Financial Asset)	Total
Balance, beginning of year	\$ 116,522,541	\$ 582,620	\$ -	\$ 2,065,472	\$ 119,170,633
Reconciliation arising from financial instruments recognized at the beginning of year:					
Transfer to lifetime expected credit losses	(184,072)	223,246	-	(14,129)	25,045
Transfer to credit-impaired financial asset	(20,575)	(10,648)	-	43,812	12,589
Transfer to 12-month expected credit losses	95,635	(94,236)	-	(310)	1,089
Derecognition in current period	(14,518,684)	(94,313)	-	(31,994)	(14,644,991)
Purchased or originated credit-impaired financial asset	16,073,555	32,586	-	36,779	16,142,920
Write offs	-	-	-	(1,287,415)	(1,287,415)
Exchange influence or others	<u>1,311,032</u>	<u>(37,361)</u>	<u>-</u>	<u>44,456</u>	<u>1,318,127</u>
Balance, end of year	<u>\$ 119,279,432</u>	<u>\$ 601,894</u>	<u>\$ -</u>	<u>\$ 856,671</u>	<u>\$ 120,737,997</u>

2022

Items	12-month Expected Credit Losses	Lifetime Expected Credit Losses (Collective Assessment)	Lifetime Expected Credit Losses (Individual Assessment)	Lifetime Expected Credit Losses (Non-purchased or Originated Credit-impaired Financial Asset)	Total
Balance, beginning of year	\$ 110,966,751	\$ 597,483	\$ -	\$ 1,987,868	\$ 113,552,102
Reconciliation arising from financial instruments recognized at the beginning of year:					
Transfer to lifetime expected credit losses	(153,320)	187,703	-	(18,478)	15,905
Transfer to credit-impaired financial asset	(14,077)	(7,877)	-	33,150	11,196
Transfer to 12-month expected credit losses	89,610	(99,669)	-	(386)	(10,445)
Derecognition in current period	(15,455,132)	(83,077)	-	(15,323)	(15,553,532)
Purchased or originated credit-impaired financial asset	20,871,016	24,979	-	86,578	20,982,573
Write offs	-	-	-	(163,927)	(163,927)
Exchange influence or others	217,693	(36,922)	-	155,990	336,761
Balance, end of year	<u>\$ 116,522,541</u>	<u>\$ 582,620</u>	<u>\$ -</u>	<u>\$ 2,065,472</u>	<u>\$ 119,170,633</u>

- b. The following table shows the reconciliation of the allowance for doubtful accounts of receivables and other financial assets:

2023

Items	12-month Expected Credit Losses	Lifetime Expected Credit Losses (Collective Assessment)	12-month Expected Credit Losses (Individual Assessment)	Lifetime Expected Credit Losses (Non-purchased or Originated Credit-impaired Financial Asset)	Lifetime Expected Credit Losses (Purchased or Originated Credit-impaired Financial Asset)	Impairment Loss Accessed Under IFRS 9	Difference of Impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, beginning of year	\$ 34,727	\$ 28,749	\$ -	\$ 1,630,011	\$ -	\$ 1,693,487	\$ 141,405	\$ 1,834,892
Reconciliation arising from financial instruments recognized at the beginning of year:								
Transfer to lifetime expected credit losses	(350)	8,561	-	(9,498)	-	(1,287)	-	(1,287)
Transfer to credit-impaired financial asset	(41)	(449)	-	25,367	-	24,877	-	24,877
Transfer to 12-month expected credit losses	174	(2,521)	-	(142)	-	(2,489)	-	(2,489)
Derecognition in current period	(12,525)	(2,978)	-	(11,970)	-	(27,473)	-	(27,473)
Purchased or originated credit-impaired financial asset	2,991	402	-	31,014	-	34,407	-	34,407
Difference of impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	-	-	-	55,836	55,836
Write offs	-	-	-	(1,287,415)	-	(1,287,415)	-	(1,287,415)
Recovery of write offs	-	-	-	102,903	-	102,903	-	102,903
Exchange influence or others	59	(2,725)	-	208,208	-	205,542	-	205,542
Balance, end of year	<u>\$ 25,035</u>	<u>\$ 29,039</u>	<u>\$ -</u>	<u>\$ 688,478</u>	<u>\$ -</u>	<u>\$ 742,552</u>	<u>\$ 197,241</u>	<u>\$ 939,793</u>

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2022

Items	12-month Expected Credit Losses	Lifetime Expected Credit Losses (Collective Assessment)	12-month Expected Credit Losses (Individual Assessment)	Lifetime Expected Credit Losses (Non purchased or Originated Credit-impaired Financial Asset)	Lifetime Expected Credit Losses (Purchased or Originated Credit-impaired Financial Asset)	Impairment Loss Accessed Under IFRS 9	Difference of Impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, beginning of year	\$ 37,770	\$ 33,389	\$ -	\$ 1,553,453	\$ -	\$ 1,624,612	\$ 84,186	\$ 1,708,798
Reconciliation arising from financial instruments recognized at the beginning of year:								
Transfer to lifetime expected credit losses	(291)	7,018	-	(12,271)	-	(5,544)	-	(5,544)
Transfer to credit-impaired financial asset	(28)	(350)	-	20,598	-	20,220	-	20,220
Transfer to 12-month expected credit losses	173	(2,665)	-	(219)	-	(2,711)	-	(2,711)
Derecognition in current period	(15,057)	(3,430)	-	(7,135)	-	(25,622)	-	(25,622)
Purchased or originated credit-impaired financial asset	11,783	346	-	78,503	-	90,632	-	90,632
Difference of impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	-	-	-	57,219	57,219
Write offs	-	-	-	(163,927)	-	(163,927)	-	(163,927)
Recovery of write offs	-	-	-	91,676	-	91,676	-	91,676
Exchange influence or others	377	(5,559)	-	69,333	-	64,151	-	64,151
Balance, end of year	<u>\$ 34,727</u>	<u>\$ 28,749</u>	<u>\$ -</u>	<u>\$ 1,630,011</u>	<u>\$ -</u>	<u>\$ 1,693,487</u>	<u>\$ 141,405</u>	<u>\$ 1,834,892</u>

13. DISCOUNTED AND LOANS, NET

	December 31	
	2023	2022
Discounted and export negotiated	\$ 279,320	\$ 425,742
Accounts receivable financing	66,176	120,062
Short-term loans	128,845,749	127,922,039
Medium-term loans	268,700,787	243,427,504
Long-term loans	407,587,869	380,735,172
Delinquent loans	<u>476,873</u>	<u>548,693</u>
	805,956,774	753,179,212
Premium or discount	217,686	182,787
Less: Allowance for doubtful accounts	<u>(10,424,849)</u>	<u>(10,020,694)</u>
	<u>\$ 795,749,611</u>	<u>\$ 743,341,305</u>

- a. As of December 31, 2023 and 2022, the delinquent loans on which interest ceased to accrue amounted to \$476,873 thousand and \$548,693 thousand, respectively.

b. The following table shows the reconciliation of the total carrying amount of discounted and loans:

2023

Items	12-month Expected Credit Losses	Lifetime Expected Credit Losses (Collective Assessment)	Lifetime Expected Credit Losses (Individual Assessment)	Lifetime Expected Credit Losses (Non-purchased or Originated Credit-impaired Financial Asset)	Total
Balance, beginning of year	\$ 707,669,450	\$ 40,348,622	\$ -	\$ 5,343,927	\$ 753,361,999
Reconciliation arising from financial instruments recognized at the beginning of year:					
Transfer to lifetime expected credit losses	(10,686,950)	10,490,139	-	(76,102)	(272,913)
Transfer to credit-impaired financial asset	(437,581)	(255,541)	-	668,659	(24,463)
Transfer to 12-month expected credit losses	7,518,614	(7,459,071)	-	(26,571)	32,972
Derecognition in current period	(257,346,657)	(18,394,277)	-	(1,090,862)	(276,831,796)
Purchased or originated credit-impaired financial asset	345,879,000	14,637,153	-	286,347	360,802,500
Write offs	(225,524)	(285,885)	-	(703,431)	(1,214,840)
Exchange influence or others	(28,834,065)	(718,080)	-	(126,854)	(29,678,999)
Balance, end of year	<u>\$ 763,536,287</u>	<u>\$ 38,363,060</u>	<u>\$ -</u>	<u>\$ 4,275,113</u>	<u>\$ 806,174,460</u>

2022

Items	12-month Expected Credit Losses	Lifetime Expected Credit Losses (Collective Assessment)	Lifetime Expected Credit Losses (Individual Assessment)	Lifetime Expected Credit Losses (Non-purchased or Originated Credit-impaired Financial Asset)	Total
Balance, beginning of year	\$ 677,129,328	\$ 35,450,136	\$ -	\$ 6,934,836	\$ 719,514,300
Reconciliation arising from financial instruments recognized at the beginning of year:					
Transfer to lifetime expected credit losses	(13,936,991)	13,568,483	-	(73,228)	(441,736)
Transfer to credit-impaired financial asset	(456,489)	(99,633)	-	536,082	(20,040)
Transfer to 12-month expected credit losses	6,577,199	(6,599,172)	-	(32,671)	(54,644)
Derecognition in current period	(243,431,045)	(15,503,163)	-	(1,258,632)	(260,192,840)
Purchased or originated credit-impaired financial asset	306,749,311	14,405,659	-	61,126	321,216,096
Write offs	(155,547)	(170,804)	-	(646,419)	(972,770)
Exchange influence or others	(24,806,316)	(702,884)	-	(177,167)	(25,686,367)
Balance, end of year	<u>\$ 707,669,450</u>	<u>\$ 40,348,622</u>	<u>\$ -</u>	<u>\$ 5,343,927</u>	<u>\$ 753,361,999</u>

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- c. The following table shows the reconciliation of the allowance for doubtful accounts of discounted and loans:

2023

Items	12-month Expected Credit Losses	Lifetime Expected Credit Losses (Collective Assessment)	12-month Expected Credit Losses (Individual Assessment)	Lifetime Expected Credit Losses (Non Purchased or Originated Credit- impaired Financial Asset)	Lifetime Expected Credit Losses (Purchased or Originated Credit- impaired Financial Asset)	Impairment Loss Accessed Under IFRS 9	Difference of Impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non-accrual Loans	Total
Balance, beginning of year	\$ 1,791,330	\$ 1,563,624	\$ -	\$ 1,599,367	\$ -	\$ 4,954,321	\$ 5,066,373	\$ 10,020,694
Reconciliation arising from financial instruments recognized at the beginning of year:								
Transfer to lifetime expected credit losses	(26,272)	412,598	-	(17,438)	-	368,888	-	368,888
Transfer to credit-impaired financial asset	(729)	(11,775)	-	180,161	-	167,657	-	167,657
Transfer to 12-month expected credit losses	22,194	(297,984)	-	(7,398)	-	(283,188)	-	(283,188)
Derecognition in current period	(1,013,399)	(693,120)	-	(195,149)	-	(1,901,668)	-	(1,901,668)
Purchased or originated credit-impaired financial asset	1,180,810	636,740	-	134,167	-	1,951,717	-	1,951,717
Difference of impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	-	-	-	700,000	700,000
Write offs	(507)	(14,737)	-	(1,199,596)	-	(1,214,840)	-	(1,214,840)
Recovery of write offs	-	-	-	911,710	-	911,710	-	911,710
Exchange influence or others	(87,777)	(107,027)	-	(101,317)	-	(296,121)	-	(296,121)
Balance, end of year	<u>\$ 1,865,650</u>	<u>\$ 1,488,319</u>	<u>\$ -</u>	<u>\$ 1,304,507</u>	<u>\$ -</u>	<u>\$ 4,658,476</u>	<u>\$ 5,766,373</u>	<u>\$ 10,424,849</u>

2022

Items	12-month Expected Credit Losses	Lifetime Expected Credit Losses (Collective Assessment)	12-month Expected Credit Losses (Individual Assessment)	Lifetime Expected Credit Losses (Non Purchased or Originated Credit-impaired Financial Asset)	Lifetime Expected Credit Losses (Purchased or Originated Credit-impaired Financial Asset)	Impairment Loss Accessed Under IFRS 9	Difference of Impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, beginning of year	\$ 1,726,846	\$ 1,479,612	\$ -	\$ 1,882,024	\$ -	\$ 5,088,482	\$ 4,353,441	\$ 9,441,923
Reconciliation arising from financial instruments recognized at the beginning of year:								
Transfer to lifetime expected credit losses	(38,760)	518,294	-	(17,329)	-	462,205	-	462,205
Transfer to credit-impaired financial asset	(1,286)	(4,634)	-	174,194	-	168,274	-	168,274
Transfer to 12-month expected credit losses	17,946	(290,485)	-	(7,070)	-	(279,609)	-	(279,609)
Derecognition in current period	(976,712)	(660,359)	-	(270,212)	-	(1,907,283)	-	(1,907,283)
Purchased or originated credit-impaired financial asset	1,121,587	590,696	-	31,001	-	1,743,284	-	1,743,284
Difference of impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	-	-	-	712,932	712,932
Write offs	(206)	(8,464)	-	(964,100)	-	(972,770)	-	(972,770)
Recovery of write offs	-	-	-	969,364	-	969,364	-	969,364
Exchange influence or others	(58,085)	(61,036)	-	(198,505)	-	(317,626)	-	(317,626)
Balance, end of year	<u>\$ 1,791,330</u>	<u>\$ 1,563,624</u>	<u>\$ -</u>	<u>\$ 1,599,367</u>	<u>\$ -</u>	<u>\$ 4,954,321</u>	<u>\$ 5,066,373</u>	<u>\$ 10,020,694</u>

14. OTHER FINANCIAL ASSETS, NET

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Other delinquent receivables, net	<u>\$ -</u>	<u>\$ -</u>

Details of other delinquent receivables, net are summarized as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Delinquent receivables not arising from loans	\$ 17,084	\$ 13,611
Less: Allowance for doubtful accounts (Note 12)	<u>(17,084)</u>	<u>(13,611)</u>
	<u>\$ -</u>	<u>\$ -</u>

INDEPENDENT AUDITORS' REPORT

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Those subsidiaries included in the consolidated entities as of December 31, 2023 and 2022 were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership	
			2023	2022
The Bank	Shin Kong Marketing Consultant Co., Ltd.	Marketing and consultant	100	100

On September 14, 2022, the board of directors of the Bank resolved to merge with Shin Fu Insurance Agency Co., Ltd., a wholly-owned subsidiary, in order to integrate the resources, strengthen management and business synergy. The effective date of this merger was December 30, 2022.

b. Subsidiaries excluded from the consolidated financial statements: None.

16. PROPERTY AND EQUIPMENT, NET

	December 31	
	2023	2022
Land	\$ 3,906,521	\$ 3,906,521
Building and structures	939,650	981,584
Computers	352,036	309,004
Transportations	6,065	4,944
Other equipment	438,485	456,907
Construction in process	<u>197,049</u>	<u>292,420</u>
	<u>\$ 5,839,806</u>	<u>\$ 5,951,380</u>

	2023						
	Land	Building and Structures	Computers	Transportations	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance, beginning of year	\$ 3,906,521	\$ 2,030,920	\$ 743,325	\$ 5,930	\$ 1,516,094	\$ 292,420	\$ 8,495,210
Addition	-	-	147,994	2,410	138,850	250,134	539,388
Reduction	-	-	(137,581)	-	(43,531)	-	(181,112)
Reclassifications	-	-	34,734	-	12,902	(345,515)	(297,879)
Exchange influence	-	-	30	-	(31)	10	9
Balance, end of year	<u>3,906,521</u>	<u>2,030,920</u>	<u>788,502</u>	<u>8,340</u>	<u>1,624,284</u>	<u>197,049</u>	<u>8,555,616</u>
<u>Accumulated depreciation</u>							
Balance, beginning of year	-	1,049,336	434,321	986	1,059,187	-	2,543,830
Addition	-	41,934	136,954	1,289	170,043	-	350,220
Reduction	-	-	(134,760)	-	(43,319)	-	(178,079)
Exchange influence	-	-	(49)	-	(112)	-	(161)
Balance, end of year	-	<u>1,091,270</u>	<u>436,466</u>	<u>2,275</u>	<u>1,185,799</u>	-	<u>2,715,810</u>
Balance, end of year, net	<u>\$ 3,906,521</u>	<u>\$ 939,650</u>	<u>\$ 352,036</u>	<u>\$ 6,065</u>	<u>\$ 438,485</u>	<u>\$ 197,049</u>	<u>\$ 5,839,806</u>

	2022						Total
	Land	Building and Structures	Computers	Transportations	Other Equipment	Construction in Progress	
<u>Cost</u>							
Balance, beginning of year	\$ 3,906,521	\$ 2,030,920	\$ 725,666	\$ 7,700	\$ 1,370,979	\$ 236,330	\$ 8,278,116
Addition	-	-	98,068	3,730	192,933	198,900	493,631
Reduction	-	-	(84,963)	(5,500)	(87,073)	-	(177,536)
Reclassifications	-	-	2,542	-	36,565	(142,800)	(103,693)
Exchange influence	-	-	2,012	-	2,690	(10)	4,692
Balance, end of year	<u>3,906,521</u>	<u>2,030,920</u>	<u>743,325</u>	<u>5,930</u>	<u>1,516,094</u>	<u>292,420</u>	<u>8,495,210</u>
<u>Accumulated depreciation</u>							
Balance, beginning of year	-	1,007,401	384,959	5,256	988,010	-	2,385,626
Addition	-	41,935	133,292	1,230	157,021	-	333,478
Reduction	-	-	(84,942)	(5,500)	(87,016)	-	(177,458)
Exchange influence	-	-	1,012	-	1,172	-	2,184
Balance, end of year	-	<u>1,049,336</u>	<u>434,321</u>	<u>986</u>	<u>1,059,187</u>	-	<u>2,543,830</u>
Balance, end of year, net	<u>\$ 3,906,521</u>	<u>\$ 981,584</u>	<u>\$ 309,004</u>	<u>\$ 4,944</u>	<u>\$ 456,907</u>	<u>\$ 292,420</u>	<u>\$ 5,951,380</u>

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

Building and structures	
Buildings	40-55 years
Decorating project	2-10 years
Computers	2-5 years
Transportations	2-5 years
Other equipment	2-5 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Land and Buildings	\$ 2,468,643	\$ 2,752,813
Other	<u>70,535</u>	<u>83,078</u>
	<u>\$ 2,539,178</u>	<u>\$ 2,835,891</u>
For the Year Ended December 31		
	2023	2022
Balance, beginning of year	<u>\$ 2,835,891</u>	<u>\$ 3,096,892</u>
Additions	<u>361,615</u>	<u>425,958</u>
Disposals	<u>(22,665)</u>	<u>(117,682)</u>
Remeasurement	<u>(40,650)</u>	<u>9,552</u>
Depreciation expenses		
Land and buildings	(572,545)	(569,802)
Other	<u>(22,768)</u>	<u>(11,637)</u>
	<u>(595,313)</u>	<u>(581,439)</u>
Effects of foreign currency exchange differences	<u>300</u>	<u>2,610</u>
Balance, end of year	<u>\$ 2,539,178</u>	<u>\$ 2,835,891</u>

INDEPENDENT AUDITORS' REPORT

The Group did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount	<u>\$ 2,675,641</u>	<u>\$ 2,982,625</u>

As of December 31, 2023 and 2022, the discount rate for lease liabilities were both 0.75%-2.56%.

c. Material leasing activities and terms

The Group leases domestic offices, ATM sites and business cars with lease terms of 1 to 7 years. The lease contract specifies that lease payments will be adjusted on the basis of changes in market rental rates. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing of investment properties are set out in Note 18.

	For the Year Ended December 31	
	2023	2022
Expenses relating to recognition exemption and not required for mandatory application	<u>\$ 181,839</u>	<u>\$ 169,747</u>
Total cash outflow for leases	<u>\$ (831,875)</u>	<u>\$ (799,001)</u>

The Group leases certain land and buildings which qualify as short-term leases and certain office equipment which qualify as low-value asset leases; the related variable lease payments are not included in the measurement of lease liabilities and lease intangible assets which are not required for mandatory application. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

As of December 31, 2023 and 2022, the amount of refundable deposits for operating lease was \$250,888 thousand and \$250,960 thousand, respectively.

18. INVESTMENT PROPERTIES

a. Investment properties measured at fair value

	2023		
	Land	Building and Structures	Total
January 1, 2023	\$ 657,654	\$ 144,736	\$ 802,390
Gain on changes in fair value of investment properties	<u>9,988</u>	<u>662</u>	<u>10,650</u>
December 31, 2023	<u>\$ 667,642</u>	<u>\$ 145,398</u>	<u>\$ 813,040</u>
January 1, 2022	\$ 655,293	\$ 143,499	\$ 798,792
Gain on changes in fair value of investment properties	<u>2,361</u>	<u>1,237</u>	<u>3,598</u>
December 31, 2022	<u>\$ 657,654</u>	<u>\$ 144,736</u>	<u>\$ 802,390</u>

The valuation of the investment property of TSKCB was performed by the appraiser Hong-Yuan Wang, Jian-Hao Huang, and Wei-Chih Wang of Shang-shang Real Estate Appraiser Firm in Taiwan in accordance with the rules for assessment of fair value on a recurring basis of the Technical Rules for Real Estate Valuation with valuation dates on December 31, 2023 and 2022, respectively.

As office buildings have market liquidity and their rent levels are similar to comparable properties in neighboring areas, their fair values have been mainly determined using the comparison approach and income approach.

Net rental income is based on current market practices, assuming an annual rent increase of between 0% to 1.5% when extrapolating the total income of the underlying property, excluding losses as a result of idle and other reasons and related operations costs.

According to the R.O.C. Real Estate Appraisers Association Gazette No. 5, the house tax is determined based on the reference table of current house values assessed for each city/county to estimate the total current house value assessed. House tax is calculated based on the tax rates stipulated in the House Tax Act and the actual payment data.

Land value tax is based on the changes in the announced land values of the underlying property in the past years and the actual payment data, to further extrapolate the announced land value in the future.

In accordance with the R.O.C. Real Estate Appraisers Association Gazette No. 5, the replacement allowance for significant renovation costs is calculated based on 0.5% to 1.5% of construction costs and is amortized over its estimated useful life of 20 years.

The main inputs used are as follows. If the direct capitalization rate or the overall capital interest rate decreased, the fair value will increase.

	December 31	
	2023	2022
Direct capitalization rate	1.80%-3.73%	1.80%-3.73%
Overall capital interest rate	1.77%-3.14%	1.71%-2.85%

INDEPENDENT AUDITORS' REPORT

The second type of residential area, the third type of residential area and buildings have exceeded the residential areas that can be developed on land, and because the buildings have exceeded the economic and durable years, and the market has fewer homogeneous products, the buildings on the ground are not the most effective basis of valuation. Therefore, their fair values are determined by the method of land development analysis and comparison approach. The important assumptions are as follows. If estimated total sales increase, rate of return or overall capital interest rate decreases, the fair value will increase.

	December 31	
	2023	2022
Estimated total sales	<u>\$ 1,246,000</u>	<u>\$ 1,229,576</u>
Rate of return	12%-14%	12%-14%
Overall capital interest rate	2.76%-4.02%	2.52%-3.88%

All investment properties owned by the Group are leased out under operating leases, and the lease term is 5 to 10 years. At the end of the lease period, the lessee has no preferential rights to purchase the properties.

As of December 31, 2023 and 2022, the guarantee deposits received by the Group due to operating lease contracts were both \$2,891 thousand.

- b. The movements in the fair value of investment properties within Level 3 of the hierarchy

The Group measured investment properties subsequently using the fair value model. The movements in the fair value of investment properties within Level 3 of the hierarchy were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 802,390	\$ 798,792
Recognized in profit or loss arising from the change in fair value of investment properties	<u>10,650</u>	<u>3,598</u>
Balance at December 31	<u>\$ 813,040</u>	<u>\$ 802,390</u>

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2023 and 2022 was as follows:

	December 31	
	2023	2022
Year 1	\$ 13,060	\$ 13,437
Year 2	10,991	11,607
Year 3	6,925	9,676
Year 4	1,692	5,850
Year 5	638	1,194
Year 6 onwards	<u>-</u>	<u>348</u>
	<u>\$ 33,306</u>	<u>\$ 42,112</u>

19. INTANGIBLE ASSETS, NET

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Goodwill	\$ 1,243,924	\$ 1,243,924
Computer software	<u>700,602</u>	<u>414,822</u>
	<u>\$ 1,944,526</u>	<u>\$ 1,658,746</u>

The excess of purchase price (cash) over net asset was recognized as goodwill. As of December 31, 2023, no impairment loss should be charged.

Movements of computer software were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 414,822	\$ 333,874
Addition	195,612	148,206
Amortization	(207,691)	(172,963)
Reclassifications	297,879	103,693
Exchange influence	<u>(20)</u>	<u>2,012</u>
Balance, ending of year	<u>\$ 700,602</u>	<u>\$ 414,822</u>

20. OTHER ASSETS, NET

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Refundable deposits	\$ 3,951,924	\$ 4,019,372
Prepayments	250,932	229,158
Collateral assumed, net	<u>-</u>	<u>-</u>
	<u>\$ 4,202,856</u>	<u>\$ 4,248,530</u>

As of December 31, 2023 and 2022, the refundable deposit held for trading financial instruments amounted to \$3,377,131 thousand and \$3,386,330 thousand, respectively.

As of December 31, 2023 and 2022, collateral assumed, net consisted of the following:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 111,790	\$ 111,790
Buildings	992	992
Less: Allowance for collaterals assumed	<u>(112,782)</u>	<u>(112,782)</u>
	<u>\$ -</u>	<u>\$ -</u>

INDEPENDENT AUDITORS' REPORT

21. DEPOSITS OF CENTRAL BANK AND OTHER BANKS

	December 31	
	2023	2022
Call loans from banks	\$ 461,025	\$ -
Postal deposits transferred	313,602	313,602
Deposits of other banks	<u>70,623</u>	<u>10,278</u>
	<u>\$ 845,250</u>	<u>\$ 323,880</u>

22. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2023	2022
Foreign bonds	<u>\$ 9,517,255</u>	<u>\$ 6,234,281</u>

The post-year repurchase price and interest rate are as follows:

	December 31	
	2023	2022
Foreign bonds	<u>\$ 9,640,673</u>	<u>\$ 6,307,060</u>
	4.50%-5.78%	4.09%-4.20%

The foreign bonds are denominated in foreign currency:

Unit: In Thousands of Foreign Currencies

	December 31	
	2023	2022
USD	\$ 299,539	\$ 203,018
AUD	14,805	-

23. PAYABLES

	December 31	
	2023	2022
Notes and checks in clearing	\$ 2,143,877	\$ 2,138,459
Bankers' acceptances	172,942	555,433
Accrued expenses	2,874,651	2,515,686
Interests payable	2,165,346	1,596,194
Receipts under custody	357,372	499,078
Pending settlement payable	697,457	9,711
Accounts payable	125,954	237,531
Interbank clearing payable	356,909	268,158
Other payables	<u>550,873</u>	<u>466,184</u>
	<u>\$ 9,445,381</u>	<u>\$ 8,286,434</u>

24. DEPOSITS AND REMITTANCES

	December 31	
	2023	2022
Savings account deposits	\$ 496,453,655	\$ 448,743,630
Time deposits	398,099,948	396,226,611
Demand deposits	173,857,691	188,532,447
Checking account deposits	8,175,235	8,313,415
Negotiable certificates of deposit	18,696,100	30,663,300
Remittances outstanding	<u>90,295</u>	<u>128,761</u>
	<u>\$ 1,095,372,924</u>	<u>\$ 1,072,608,164</u>

25. BANK DEBENTURES

	December 31	
	2023	2022
Senior financial debenture	\$ 1,000,000	\$ 1,000,000
Secondary financial debenture	<u>27,200,000</u>	<u>25,800,000</u>
	<u>\$ 28,200,000</u>	<u>\$ 26,800,000</u>

The Bank issued second secondary financial debenture on December 15, 2014, which was approved under ruling reference No. 10300114440 issued by the Banking Bureau of the FSC on April 30, 2014. Details of the financial debenture issuance are summarized as follows:

- Total approved principal: \$5,000,000 thousand.
- Principal issued: \$2,500,000 thousand.
- Denomination: \$10,000 thousand, issued at par.
- Period: 10 years with maturity on December 15, 2024.
- Nominal interest rate: Fixed interest rate, 2.10%.
- Repayment: The financial debenture will be paid on the maturity date.
- The interest will be paid annually from the issuance date.

The Bank issued first secondary financial debenture on January 29, 2016, which was approved under ruling reference No. 10400308600 issued by the Banking Bureau of the FSC on December 22, 2015. Details of the financial debenture issuance are summarized as follows:

- Total approved principal: \$3,000,000 thousand.
- Principal issued: \$3,000,000 thousand.
- Denomination: \$10,000 thousand, issued at par.
- Period: Debenture I: 7 years with maturity on January 29, 2023; Debenture II: 10 years with maturity on January 29, 2026.

INDEPENDENT AUDITORS' REPORT

- e. Nominal interest rate: Principal issued \$800,000 thousand and fixed interest rate 1.60% for Debenture I; Principal issued \$2,200,000 thousand and fixed interest rate 1.80% for Debenture II.
- f. Repayment: The financial debenture will be paid on the maturity date.
- g. The interest will be paid annually from the issuance date.

The Bank issued first no due date non-cumulative secondary financial debenture on March 30, 2018, which was approved under ruling reference No. 10600186530 issued by the Banking Bureau of the FSC on August 7, 2017. Details of the financial debenture issuance are summarized as follows:


- a. Total approved principal: \$2,500,000 thousand.
- b. Principal issued: \$2,500,000 thousand.
- c. Denomination: \$10,000 thousand, issued at par.
- d. Period: No due date.
- e. Nominal interest rate: Fixed interest rate, 3.4%.
- f. Early redemption terms: After the third month of the fifth anniversary year from the grant date, if the Bank's capital adequacy ratio after redemption will meet the minimum requirement of the authorities and the authorities approve the application of the Bank, the Bank may redeem the debenture at face value plus interest accrued.
- g. The interest will be paid annually from the issuance date.

The Bank issued second secondary financial debenture on June 28, 2018, which was approved under ruling reference No. 10600186530 issued by the Banking Bureau of the FSC on August 7, 2017. Details of the financial debenture issuance are summarized as follows:

- a. Total approved principal: \$2,500,000 thousand.
- b. Principal issued: \$2,500,000 thousand.
- c. Denomination: \$10,000 thousand, issued at par.
- d. Period: 10 years with maturity on June 28, 2028.
- e. Nominal interest rate: Fixed interest rate, 1.62%.
- f. Repayment: The financial debenture will be paid on the maturity date.
- g. The interest will be paid annually from the issuance date.

The Bank issued first no due date non-cumulative secondary financial debenture on June 21, 2019, which was approved under ruling reference No. 10802068560 issued by the Banking Bureau of the FSC on May 1, 2019. Details of the financial debenture issuance are summarized as follows:

- a. Total approved principal: \$6,500,000 thousand.
- b. Principal issued: \$4,500,000 thousand.
- c. Denomination: \$10,000 thousand, issued at par.

- 
- d. Period: No due date.
 - e. Nominal interest rate: Fixed interest rate, 2.20%.
 - f. Early redemption terms: After the third month of the fifth anniversary year from the grant date, if the Bank's capital adequacy ratio after redemption will meet the minimum requirement of the authorities and the authorities approve the application of the Bank, the Bank may redeem the debenture at face value plus interest accrued.
 - g. The interest will be paid annually from the issuance date.

The Bank issued first no due date non-cumulative secondary financial debenture on June 23, 2020, which was approved under ruling reference No. 1090209311 issued by the Banking Bureau of the FSC on April 30, 2020. Details of the financial debenture issuance are summarized as follows:

- a. Total approved principal: \$3,000,000 thousand.
- b. Principal issued: \$3,000,000 thousand.
- c. Denomination: \$10,000 thousand, issued at par.
- d. Period: No due date.
- e. Nominal interest rate: Fixed interest rate, 1.70%.
- f. Early redemption terms: After the third month of the fifth anniversary year from the grant date, if the Bank's capital adequacy ratio after redemption will meet the minimum requirement of the authorities and the authorities approve the application of the Bank, the Bank may redeem the debenture at face value plus interest accrued.
- g. The interest will be paid annually from the issuance date.

The Bank issued second secondary financial debenture on December 16, 2020, which was approved under ruling reference No. 1090228036 issued by the Banking Bureau of the FSC on October 28, 2020. Details of the financial debenture issuance are summarized as follows:

- a. Total approved principal: \$5,000,000 thousand.
- b. Principal issued: \$3,000,000 thousand.
- c. Denomination: \$10,000 thousand, issued at par.
- d. Period: No due date.
- e. Nominal interest rate: Fixed interest rate, 1.70%.
- f. Early redemption terms: After the third month of the fifth anniversary year from the grant date, if the Bank's capital adequacy ratio after redemption will meet the minimum requirement of the authorities and the authorities approve the application of the Bank, the Bank may redeem the debenture at face value plus interest accrued.
- g. The interest will be paid annually from the issuance date.

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The Bank issued third secondary financial debenture on December 23, 2020, which was approved under ruling reference No. 1090228036 issued by the Banking Bureau of the FSC on October 28, 2020. Details of the financial debenture issuance are summarized as follows:

- a. Total approved principal: \$5,000,000 thousand.
- b. Principal issued: \$2,000,000 thousand.
- c. Denomination: \$10,000 thousand, issued at par.
- d. Period: 10 years with maturity on December 23, 2030.
- e. Nominal interest rate: Fixed interest rate, 0.75%.
- f. Repayment: The financial debenture will be paid on the maturity date.
- g. The interest will be paid annually from the issuance date.

The Bank issued first senior unsecured financial debenture on June 23, 2021, which was approved under ruling reference No. 1100209942 issued by the Banking Bureau of the FSC on May 6, 2021. Details of the financial debenture issuance are summarized as follows:

- a. Total approved principal: \$1,000,000 thousand.
- b. Principal issued: \$1,000,000 thousand.
- c. Denomination: \$10,000 thousand, issued at par.
- d. Period: 5 years with maturity on June 23, 2026.
- e. Nominal interest rate: Fixed interest rate, 0.50%.
- f. Repayment: The financial debenture will be paid on the maturity date.
- g. The interest will be paid annually from the issuance date.

The Bank issued first no due date non-cumulative secondary financial debenture on July 27, 2022, which was approved under ruling reference No. 1110211371 issued by the Banking Bureau of the FSC on May 24, 2022. Details of the financial debenture issuance are summarized as follows:

- a. Total approved principal: \$5,000,000 thousand.
- b. Principal issued: \$2,800,000 thousand.
- c. Denomination: \$10,000 thousand, issued at par.
- d. Period: No due date.
- e. Nominal interest rate: Fixed interest rate, 3.50%.
- f. Early redemption terms: After the third month of the fifth anniversary year from the grant date, if the Bank's capital adequacy ratio after redemption will meet the minimum requirement of the authorities and the authorities approve the application of the Bank, the Bank may redeem the debenture at face value plus interest accrued.
- g. The interest will be paid annually from the issuance date.

The Bank issued first no due date non-cumulative secondary financial debenture on April 17, 2023, which was approved under ruling reference No. 1110211371 issued by the Banking Bureau of the FSC on May 24, 2022. Details of the financial debenture issuance are summarized as follows:

- a. Total approved principal: \$5,000,000 thousand.
- b. Principal issued: \$2,200,000 thousand.
- c. Denomination: \$10,000 thousand, issued at par.
- d. Period: No due date.
- e. Nominal interest rate: Fixed interest rate, 4.00%.
- f. Early redemption terms: After the third month of the fifth anniversary year from the grant date, if the Bank’s capital adequacy ratio after redemption will meet the minimum requirement of the authorities and the authorities approve the application of the Bank, the Bank may redeem the debenture at face value plus interest accrued.
- g. The interest will be paid annually from the issuance date.

26. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Structured commodity principal	<u>\$ 32,570,941</u>	<u>\$ 20,316,450</u>

As of December 31, 2023 and 2022, structured products are “foreign currency-interest rate,” “foreign currency-stock equity,” “foreign currency-exchange rate,” “foreign currency-interest rate and foreign currency-exchange rate,” and which pay interest in accordance with the linked indicator in the contractual provisions.

27. PROVISIONS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Retirement benefit plans	\$ 310,954	\$ 271,164
Guarantee reserve	904,841	792,189
Loan commitments reserve	<u>54,836</u>	<u>53,366</u>
	<u>\$ 1,270,631</u>	<u>\$ 1,116,719</u>

- a. Retirement benefit plans
 - 1) Defined contribution plans

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

INDEPENDENT AUDITORS' REPORT

2) Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 2% 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 Group 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 Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2023	2022
Present value of the defined benefit obligations	\$ 1,853,595	\$ 1,899,877
Fair value of plan assets	<u>(1,542,641)</u>	<u>(1,628,713)</u>
Deficit	<u>310,954</u>	<u>271,164</u>
Net defined benefit liability	<u>\$ 310,954</u>	<u>\$ 271,164</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2022	\$ 2,080,532	\$ (1,650,053)	\$ 430,479
Service cost			
Current service cost	16,910	-	16,910
Interest expense (income)	<u>10,381</u>	<u>(8,292)</u>	<u>2,089</u>
Recognized in profit or loss	<u>27,291</u>	<u>(8,292)</u>	<u>18,999</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(88,320)	(88,320)
Actuarial loss - changes in demographic assumptions	4	-	4
Actuarial gain - changes in financial assumptions	(53,323)	-	(53,323)
Actuarial gain - experience adjustments	<u>(15,078)</u>	<u>-</u>	<u>(15,078)</u>
Recognized in other comprehensive income	(68,397)	(88,320)	(156,717)
Contributions from the employer	-	(21,597)	(21,597)
Benefits paid	<u>(139,549)</u>	<u>139,549</u>	<u>-</u>
Balance at December 31, 2022	<u>1,899,877</u>	<u>(1,628,713)</u>	<u>271,164</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Service cost			
Current service cost	\$ 12,357	\$ -	\$ 12,357
Past service cost	4,147	-	4,147
Interest expense (income)	<u>28,405</u>	<u>(24,548)</u>	<u>3,857</u>
Recognized in profit or loss	<u>44,909</u>	<u>(24,548)</u>	<u>20,361</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,801)	(8,801)
Actuarial loss - experience adjustments	13,004	-	13,004
Actuarial loss - changes in financial assumptions	<u>43,946</u>	<u>-</u>	<u>43,946</u>
Recognized in other comprehensive income	56,950	(8,801)	48,149
Transferred from Shin Fu Insurance Agency Co., Ltd. (principal)	-	(4,183)	(4,183)
Transferred from Shin Fu Insurance Agency Co., Ltd. (interest)	-	(71)	(71)
Contributions from the employer	-	(19,524)	(19,524)
Benefits paid	<u>(148,141)</u>	<u>143,199</u>	<u>(4,942)</u>
Balance at December 31, 2023	<u>\$ 1,853,595</u>	<u>\$ (1,542,641)</u>	<u>\$ 310,954</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- a) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- b) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- c) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

INDEPENDENT AUDITORS' REPORT

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	Discount Rate(s)	Expected Rate(s) of Salary Increase
<u>For the year ended December 31, 2023</u>		
Taiwan Shin Kong Commercial Bank	1.25%	3.30%
Shin Kong Marketing Consultant Co., Ltd.	1.13%	2.25%
<u>For the year ended December 31, 2022</u>		
Taiwan Shin Kong Commercial Bank	1.50%	3.00%
Shin Kong Marketing Consultant Co., Ltd.	1.13%	2.25%

If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate(s)		
0.5% increase	<u>\$ (86,956)</u>	<u>\$ (91,462)</u>
0.5% decrease	<u>\$ 92,936</u>	<u>\$ 97,994</u>
Expected rate(s) of salary increase		
0.5% increase	<u>\$ 89,541</u>	<u>\$ 94,631</u>
0.5% decrease	<u>\$ (84,690)</u>	<u>\$ (89,271)</u>

The above sensitivity analysis may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
The expected contributions to the plans for the next year	<u>\$ 20,110</u>	<u>\$ 20,627</u>
The average duration of the defined benefit obligation	7.6-9.7 years	6.3-10.0 years

b. Guarantee reserve

Movements of guarantee reserve were as follows:

	For the Year Ended December 31	
	2023	2022
Balance beginning of year	\$ 792,189	\$ 493,169
Provision	112,705	298,634
Exchange influence	<u>(53)</u>	<u>386</u>
Balance, ending of year	<u>\$ 904,841</u>	<u>\$ 792,189</u>

Provision is recognized under bad debt expense and provision for losses on commitments and guarantees.

c. Movements of loan commitments reserve were as follows:

	For the Year Ended December 31	
	2023	2022
Balance beginning of year	\$ 53,366	\$ 50,988
Provision	1,479	1,071
Exchange influence	<u>(9)</u>	<u>1,307</u>
Balance, ending of year	<u>\$ 54,836</u>	<u>\$ 53,366</u>

Provision is recognized under bad debt expense and provision for losses on commitments and guarantees.

28. OTHER LIABILITIES

	December 31	
	2023	2022
Advance receipts	\$ 796,085	\$ 669,398
Guarantee deposits received	<u>1,133,867</u>	<u>800,348</u>
	<u>\$ 1,929,952</u>	<u>\$ 1,469,746</u>

29. EQUITY

	December 31	
	2023	2022
Common stock	\$ 49,815,329	\$ 49,815,329
Capital surplus	2,610,121	2,610,121
Retained earnings	31,411,981	24,666,230
Other equity	<u>(8,919,977)</u>	<u>(13,483,712)</u>
	<u>\$ 74,917,454</u>	<u>\$ 63,607,968</u>

Common Stock

As of December 31, 2023, the Bank has authorized and issued common stocks totaling \$49,815,329 thousand, divided into 4,981,533 thousand common shares (including the non-publicly traded stocks totaling 724,669 thousand common shares) at \$10 par value.

Capital Surplus

	December 31	
	2023	2022
Premium on capital stock	\$ 2,516,058	\$ 2,516,058
Others	<u>94,063</u>	<u>94,063</u>
	<u>\$ 2,610,121</u>	<u>\$ 2,610,121</u>

INDEPENDENT AUDITORS' REPORT

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds, treasury stock transactions and arising from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock options and conversion options may not be used for any purpose. The capital surplus from executive employee stock options and employee stock options which are reserved from issuance of common stock for cash may be used to offset a deficit.

Earnings Distribution and Dividend Policy

The Bank's Articles of Incorporation provide that annual net income should be appropriated after it has:

- a. Deducted any deficit of prior years;
- b. Paid all outstanding taxes;
- c. Set aside 30% of remaining earnings as legal reserve;
- d. Set aside any special reserve or retained earnings allocated at its option;
- e. Allocated shareholders' dividends.

For the Bank's Articles of Incorporation on the distribution of employees' compensation, refer to Note 31. The amount of special reserve, such as the amount of employee compensation paid in previous years, shall not be included.

When the ratio of equity capital and risky assets fails to meet the standards of competent authority, the distribution of surplus by cash or other property shall be restricted or prohibited by the relevant regulations of the competent authority.

The Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, above allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

The Bank meets the requirements for setting aside legal reserve under the Company Act; thus, the restrictions are not applicable.

Taiwan Shin Kong Commercial Bank is a wholly-owned subsidiary of Shin Kong Financial Holding Co., Ltd. To comply with the parent company's legal capital adequacy ratio, strategy, and to strengthen its market position, integrate its diversified business operation, the Bank has adopted the "Residual Dividend Policy".

Under this policy, cash dividends may not be declared less than 10% of the total stock dividends and cash dividends.

The appropriations of earnings for 2022 and 2021 which have been approved by the Bank's board of directors (on behalf of the shareholders' meeting) on April 19, 2023 and April 14, 2022, respectively, were as follows:

	For the Year Ended December 31			
	2022		2021	
	Earnings Distribution	Dividend Per Share (In dollars)	Earnings Distribution	Dividend Per Share (In dollars)
Provision of legal reserve	\$ 1,881,961		\$ 1,737,303	
Provision of special reserve	4,636,926		1,172,089	
Cash dividend	-	\$ -	2,800,000	\$ 0.59
Stock dividend	-	-	81,617	0.02

As of the date of the consolidated financial statements were authorized for issue, the appropriations of earnings for 2023 have not been approved by the Bank's board of directors (on behalf of shareholders' meeting).

Related information associated with the earnings appropriation approved by the Bank's board of directors (on behalf of shareholders' meeting) is available at the Market Observation Post System website of the Taiwan Stock Exchange.

Special Reserve

	December 31	
	2023	2022
The trading losses reserve (a)	\$ 60,508	\$ 60,508
Expenditure of employees' transfer arising from financial technology development (b)	-	26,606
Provision of special reserve due to unrealized loss on investment in financial instruments (c)	5,849,196	1,188,607
The initial application of fair value model to investment properties (d)	<u>160,916</u>	<u>157,973</u>
	<u>\$ 6,070,620</u>	<u>\$ 1,433,694</u>

- a. Under Rule No. 11202709871 issued by the FSC on April 24, 2023, the trading losses reserve after tax shall be transferred to a special reserve, and the handling of the special reserve after transfer shall be subject to the rule.
- b. Under Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. After that, under Order No. 10802714560 issued by the FSC, the Bank no longer used special reserve to protect the right of its employee in response to the developments of financial technology since 2019. From the fiscal year of 2019, the Bank can reverse the amount of expenditure of employee's transfer arising from financial technology development within the amount of the abovementioned special reserve from 2016 to 2018.
- c. Under Order No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". If there is subsequent reversal of debits to other equity items, the Company may distribute the reversed debit amounts as dividends.

INDEPENDENT AUDITORS' REPORT

- d. Under Order No. 10310000140 issued by the FSC, on the initial application of the fair value model to measure investment properties, the Bank appropriated to a special reserve an amount equal to the net increase arising from fair value measurement and which was subsequently transferred to retained earnings. The additional special reserve should be appropriated from subsequent net increases in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decreased or on the disposal of investment properties. If investment properties were reclassified to property and equipment, the associated special reserve would be reversed in accordance with the subsequent depreciation expense of property and equipment.

Others Equity Items

- a. Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2023	2022
Balance, beginning of year	\$ 96,320	\$ (78,862)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	<u>251</u>	<u>175,182</u>
Other comprehensive income for the year	<u>251</u>	<u>175,182</u>
Balance, ending of year	<u>\$ 96,571</u>	<u>\$ 96,320</u>

- b. Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance, beginning of year	\$ (13,580,032)	\$ (1,109,744)
Recognized for the year		
Unrealized evaluation gain (loss)		
Debt instruments	3,463,850	(12,091,473)
Equity instruments	1,095,256	(1,085,559)
Net remeasurement of loss allowance	<u>(2,800)</u>	<u>(7,079)</u>
Other comprehensive income (loss) recognized for the year	<u>4,556,306</u>	<u>(13,184,111)</u>
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>7,178</u>	<u>713,823</u>
Balance, ending of year	<u>\$ (9,016,548)</u>	<u>\$ (13,580,032)</u>

30. SHARE-BASED PAYMENT ARRANGEMENTS

The parent company retains 10% of shares as provision for subscription by qualified employees when there is the issuance of ordinary shares and global depository receipts for cash. On April 19, 2022, the parent company granted to the Bank and Shin Kong Marketing Consultant Co., Ltd. 16,078 thousand options and 160 thousand options of ordinary shares. Each option entitles the holder with the right to subscribe for one ordinary share of the Corporation. The market value on the grant date was \$10.35 per share. The options were granted at an exercise price of \$9.52. The fair value was \$0.83 per share.

Compensation costs recognized were \$13,477 thousand for the year ended December 31, 2022.



31. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations had been arrived at after charging or crediting:

Net Interest Income

	For the Year Ended December 31	
	2023	2022
Interest income		
Discounted and loans	\$ 22,649,147	\$ 17,014,087
Placement with Central Bank and call loans to other banks	1,337,685	765,929
Investment in securities	3,845,331	2,987,007
Others	<u>618,922</u>	<u>427,847</u>
	<u>28,451,085</u>	<u>21,194,870</u>
Interest expense		
Deposits	14,560,210	6,703,934
Financial debentures	599,255	542,186
Others	<u>324,695</u>	<u>237,170</u>
	<u>15,484,160</u>	<u>7,483,290</u>
	<u>\$ 12,966,925</u>	<u>\$ 13,711,580</u>

Service Fee, Net

	For the Year Ended December 31	
	2023	2022
Service fee income		
Fiducial business	\$ 95,480	\$ 85,962
Banks and insurance	1,158,223	991,885
Bond fund	869,238	921,274
Giving credit	861,817	699,605
Credit cards	1,497,324	1,192,545
Electronic payment	1,220	1,375
Others	<u>614,324</u>	<u>519,007</u>
	<u>5,097,626</u>	<u>4,411,653</u>
Service fee expense		
Credit cards	1,189,573	867,325
Others	<u>368,588</u>	<u>328,570</u>
	<u>1,558,161</u>	<u>1,195,895</u>
	<u>\$ 3,539,465</u>	<u>\$ 3,215,758</u>

The Group opened electronic payments business in 2016 in accordance with the approval under ruling reference No. 10400136150 issued by the Banking Bureau of the FSC on September 24, 2015. According to No. 4 of the Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions, the Group has to allocate at least \$2,000 thousand to the sinking fund account (SFA). In subsequent years, the Group has to allocate to the SFA amount based on a fixed percentage of the sum of service fee revenue, interest revenue generated from sinking fund and other revenue every year. Also, the allocation needs to be completed by May every year. As stated above, the Group had allocated \$2,005 thousand and \$2,004 thousand to SFA as of December 31, 2023 and 2022, respectively. The electronic service fee revenues were \$1,220 thousand and \$1,375 thousand for the years ended December 31, 2023 and 2022, respectively. The interest revenue and other revenue were both zero for the years ended December 31, 2023 and 2022.



INDEPENDENT AUDITORS' REPORT

Gain on Financial Assets and Liabilities at Fair Value through Profit or Loss, Net

	For the Year Ended December 31	
	2023	2022
Realized profit and loss		
Bonds	\$ 390,814	\$ 17,030
Derivative financial instrument	109,387	(193,706)
Negotiable certificate of deposits	741,471	455,908
Commercial paper	106,589	89,571
Stock	306,256	(4,867)
Others	<u>1,977</u>	<u>7,260</u>
	<u>1,656,494</u>	<u>371,196</u>
Valuation		
Bonds	530,658	(322,477)
Derivative financial instrument	(630,677)	167,129
Commercial paper	4,571	11,715
Stock	5,659	(789)
Others	<u>-</u>	<u>(97)</u>
	<u>(89,789)</u>	<u>(144,519)</u>
	<u>\$ 1,566,705</u>	<u>\$ 226,677</u>

Realized profit and loss on financial assets and liabilities at fair value through profit or loss, net includes disposal gain (loss) of \$586,534 thousand and \$(414,843) thousand, interest income of \$1,053,939 thousand and \$786,039 thousand, and dividend revenue of \$16,021 thousand and \$0 thousand, for the years ended December 31, 2023 and 2022, respectively.

Realized Gain on Financial Assets at Fair Value through Other Comprehensive Income

	For the Year Ended December 31	
	2023	2022
Dividend and bonus	\$ 673,431	\$ 308,136
Gain (loss) on disposal - bonds	<u>51,839</u>	<u>(54,424)</u>
	<u>\$ 725,270</u>	<u>\$ 253,712</u>

(Impairment Loss) Reversal of Impairment Loss on Financial Assets

	For the Year Ended December 31	
	2023	2022
Debts instrument at FVTOCI reversal of impairment loss	\$ 3,026	\$ 7,301
Debt investments measured at amortized cost (impairment loss) reversal of impairment loss	<u>(6,053)</u>	<u>488</u>
	<u>\$ (3,027)</u>	<u>\$ 7,789</u>

Bad Debt Expense and Provision for Losses on Commitments and Guarantees

	For the Year Ended December 31	
	2023	2022
Provision for bad debt expense - receivables	\$ 291,123	\$ 34,952
Provision for bad debt expense - discounted and loans	707,132	535,000
Provision for guarantee reserve	112,705	298,634
Provision for loan commitments reserve	<u>1,479</u>	<u>1,071</u>
	<u>\$ 1,112,439</u>	<u>\$ 869,657</u>

Employee Benefits Expenses

	For the Year Ended December 31	
	2023	2022
Salaries	\$ 4,811,232	\$ 4,562,329
Labor and health insurance	355,225	344,023
Pension expense	203,898	182,568
Other employee benefits expenses	<u>231,038</u>	<u>204,339</u>
	<u>\$ 5,601,393</u>	<u>\$ 5,293,259</u>

Employees' Compensation

In compliance with the Articles of Incorporation, the Bank distributes employees' compensation at the rate of 1% of net profit before income tax and employees' compensation. For the years ended December 31, 2023 and 2022, the employees' compensation was \$84,000 thousand and \$83,726 thousand, respectively.

The employees' compensation for the years ended December 31, 2022 and 2021, which were approved by the Bank's board of directors on March 29, 2023 and March 23, 2022, respectively, are as follows:

	For the Year Ended December 31	
	2022	2021
	Employees' Compensation	Employees' Compensation
Amounts approved in the board of directors' meeting	\$ 83,726	\$ 75,207
Amounts recognized in the annual financial statements	<u>83,726</u>	<u>75,207</u>
	<u>\$ -</u>	<u>\$ -</u>

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

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

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

INDEPENDENT AUDITORS' REPORT

Depreciation and Amortization Expenses

	For the Year Ended December 31	
	2023	2022
Property and equipment	\$ 350,220	\$ 333,478
Right-of-use assets	595,313	581,439
Intangible assets	207,691	172,963
	<u>\$ 1,153,224</u>	<u>\$ 1,087,880</u>

General and Administrative Expenses

	For the Year Ended December 31	
	2023	2022
Taxes	\$ 1,252,311	\$ 1,007,643
Rental	181,839	169,747
Insurance	373,860	365,929
Advertisement	353,874	351,295
Repair and maintenance	328,176	291,469
Postage	177,021	176,374
Professional service	185,318	147,504
Others	945,349	883,363
	<u>\$ 3,797,748</u>	<u>\$ 3,393,324</u>

32. INCOME TAXES RELATING TO CONTINUING OPERATIONS

Income Tax Recognized in Profit or Loss

The major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current period	\$ 1,566,982	\$ 1,582,688
Adjustments for prior year	192	4,313
	<u>1,567,174</u>	<u>1,587,001</u>
Deferred tax		
In respect of the current period	<u>(20,557)</u>	<u>(155,828)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,546,617</u>	<u>\$ 1,431,173</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	<u>\$ 8,338,065</u>	<u>\$ 8,292,830</u>
Income tax expense calculated at the statutory rate	\$ 1,667,613	\$ 1,658,566
Tax-exempt income	(127,398)	(103,948)
Nondeductible expenses in determining taxable income	(10,658)	(131,495)
Adjustments for prior year	192	4,313
Others	<u>16,868</u>	<u>3,737</u>
Income tax expense recognized in profit or loss	<u>\$ 1,546,617</u>	<u>\$ 1,431,173</u>

Income Tax Recognized in Other Comprehensive Income

	For the Year Ended December 31	
	2023	2022
<u>Deferred income tax</u>		
Actuarial gains (losses) on defined benefit plan	<u>\$ 9,630</u>	<u>\$ (31,344)</u>
Income tax benefit (expense) recognized in other comprehensive income	<u>\$ 9,630</u>	<u>\$ (31,344)</u>

Current Tax Liabilities

	December 31	
	2023	2022
Current tax liabilities		
Consolidated income tax payable	\$ 901,936	\$ 1,055,399
Income tax payable	<u>188,042</u>	<u>71,919</u>
	<u>\$ 1,089,978</u>	<u>\$ 1,127,318</u>

Deferred Tax Assets and Liabilities

The Group offset certain deferred tax assets and deferred tax liabilities which met the offset criteria.

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The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	Restated Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 53,477	\$ (833)	\$ 9,630	\$ 62,274
Allowance for doubtful accounts	605,021	7,217	-	612,238
Others	<u>95,643</u>	<u>15,052</u>	<u>-</u>	<u>110,695</u>
	<u>\$ 754,141</u>	<u>\$ 21,436</u>	<u>\$ 9,630</u>	<u>\$ 785,207</u>
<u>Deferred tax liability</u>				
Temporary differences				
Goodwill amortization	\$ 257,516	\$ -	\$ -	\$ 257,516
Reserve for land revaluation increment tax	<u>202,358</u>	<u>879</u>	<u>-</u>	<u>203,237</u>
	<u>\$ 459,874</u>	<u>\$ 879</u>	<u>\$ -</u>	<u>\$ 460,753</u>

For the year ended December 31, 2022

	Restated Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 85,341	\$ (520)	\$ (31,344)	\$ 53,477
Allowance for doubtful accounts	564,616	40,405	-	605,021
Others	<u>(21,120)</u>	<u>116,763</u>	<u>-</u>	<u>95,643</u>
	<u>\$ 628,837</u>	<u>\$ 156,648</u>	<u>\$ (31,344)</u>	<u>\$ 754,141</u>
<u>Deferred tax liability</u>				
Temporary differences				
Goodwill amortization	\$ 257,516	\$ -	\$ -	\$ 257,516
Reserve for land revaluation increment tax	<u>201,538</u>	<u>820</u>	<u>-</u>	<u>202,358</u>
	<u>\$ 459,054</u>	<u>\$ 820</u>	<u>\$ -</u>	<u>\$ 459,874</u>

Income Tax Assessments

As of December 31, 2023, the Bank's income tax returns through 2018 have been assessed and approved by the tax authority.

Income tax returns through 2021 of Shin Kong Marketing Consultant Co., Ltd. have been assessed and approved by the tax authority.

33. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic EPS	<u>\$ 1.36</u>	<u>\$ 1.41</u>
Diluted EPS	<u>\$ 1.36</u>	<u>\$ 1.40</u>

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

Net Profit for the Period

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Profit for the period attributable to owner of the Bank	<u>\$ 6,791,448</u>	<u>\$ 6,861,657</u>

The weighted average number of ordinary shares outstanding (in thousand shares) was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	4,981,533	4,877,380
Effect of potentially dilutive ordinary shares:		
Employee's compensation	<u>7,148</u>	<u>7,700</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>4,988,681</u>	<u>4,885,080</u>

The Group may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be 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.

34. RELATED PARTY TRANSACTIONS

<u>Related Party</u>	<u>Relationship</u>
Shin Kong Financial Holding Co., Ltd. (SKFHC)	Parent company of the Bank
Chin-Yuan, Lai	Key management personnel (president)
Cheng-Kuo, Lee	Key management personnel (general manager)
Yu-Yuan, Wang; Xin-Chang, Wu; Ching-Tai, Huang and Shang-Ming, Tsai	Key management personnel (current directors)
Chih-Jong, Suen; Shou-Huang, Chen and Yang-Tzong, Tsai	Key management personnel (independent directors)

(Continued)

INDEPENDENT AUDITORS' REPORT

Related Party	Relationship
Shin Kong Life Insurance Co., Ltd. (SKLIC)	Fellow subsidiary related to others
Shin Kong Investment Trust Co., Ltd. (SKITC)	Fellow subsidiary related to others
MasterLink Securities Corporation	Fellow subsidiary related to others
MasterLink Futures Corporation	Fellow subsidiary related to others
MasterLink Venture Capital Corporation	Fellow subsidiary related to others
MasterLink Securities Investment Advisory Co., Ltd.	Fellow subsidiary related to others
MasterLink Venture Management Corporation	Fellow subsidiary related to others
Shin Kong Venture Capital International Co., Ltd.	Fellow subsidiary related to others
Shin Kong Property Insurance Agency Co., Ltd.	Fellow subsidiary related to others
Shin-Kong Life Real Estate Service Co., Ltd. (SKLRESC)	Fellow subsidiary related to others
MasterLink Insurance Agency Co., Ltd.	Fellow subsidiary related to others
MasterLink Securities (HK) Corp., Ltd.	Fellow subsidiary related to others
Huai-Zhou, Chen and other directors	Key management personnel
Shin Kong Wu Ho-Su Culture and Education Foundation	Related party in substance
Shin Kong Life Foundation	Related party in substance
Shin Kong Wu Ho-Su Rescue Foundation	Related party in substance
Shin Kong Life Scholarship Foundation	Related party in substance
Shin Kong Wu Foundation	Related party in substance
Shin Kong Wu Tung-Ching Foundation	Related party in substance
Shin Kong Wu Ho-Su Memorial Hospital	Related party in substance
Shin Kong Bank Cultural and Educational Foundation	Related party in substance
Shinkong Mitsukoshi Department Store Co., Ltd. (SKM)	Related party in substance
Tong Yin Investment Co.	Related party in substance
Ubright Optronics Corporation	Related party in substance
Shinkong Synthetic Fibers Corporation	Related party in substance
Shin Kong Construction and Development Co., Ltd.	Related party in substance
Shin Kong Hae Yang Co., Ltd.	Related party in substance
Ner Victory Company Ltd.	Related party in substance
Ruey-Shin Enterprise Co., Ltd.	Related party in substance
Hung Shin Construction Co., Ltd.	Related party in substance
Shin Kong Chao Feng Co., Ltd.	Related party in substance
Taishin Financial Holding Co., Ltd.	Related party in substance
Taishin International Bank Co., Ltd.	Related party in substance
Shinkong Textile Co., Ltd.	Related party in substance
Shinkong Insurance Co., Ltd.	Related party in substance
New Light International Co., Ltd.	Related party in substance
WS Management Co.	Related party in substance
Wang Tien Woolen Textile Co., Ltd.	Related party in substance
Yi-Kong Security Co., Ltd.	Related party in substance
Yi-Kong International Apartment Building Management and Maintenance Co., Ltd.	Related party in substance
Hsin Ming Enterprise Co., Ltd.	Related party in substance
Hung Family Enterprise Co., Ltd.	Related party in substance
Taiwan Shin Kong Security Co., Ltd. (TSKSC)	Related party in substance
Shinkong Co., Ltd.	Related party in substance
Shinsoft Co., Ltd.	Related party in substance
Shin Pei Corp.	Related party in substance

(Continued)

Related Party	Relationship
The Great Taipei Gas Corporation	Related party in substance
Shin Kong Recreation Co., Ltd.	Related party in substance
Taiwan Security Co., Ltd.	Related party in substance
Northeast Corner Recreation Co., Ltd.	Related party in substance
JasperVilla Co., Ltd.	Related party in substance
Ruey-Fang Farm Company	Related party in substance
Great Taipei Broadband Co., Ltd.	Related party in substance
Shin Shin Investment Co., Ltd.	Related party in substance
CT Development Co., Ltd.	Related party in substance
Yuan Ding Investment Co., Ltd.	Related party in substance
Yung Kwang Co., Ltd.	Related party in substance
Shin-Po Investment Co., Ltd.	Related party in substance
Shinkong Materials Technology Co., Ltd.	Related party in substance
Hua Nan Securities Co., Ltd.	Related party in substance
Hua Nan Investment Trust Co., Ltd.	Related party in substance
Ruihong Financial Consulting Co., Ltd.	Related party in substance
Shin Kong Medical Club	Related party in substance
Shumei Hot Spring Bathroom Enterprise Co., Ltd.	Related party in substance
Shin Kong Cinemas Co., Ltd.	Related party in substance
Yong Chen Investment Co.	Related party in substance
Taishin Securities Co., Ltd.	Related party in substance
Hua Nan Commercial Bank Co., Ltd.	Related party in substance
Chia Ban Investment Co., Ltd.	Related party in substance
Yuan Jen Enterprises Co., Ltd.	Related party in substance
Shinkong Communication Co., Ltd.	Related party in substance
Taiwan Shin Kong Security Foundation for Arts and Culture	Related party in substance
Shin Cheng Investment Co., Ltd.	Related party in substance
WeMo Corp.	Related party in substance
Formosan Chemical Ind Co., Ltd	Related party in substance
Shinkong Asset Management Co., Ltd.	Related party in substance
Jinguang Industrial Company	Related party in substance
Shin Hai Gas Corp.	Related party in substance
Tong Shan Investment Co., Ltd.	Related party in substance
Chi-Ye Chemical Engineering Co., Ltd.	Related party in substance
Hong Tai Electric Industrial Co., Ltd.	Related party in substance
Taiwan Institute for Sustainable Energy	Related party in substance
Tai-Po Service Technology Co., Ltd.	Related party in substance
Shin Shin Natural Gas Co., Ltd.	Related party in substance
Century Biotech Development Corporation	Related party in substance
Taiwan Nature Conservation Foundation	Related party in substance
Mega Green Energy Corporation	Related party in substance
Top Taiwan XIV Venture Capital Co., Ltd.	Related party in substance (excluded since June 9, 2023)
Top Taiwan IX Venture Capital Co., Ltd.	Related party in substance (excluded since June 9, 2023)
Top Taiwan XII Venture Capital Co., Ltd.	Related party in substance (excluded since June 9, 2023)
Top Taiwan XIII Venture Capital Co., Ltd.	Related party in substance (excluded since June 9, 2023)

(Continued)

INDEPENDENT AUDITORS' REPORT

Related Party	Relationship
Top Taiwan Venture Capital Co., Ltd.	Related party in substance (excluded since June 9, 2023)
Top Taiwan Financial Consulting Co., Ltd.	Related party in substance (excluded since June 9, 2023)
Other related party in substance	Second-degree relatives of the Company's directors (including independent directors) and their spouses and related companies or substantive people of the Company

(Concluded)

Note: The Group divides the relationship between the above-mentioned related parties into (1) parent company (2) fellow subsidiaries related to others (3) key management personnel (4) related party in substance (5) other related parties (not included in the above (1) - (4)) as the basis for the disclosure of the following types of related party transactions.

Loans

2023								
	Numbers/Name	Highest Balance	Balance, End of the Year	Compliance		Collaterals	Interest Revenue	The Difference Between Related and Non-related Party
				Performing Loans	Overdue Loans			
Employees consumption loans	18	\$ 14,027	\$ 10,140	\$ 10,140	\$ -	Vehicle	\$ 181	None
Loans on mortgage	89	745,934	637,854	637,854	-	Real estate	12,490	None
Other loans	Related parties in substance							
	Shin Kong Chao Feng Co., Ltd.	800,000	785,000	785,000	-	Real estate	18,852	None
	Ruey-Fang Farm Company	56,850	45,350	45,350	-	Public trade stock	944	None
	Shinkong Textile Co., Ltd.	210,000	-	-	-	Public trade stock	278	None
	WS Management Co.	183,000	179,300	179,300	-	Real estate, public trade stock	3,613	None
	Hung Family Enterprise Co., Ltd.	262,900	259,400	259,400	-	Real estate, public trade stock	5,032	None
	Chia Ban Investment Co., Ltd.	330,000	290,000	290,000	-	Real estate	7,251	None
	Yuan Jen Enterprises Co., Ltd.	311,000	116,000	116,000	-	Real estate, public trade stock	3,508	None
	Formosan Chemical Ind. Corp.	153,550	153,550	153,550	-	Public trade stock	1,010	None
	Century Biotech Development Corporation	78,400	78,400	78,400	-	None	1,476	None
	TSKSC	90,000	-	-	-	Real estate	303	None
	Ru Yue, Guo Wu	150,000	150,000	150,000	-	Real estate	3,180	None
	Others	308,216	199,472	199,472	-	Real estate, public trade stock, certificates of deposits	4,597	None
	Other related parties							
	Others	40,179	37,854	37,854	-	Real estate	718	None

2022								
	Numbers/Name	Highest Balance	Balance, End of the Year	Compliance		Collaterals	Interest Revenue	The Difference Between Related and Non-related Party
				Performing Loans	Overdue Loans			
Employees consumption loans	19	\$ 12,759	\$ 8,212	\$ 8,212	\$ -	None	\$ 186	None
Loans on mortgage	82	647,036	563,511	563,511	-	Real estate	8,131	None
Other loans	Fellow subsidiary related to others							
	MasterLink Securities Corporation	500,000	-	-	-	Certificates of deposits	42	None
	Related parties in substance							
	Shin Kong Chao Feng Co., Ltd.	790,000	790,000	790,000	-	Real estate	13,043	None
	Shinkong Textile Co., Ltd.	280,000	200,000	200,000	-	Public trade stock	1,092	None
	Chia Ban Investment Co., Ltd.	330,000	330,000	330,000	-	Real estate	3,655	None
	Hung Family Enterprise Co., Ltd.	265,600	227,400	227,400	-	Real estate, public trade stock	3,027	None
	WS Management Co.	181,700	163,800	163,800	-	Real estate, public trade stock	2,225	None
	Ru Yue, Guo Wu	150,000	150,000	150,000	-	Real estate	2,207	None
	Yuan Ding Investment Co., Ltd.	120,000	40,000	40,000	-	Public trade stock	1,354	None
	Ruey-Fang Farm Company	63,150	41,350	41,350	-	Public trade stock	622	None
	TSKSC	60,000	-	-	-	Real estate	54	None
	CT Development Co., Ltd.	52,200	25,500	25,500	-	Public trade stock	490	None
	Ming Hong, Hu	50,051	45,782	45,782	-	Real estate	539	None
	Yuan Jen Enterprises Co., Ltd.	217,000	217,000	217,000	-	Real estate, public trade stock	227	None
	Others	154,050	95,550	95,550	-	Real estate, public trade stock	818	None
	Other related parties							
	Others	38,654	36,241	36,241	-	Real estate	542	None

Guarantee

Company	2023					
	Highest Balance	Balance, End of the Year	Guarantee Reserve Balance	Ratio (%)	Guarantee	
Related parties in substance						
Yuan Jen Enterprises Co., Ltd.	\$ 140,000	\$ 60,000	\$ 600	0.5	Real estate, public trade stocks	
JasperVilla Co., Ltd.	44,868	-	-	0.95	Certificates of deposits	
Century Biotech Development Corporation	9,946	<u>7,500</u>	<u>75</u>	0.6	None	
		<u>\$ 67,500</u>	<u>\$ 675</u>			

INDEPENDENT AUDITORS' REPORT

Company	Highest Balance	Balance, End of the Year	2022		
			Guarantee Reserve Balance	Ratio (%)	Guarantee
Related parties in substance					
JasperVilla Co., Ltd.	\$ 44,868	\$ 44,868	\$ 449	0.95	Certificates of deposits
Yuan Jen Enterprises Co., Ltd.	280,000	<u>105,000</u>	<u>1,050</u>	0.50	Real estate, public trade stocks
		<u>\$ 149,868</u>	<u>\$ 1,499</u>		

Derivative Financial Instruments

(In Thousands of NTS/US\$)

2022						
Company	Derivative Financial Instruments	Period	Notional Principal	Valuation Gain or Loss	Ending Balance	
					Account	Amount
Fellow subsidiaries related to others						
SKLIC	Foreign exchange swap	2021.10.20 - 2023.09.20	US\$ 276,000	NT\$ 708,169	Financial assets at fair value through profit or loss	NT\$ 708,169

Outright Sale

	December 31			
	2023		2022	
	Par Value	Trading Value	Par Value	Trading Value
Fellow subsidiaries related to others				
MasterLink Securities Corporation	<u>\$ 250,000</u>	<u>\$ 249,088</u>	<u>\$ -</u>	<u>\$ -</u>
Related parties in substance				
Hua Nan Securities Co., Ltd.	<u>50,000</u>	<u>49,804</u>	<u>-</u>	<u>-</u>
	<u>\$ 300,000</u>	<u>\$ 298,892</u>	<u>\$ -</u>	<u>\$ -</u>

The outright sale of bonds will be traded at normal prices, that is, the interest rate is based on the prevailing market interest rate. The transaction was matched by the Electronic Bond Trading System of the Taipei Exchange.

Receivables

	December 31	
	2023	2022
Fellow subsidiaries related to others		
SKLIC	<u>\$ 109,090</u>	<u>\$ 71,038</u>

Receivables from SKLIC were service fee revenue as of December 31, 2023 and 2022.

Prepayments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Parent company		
SKFHC	\$ 2,173	\$ 2,162
Fellow subsidiaries related to others		
SKLIC	<u>5</u>	<u>5</u>
Related parties in substance		
Shinkong Co., Ltd.	17,630	5,114
SKM	6,196	11,187
TSKSC	4,640	4,722
Others	<u>409</u>	<u>776</u>
	<u>28,875</u>	<u>21,799</u>
	<u>\$ 31,053</u>	<u>\$ 23,966</u>

Prepayments to SKFHC, SKLIC, Shinkong Co., Ltd., SKM and TSKSC were mainly prepaid repair and maintenance expenses, rent, insurance and other general and administrative expenses as of December 31, 2023 and 2022.

Leases Arrangements

Acquisition of right-of-use assets

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Fellow subsidiaries related to others		
SKLIC	\$ <u>121,050</u>	\$ <u>230,998</u>

Modifications of lease agreement

The Bank, SKLIC and the Great Taipei Gas Corporation agreed to change the contract of lease. For the years ended December 31, 2023, Remeasurement from the right-of-use assets and lease liabilities was \$(28,231) thousand.

The Bank, SKLIC and the Great Taipei Gas Corporation agreed to change the contract of lease. For the years ended December 31, 2022, Remeasurement from the right-of-use assets and lease liabilities was \$11,714 thousand.

Lease liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Fellow subsidiaries related to others		
SKLIC	\$ <u>1,199,245</u>	\$ <u>1,373,210</u>
Related parties in substance		
The Great Taipei Gas Corporation	<u>328,649</u>	<u>392,718</u>
	<u>\$ 1,527,894</u>	<u>\$ 1,765,928</u>

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Interest expense

	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries related to others		
SKLIC	\$ 15,598	\$ 29,086
Related parties in substance		
The Great Taipei Gas Corporation	7,843	9,334
	\$ 23,441	\$ 38,420

Deposits

	For the Year Ended December 31, 2023		
	Ending Balance	Interest Ratio	Interest Expense
Parent company			
SKFHC	\$ 2,504,234	0.00%-5.60%	\$ 127,149
Fellow subsidiaries related to others			
SKLIC	31,638,397	0.00%-1.58%	294,012
MasterLink Securities Corporation	3,658,175	0.00%-5.22%	61,663
MasterLink Futures Corporation	1,311,420	0.00%-4.55%	13,996
SKLRESC	141,840	0.00%-1.57%	1,575
MasterLink Venture Capital Corporation	103,062	0.01%-1.45%	1,370
SKITC	102,235	0.00%-1.50%	335
Shin Kong Property Insurance Agency Co., Ltd.	69,555	0.00%-1.34%	649
Others	86,802		1,488
	37,111,486		375,088
Related parties in substance			
Shinkong Insurance Co., Ltd.	1,925,074	0.00%-1.58%	15,894
The Great Taipei Gas Corporation	1,067,892	0.00%-1.45%	11,745
SKM	989,042	0.00%-1.37%	15,564
Shin Hai Gas Corp.	936,416	0.00%-1.55%	10,735
Shin Kong Wu Ho-Su Memorial Hospital	522,878	0.00%-1.35%	3,518
Shinkong Asset Management Co., Ltd.	463,093	0.00%-1.45%	7,824
Yi-Kong Security Co., Ltd.	350,840	0.00%-1.34%	1,382
Ruey-Shin Enterprise Co., Ltd.	347,316	0.00%-1.40%	2,673
Tong Shan Investment Co., Ltd.	325,544	0.00%-1.40%	2,713
Hong Tai Electric Industrial Co., Ltd.	243,173	0.00%-1.58%	457
Great Taipei Broadband Co., Ltd.	233,035	0.00%-1.40%	2,130
Shinkong Synthetic Fibers Corporation	228,421	0.00%-1.35%	713
Shin-Po Investment Co., Ltd.	207,739	0.40%-1.40%	1,068
Shinkong Textile Co., Ltd.	179,756	0.00%-1.58%	432
Shinsoft Co., Ltd.	163,926	0.00%-1.17%	793
Taiwan Security Co., Ltd.	151,558	0.00%-0.53%	546
Chia Ban Investment Co., Ltd.	143,049	0.01%-1.35%	13
Taiwan Institute for Sustainable Energy	136,754	0.00%-1.63%	1,166
Jinguang Industrial Company	133,443	0.53%-0.53%	767
Yi-Kong International Apartment Building Management and Maintenance Co., Ltd.	129,219	0.00%-0.53%	433
Shin Kong Wu Ho-Su Culture and Education Foundation	126,913	0.00%-1.63%	1,665

(Continued)

For the Year Ended December 31, 2023			
	Ending Balance	Interest Ratio	Interest Expense
JasperVilla Co., Ltd.	\$ 126,708	0.00%-1.58%	\$ 1,122
Northeast Corner Recreation Co., Ltd.	117,457	0.00%-1.17%	582
Ubright Optronics Corporation	117,300	0.00%-1.58%	1,317
Tai-Po Service Technology Co., Ltd.	106,734	0.00%-1.34%	976
Chi-Ye Chemical Engineering Co., Ltd.	106,222	0.00%-1.18%	1,301
Shin Kong Wu Tung-Ching Foundation	88,775	0.00%-1.63%	1,131
New Light International Co., Ltd.	83,505	0.00%-1.17%	444
Shin Kong Life Foundation	79,580	0.00%-1.51%	648
Shin Shin Natural Gas Co., Ltd.	78,737	0.00%-1.35%	194
Shin Kong Hae Yang Co., Ltd.	75,179	0.00%-0.53%	341
Shin Cheng Investment Co., Ltd.	69,633	0.00%-0.53%	216
Shin Kong Wu Foundation	63,982	0.00%-1.63%	744
Shin Kong Medical Club	52,543	0.00%-1.35%	257
Tong Yin Investment Co.	52,200	0.00%-1.45%	199
Taiwan Shin Kong Security Foundation for Arts and Culture	51,844	0.40%-1.33%	533
Shin Kong Wu Ho-Su Rescue Foundation	50,126	0.00%-1.63%	669
Mega Green Energy Corporation	50,000	0.53%-1.34%	56
Others	<u>965,137</u>		<u>20,668</u>
	<u>11,340,743</u>		<u>113,629</u>
Others related parties	<u>777,721</u>		<u>13,626</u>
	<u>\$ 51,734,184</u>		<u>\$ 629,492</u> (Concluded)

For the Year Ended December 31, 2022			
	Ending Balance	Interest Ratio	Interest Expense
Parent company			
SKFHC	<u>\$ 3,262,919</u>	0.00%-5.00%	<u>\$ 43,474</u>
Fellow subsidiaries related to others			
SKLIC	21,771,948	0.00%-1.30%	262,755
MasterLink Securities Corporation	3,967,843	0.00%-3.08%	27,683
MasterLink Futures Corporation	1,858,956	0.00%-4.55%	6,322
SKLRESC	135,032	0.00%-1.44%	662
MasterLink Securities (HK) Corp., Ltd.	101,426	0.01%-0.20%	318
MasterLink Venture Capital Corporation	101,213	0.00%-1.45%	251
Shin Kong Property Insurance Agency Co., Ltd.	78,035	0.00%-1.04%	172
Others	<u>110,117</u>		<u>236</u>
	<u>28,124,570</u>		<u>298,399</u>
Related parties in substance			
Shinkong Insurance Co., Ltd.	1,404,457	0.00%-1.50%	5,079
Top Taiwan XIV Venture Capital Co., Ltd.	924,255	0.15%-1.50%	2,915
The Great Taipei Gas Corporation	891,109	0.00%-1.45%	4,771
Shin Kong Wu Ho-Su Memorial Hospital	689,350	0.00%-1.05%	987
Top Taiwan XIII Venture Capital Co., Ltd.	399,125	0.03%-1.50%	1,248
Shinkong Synthetic Fibers Corporation	358,431	0.00%-1.05%	326

(Continued)

INDEPENDENT AUDITORS' REPORT

	For the Year Ended December 31, 2022		
	Ending Balance	Interest Ratio	Interest Expense
Yi-Kong Security Co., Ltd.	\$ 318,399	0.00%-0.40%	\$ 367
Shinsoft Co., Ltd.	246,862	0.00%-1.04%	294
Great Taipei Broadband Co., Ltd.	220,101	0.00%-1.35%	880
Ruey-Shin Enterprise Co., Ltd.	174,567	0.00%-1.30%	496
Top Taiwan Venture Capital Co., Ltd.	135,837	0.03%-0.40%	113
Shinkong Textile Co., Ltd.	132,360	0.00%-1.14%	127
Shin Kong Wu Ho-Su Culture and Education Foundation	127,853	0.00%-1.47%	996
Yi-Kong International Apartment Building Management and Maintenance Co., Ltd.	126,619	0.00%-0.40%	127
Shin-Po Investment Co., Ltd.	122,580	0.03%-0.40%	154
Top Taiwan Financial Consulting Co., Ltd.	109,920	0.00%-0.40%	131
Northeast Corner Recreation Co., Ltd.	100,855	0.00%-0.40%	131
JasperVilla Co., Ltd.	100,023	0.00%-1.44%	359
Tai-Po Service Technology Co., Ltd.	90,029	0.00%-0.40%	44
WeMo Corp.	87,325	0.00%-1.05%	35
Shin Kong Wu Tung-Ching Foundation	85,128	0.00%-1.38%	730
Shin Kong Life Foundation	73,754	0.00%-0.40%	117
New Light International Co., Ltd.	69,936	0.00%-0.40%	167
Shin Kong Wu Foundation	68,698	0.00%-1.50%	372
Shin Kong Hae Yang Co., Ltd.	68,599	0.00%-0.40%	70
Taiwan Security Co., Ltd.	68,353	0.00%-0.40%	42
Top Taiwan IX Venture Capital Co., Ltd.	66,699	0.03%-1.05%	75
Shin Cheng Investment Co., Ltd.	62,459	0.00%-0.40%	66
Top Taiwan XII Venture Capital Co., Ltd.	52,196	0.03%-0.40%	80
Taiwan Shin Kong Security Foundation for Arts and Culture	51,301	0.03%-0.55%	179
Others	<u>1,162,533</u>		<u>6,799</u>
	<u>8,589,713</u>		<u>28,277</u>
Other related parties	<u>874,976</u>		<u>8,876</u>
	<u>\$ 40,852,178</u>		<u>\$ 379,026</u> (Concluded)

The transaction terms with related parties do not significantly differ from those with ordinary customers except for the interest rate on the Bank's employee deposits at 6.61% and 6.36% for the years ended December 31, 2023 and 2022, respectively.

Service Fee Revenue

	For the Year Ended December 31	
	2023	2022
Parent company		
SKFHC	\$ _____ -	\$ _____ 120
Fellow subsidiaries related to others		
SKLIC	1,422,037	1,203,396
Others	<u>49,484</u>	<u>101,532</u>
	<u>1,471,521</u>	<u>1,304,928</u>
Related parties in substance		
Shinkong Insurance Co., Ltd.	31,619	33,217
SKM	12,541	10,529
Shin Kong Wu Ho-Su Memorial Hospital	10,067	8,489
Others	<u>9,540</u>	<u>4,848</u>
	<u>63,767</u>	<u>57,083</u>
	<u>\$ 1,535,288</u>	<u>\$ 1,362,131</u>

The nature of transactions differed for each related party; therefore, the comparison is impractical.

Service Fee Expense

	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries related to others		
MasterLink Securities Corporation	\$ 9,766	\$ 2,690
MasterLink Securities Investment Advisory Co., Ltd.	5,809	-
Others	<u>227</u>	<u>267</u>
	<u>15,802</u>	<u>2,957</u>
Related parties in substance		
SKM	12,037	9,931
Shinkong Insurance Co., Ltd.	6,100	5,700
Others	<u>2,250</u>	<u>1,103</u>
	<u>20,387</u>	<u>16,734</u>
	<u>\$ 36,189</u>	<u>\$ 19,691</u>

The nature of transactions differed for each related party; therefore, the comparison is impractical.

Lease Transaction

	For the Year Ended December 31	
	2023	2022
<u>Rent revenue and guarantee deposits received</u>		
Fellow subsidiaries related to others		
MasterLink Securities Corporation	\$ 1,487	\$ 1,485
Related parties in substance		
TSKSC	710	704
Taiwan Security Co., Ltd.	<u>676</u>	<u>586</u>
	<u>1,386</u>	<u>1,290</u>
	<u>\$ 2,873</u>	<u>\$ 2,775</u>

INDEPENDENT AUDITORS' REPORT

As of December 31, 2023 and 2022, the guarantee deposits received from related parties are the following:

	December 31	
	2023	2022
Fellow subsidiaries related to others		
MasterLink Securities Corporation	\$ 240	\$ 240
Related parties in substance		
TSKSC	163	163
Taiwan Security Co., Ltd.	119	119
	<u>282</u>	<u>282</u>
	<u>\$ 522</u>	<u>\$ 522</u>

For the Year Ended December 31	
2023	2022

Rent expense and refundable deposits

Fellow subsidiaries related to others		
SKLRESC	\$ 1,588	\$ 1,431
SKLIC	1,568	1,008
MasterLink Futures Corporation	557	1,525
	<u>3,713</u>	<u>3,964</u>
Related parties in substance		
Taishin International Bank Co., Ltd.	4,571	4,571
Ruihong Financial Consulting Co., Ltd.	2,276	2,304
The Great Taipei Gas Corporation	1,038	889
SKM	945	945
Others	271	457
	<u>9,101</u>	<u>9,166</u>
	<u>\$ 12,814</u>	<u>\$ 13,130</u>

The lease terms with related parties do not significantly differ from those with ordinary customers. The following are the details on the rent deposits:

	December 31	
	2023	2022
Fellow subsidiaries related to others		
SKLIC	\$ 71,191	\$ 71,368
Others	2,975	2,958
	<u>74,166</u>	<u>74,326</u>
Related parties in substance		
The Great Taipei Gas Corporation	18,773	18,468
	<u>\$ 92,939</u>	<u>\$ 92,794</u>

Professional Service Fee

	For the Year Ended December 31	
	2023	2022
Fellow subsidiaries related to others		
SKLIC	\$ 8,465	\$ 8,673
MasterLink Securities Corporation	3,637	3,718
SKLRESC	1,694	1,694
Others	<u>810</u>	<u>810</u>
	<u>14,606</u>	<u>14,895</u>
Related parties in substance		
Yi-Kong Security Co., Ltd.	1,714	2,400
Others	<u>75</u>	<u>45</u>
	<u>1,789</u>	<u>2,445</u>
	<u>\$ 16,395</u>	<u>\$ 17,340</u>

The nature of transactions with related parties does not significantly differ from those with ordinary customers.

Donation Expense

	For the Year Ended December 31	
	2023	2022
Related parties in substance		
Shin Kong Life Foundation	\$ <u>-</u>	\$ <u>1,850</u>

Donations were approved by the board of directors of the Group on November 1, 2023 to the Taiwan Nature Conservation Foundation, a related party in substance. The amount was \$2,000 thousand.

However, the Group received a letter from Taiwan Nature Conservation on November 20, 2023, stating that it would readjust its working plan and requesting that the Group temporarily cancel these donations, which was approved by the board of directors on November 22, 2023.

Other Expense

	For the Year Ended December 31	
	2023	2022
Parent company		
SKFHC	\$ <u>1,150</u>	\$ <u>477</u>
Fellow subsidiaries related to others		
MasterLink Securities Corporation	170,931	166,233
SKLRESC	75,419	73,706
Others	<u>22,134</u>	<u>15,611</u>
	<u>268,484</u>	<u>255,550</u>
Related parties in substance		
TSKSC	52,039	55,768
Yi-Kong Security Co., Ltd.	51,938	51,845
SKM	34,242	28,016
Yi-Kong International Apartment Building Management and Maintenance Co., Ltd.	22,508	18,679

(Continued)

INDEPENDENT AUDITORS' REPORT

	<u>For the Year Ended December 31</u>	
	2023	2022
Taiwan Security Co., Ltd.	\$ 22,167	\$ 25,130
Others	<u>34,865</u>	<u>35,563</u>
	<u>217,759</u>	<u>215,001</u>
	<u>\$ 487,393</u>	<u>\$ 471,028</u>

(Concluded)

The nature of transactions are mainly rental fee, security fee, cleaning fee and insurance and do not significantly differ from those with ordinary customers.

Property and Equipment

	<u>For the Year Ended December 31</u>	
	2023	2022
Related parties in substance		
TSKSC	\$ 21,785	\$ 38,062
Others	<u>-</u>	<u>3,217</u>
	<u>\$ 21,785</u>	<u>\$ 41,279</u>

The Group purchase automated teller machine, camera, software and surveillance equipment from TSKSC. The transaction price was decided by bid inviting.

Other Transactions

The Bank and SKFHC, 100%-owner of the Bank, adopted the consolidated income tax return system to file their consolidated income tax returns since January 1, 2006. The consolidated income tax resulted in payable of \$901,936 thousand as of December 31, 2023.

Guarantor of Credit

	<u>Creditor</u>	<u>For the Year Ended December 31, 2023</u>	
		Highest Balance	Ending Balance
Key management personnel			
Bang-Sheng, Wu	Chia Ban Investment Co., Ltd	\$ 330,000	\$ 290,000
Shih-Chi, Hung	C International Co.	13,000	-
Shih-Chi, Hung	SP International Company Ltd.	<u>31,700</u>	<u>13,000</u>
		<u>\$ 374,700</u>	<u>\$ 303,000</u>
	<u>Creditor</u>	<u>For the Year Ended December 31, 2022</u>	
		Highest Balance	Ending Balance
Key management personnel			
Bang-Sheng, Wu	Chia Ban Investment Co., Ltd	\$ 330,000	\$ 330,000
Bang-Sheng, Wu	Chao Ban Investment Co Ltd	104	-
Shih-Chi, Hung	C International Co.	24,000	10,000
Shih-Chi, Hung	SP International Company Ltd.	<u>54,000</u>	<u>14,700</u>
		<u>\$ 408,104</u>	<u>\$ 354,700</u>

Compensation of Directors, Supervisors and Key Management Personnel

	For the Year Ended December 31	
	2023	2022
Short-term benefits	\$ 164,307	\$ 206,701
Post-employment benefits	2,178	2,109
Share-based payments	-	914
Other long-term benefits	<u>40,000</u>	<u>40,000</u>
	<u>\$ 206,485</u>	<u>\$ 249,724</u>

35. PLEDGED ASSETS

As of December 31, 2023 and 2022, certain assets were pledged as collaterals. Details are summarized as follows:

	December 31	
	2023	2022
Financial assets as FVTOCI - government bonds	<u>\$ 5,530,000</u>	<u>\$ 5,533,200</u>

Assets are pledged to district courts for litigation and issuing bank debenture.

36. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies were summarized as follows:

	December 31	
	2023	2022
Guarantees	\$ 23,765,579	\$ 20,240,879
Letters of credit	3,225,711	3,181,139
Trust liabilities	194,664,688	191,542,258
Loan commitments (excluding credit card)	274,688,293	251,710,215
Loan commitments - credit card	1,778,123	1,854,431

INDEPENDENT AUDITORS' REPORT

According to Article 17 of the Implementation Rules of Trust Law, the Bank should disclose its balance sheet and income statement of trust account and its asset items, which were as follows:

Trust Account Balance Sheet			
December 31, 2023			
Trust Asset	Amount	Trust Liability	Amount
Cash in banks		Securities under custody payable	
The principal deposits in the Bank	\$ 4,101,733	Securities under custody payable	\$ 33,017,185
Short-term investments		Trust capital	
Mutual fund	66,979,066	Funds and investment	111,365,307
Bond investments	40,876,517	Real estate trust	50,679,645
Common stock investments	839,484	Reserve and accumulated deficit	
Securities under custody		Accumulated deficit	(1,716,218)
Securities under custody	33,017,185	Exchange	(221)
Real estate		Net income	<u>1,318,990</u>
Land	39,233,687		
Building	6,906		
Construction in process	<u>9,610,110</u>		
Trust asset	<u>\$ 194,664,688</u>	Trust liability	<u>\$ 194,664,688</u>

Trust Account Income Statement **Year Ended December 31, 2023**

Item	Amount
Trust income	
Interest revenue	\$ 12,868
Preferred stock dividend income	2,619,804
Gain on disposal of assets	1,013,179
Realized capital gain	<u>1,730,281</u>
Subtotal	<u>5,376,132</u>
Trust expense	
Management fee	(66,613)
Service fee	(277)
Loss on disposal of assets	(3,989,103)
Other fees	<u>(253)</u>
Subtotal	<u>(4,056,246)</u>
Income before income tax	1,319,886
Income tax expense	<u>(896)</u>
Net income	<u>\$ 1,318,990</u>

The summary of trust asset as of December 31, 2023 is as follows:

Item	Amount
Cash in banks	
The principal deposits in the Bank	\$ 4,101,733
Short-term investments	
Mutual fund	66,979,066
Bond investments	40,876,517
Common stock investments	839,484
Securities under custody payable	
Securities under custody	33,017,185
Real estate	
Land	39,233,687
Building	6,906
Construction in process	<u>9,610,110</u>
	<u>\$ 194,664,688</u>

**Trust Account Balance Sheet
December 31, 2022**

Trust Asset	Amount	Trust Liability	Amount
Cash in banks		Securities under custody payable	
The principal deposits in the Bank	\$ 3,923,871	Securities under custody payable	\$ 32,174,330
Short-term investments		Trust capital	
Mutual fund	69,667,531	Funds and investment	110,644,663
Bond investments	37,965,929	Real estate trust	49,126,758
Common stock investments	723,763	Reserve and accumulated deficit	
Securities under custody		Accumulated deficit	1,678,713
Securities under custody	32,174,330	Exchange	89
Real estate		Net income	<u>(2,082,295)</u>
Land	39,373,359		
Building	6,906		
Construction in process	<u>7,706,569</u>		
Trust asset	<u>\$ 191,542,258</u>	Trust liability	<u>\$ 191,542,258</u>

INDEPENDENT AUDITORS' REPORT

Trust Account Income Statement Year Ended December 31, 2022

Item	Amount
Trust income	
Interest revenue	\$ 4,611
Preferred stock dividend income	2,804,424
Common stock dividend income	25,017
Gain on disposal of assets	862,555
Realized capital gain	<u>1,695,186</u>
Subtotal	<u>5,391,793</u>
Trust expense	
Management fee	(96,443)
Service fee	(430)
Loss on disposal of assets	(7,376,657)
Other fees	<u>(271)</u>
Subtotal	<u>(7,473,801)</u>
Income before income tax	(2,082,008)
Income tax expense	<u>(287)</u>
Net loss	<u>\$ (2,082,295)</u>

The summary of trust asset as of December 31, 2022 is as follows:

Item	Amount
Cash in banks	
The principal deposits in the Bank	\$ 3,923,871
Short-term investments	
Mutual fund	69,667,531
Bond investments	37,965,929
Common stock investments	723,763
Securities under custody payable	
Securities under custody	32,174,330
Real estate	
Land	39,373,359
Building	6,906
Construction in process	<u>7,706,569</u>
	<u>\$ 191,542,258</u>

37. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

Fair value hierarchy as at December 31, 2023

	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Amortized cost	\$ 60,456,592	\$ 27,128,439	\$ 32,650,980	\$ -	\$ 59,779,419
<u>Financial liabilities</u>					
Amortized cost-Bank debentures	28,200,000	-	28,055,792	-	28,055,792

Fair value hierarchy as at December 31, 2022

	Carrying Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Amortized cost	\$ 44,270,051	\$ 24,686,966	\$ 17,273,738	\$ 1,356,916	\$ 43,317,620
<u>Financial liabilities</u>					
Amortized cost-Bank debentures	26,800,000	-	26,591,201	-	26,591,201

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis, with the most significant unobservable inputs being the discount rate that reflects the credit risk of counterparties.

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

Fair value hierarchy

Fair Value Measurement of Financial Instruments	December 31, 2023			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stock investments	\$ 140,967	\$ 140,967	\$ -	\$ -
Bond investments	9,358,257	4,577,858	4,780,399	-
Negotiable certificates of deposits	67,796,112	67,796,112	-	-
Commercial paper	4,514,358	4,514,358	-	-

(Continued)

INDEPENDENT AUDITORS' REPORT

Fair Value Measurement of Financial Instruments	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTOCI				
Equity instruments				
Stock investments	\$ 5,436,975	\$ 4,633,133	\$ -	\$ 803,842
Real estate investment trust	299,689	299,689	-	-
Debt instruments				
Bond investments	175,074,974	78,107,829	96,967,145	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	7,136,087	-	7,136,087	-
Liabilities				
Financial liabilities at FVTPL	7,382,575	-	7,382,575	-
				(Concluded)

Changes in Level 3 financial assets were as follows:

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTOCI							
Unlisted shares	\$ 638,265	\$ 165,577	\$ -	\$ -	\$ -	\$ -	\$ 803,842

Fair Value Measurement of Financial Instruments	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Bond investments	\$ 7,695,480	\$ 499,971	\$ 7,195,509	\$ -
Negotiable certificates of deposits	81,841,730	81,841,730	-	-
Commercial paper	5,783,539	5,783,539	-	-
Financial assets at FVTOCI				
Equity instruments				
Stock investments	2,821,311	2,183,046	-	638,265
Real estate investment trust	163,702	163,702	-	-
Debt instruments				
Bond investments	179,432,811	81,446,943	97,985,868	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	7,515,910	-	7,515,910	-
Liabilities				
Financial liabilities at FVTPL	6,560,818	-	6,560,818	-

Changes in Level 3 financial assets were as follows:

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTOCI Unlisted shares	\$ 660,732	\$ (22,467)	\$ -	\$ -	\$ -	\$ -	\$ 638,265

The valuation techniques based on fair value

The fair values of financial assets and financial liabilities traded on active markets are determined with reference to quoted market prices. It includes foreign/domestic bonds, government bonds, stocks, commercial paper, beneficiary certificate and bank debentures. When market prices are not available, valuation techniques are applied. The financial data obtained by the Group for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments.

The fair value of derivatives as foreign exchange forward contracts, cross-currency swap contracts and foreign exchange options traded on active markets are determined with reference to quoted market prices. When market prices are not available, the fair values of non-option derivatives are the present values of future cash flows discounted by the benchmark yield rate quoted in the market during the derivative duration. Fair values of option derivatives are based on estimates made using the option pricing model. The financial data obtained by the Group for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments.

c. Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Non-derivative financial instruments	
Bills investments, treasury bills	Discounted cash flow: Future cash flows are estimated based on contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Bond investments	Market evaluation: Market quotes provided and the Notional Amount of the contract by Bloomberg are used as bond evaluations.
Structured notes	Counterparty evaluation: According to the Yield Book, Bloomberg evaluation or other valuation methods that are consistent with academic and market practice.
Derivative financial instruments	
Options contracts	Model evaluation: The execution price, the maturity date and the market volatility, interest rate and exchange rate set by the contract are used as evaluation parameters. The model with closed solution is then used for evaluation.
Foreign exchange swap contracts, foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, repricing rate, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swap contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(Continued)

INDEPENDENT AUDITORS' REPORT

Financial Instruments	Valuation Techniques and Inputs
Cross-currency swap contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, repricing rate, discounted at a rate that reflects the credit risk of various counterparties.
Equity swap contracts	Counterparty evaluation: According to the Yield Book, Bloomberg evaluation or other valuation methods that are consistent with academic and market practice.
Credit linked loan contracts	A combination of cross-currency swap (CCS+) bonds. Discounted cash flow: Future cash flows are discounted at repricing rate and exchange rates, the discount rate is based on the credit charge of the counterparty.

(Concluded)

d. Valuation techniques and inputs applied for Level 3 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Domestic unlisted equity investments	<p>Net assets: Based on the Company's net assets as the fair value.</p> <p>Market multiple: Considering the comparable transaction price of the stock in the active market, the corresponding net value multiplier and the liquidity discount ratio 30% to evaluate the fair value.</p>

e. Sensitivity analysis of fair value regarding reasonable and possible alternative assumption within Level 3

The fair value measured by the Group of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For financial instruments classified in Level 3, if the liquidity discount ratio changes by 10%, the effects on other comprehensive income for the current period are as follow:

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Adverse Changes
December 31, 2023		
Financial assets at FVTOCI		
Stock investments	\$ 34,450	\$ (34,450)
	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Adverse Changes
December 31, 2022		
Financial assets at FVTOCI		
Stock investments	\$ 27,354	\$ (27,354)

The favorable and adverse changes of the Group refer to the fluctuation of fair value, and the fair value refers to the calculation of the technical calculation based on the unobservable input parameters of different degrees. If the fair value of a financial instrument is affected by more than one input parameter, the above table only reflects the impact of changes in a single input parameter and does not take into account the correlation and variability between input parameters.

	December 31	
	2023	2022
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)	\$ 88,945,781	\$ 102,836,659
Fair value through other comprehensive income (FVTOCI)	180,811,638	182,417,824
Amortized cost (1)	983,748,627	914,408,088
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)	7,382,575	6,560,818
Amortized cost (2)	1,177,085,618	1,135,369,557

- 1) The balances included cash and cash equivalents, placement with Central Bank and call loans to other banks, bills and bonds purchased under resell agreements, receivables, discounted and loans, financial assets measured at amortized cost and refundable deposits measured at amortized cost.
- 2) The balances included deposits of Central Bank and other banks, bills and bonds sold under repurchase agreements, payables, deposits and remittances, bank debentures, other financial liabilities and guarantee deposits received measured at amortized cost.

f. Offsetting financial assets and financial liabilities

The Group did not hold financial instruments covered by Section 42 of the IAS 32 “Financial Instruments: Presentation” endorsed by the Financial Supervisory Commission; thus, it made an offset of financial assets and liabilities and reported the net amount in the balance sheet.

The Group engages in transactions on the following financial assets and liabilities that are not subject to balance sheet offsetting based on IAS 32 but are under master netting arrangements or similar agreements. These agreements allow both the Group and its counterparties to opt for the net settlement of financial assets and financial liabilities. If one party defaults, the other one may choose net settlement.

The netting information of financial assets and financial liabilities is set out below:

December 31, 2023

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 7,136,087	\$ -	\$ 7,136,087	\$ -	\$ 1,068,889	\$ 6,067,198
Resale agreements	\$ 600,000	\$ -	\$ 600,000	\$ 600,000	\$ -	\$ -

INDEPENDENT AUDITORS' REPORT

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 7,382,575	\$ -	\$ 7,382,575	\$ -	\$ 3,377,131	\$ 4,005,444
Repurchase agreements	\$ 9,517,255	\$ -	\$ 9,517,255	\$ 9,517,255	\$ -	\$ -

December 31, 2022

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 7,515,910	\$ -	\$ 7,515,910	\$ -	\$ 752,246	\$ 6,763,664

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Derivatives	\$ 6,560,818	\$ -	\$ 6,560,818	\$ -	\$ 3,386,330	\$ 3,174,488
Repurchase agreements	\$ 6,234,281	\$ -	\$ 6,234,281	\$ 6,234,281	\$ -	\$ -

Note: Include net delivery and non-cash collateral received.

g. Financial risk information

The risk management objectives of the Bank are responsible for business performance objectives, overall risk appetite and external legal restrictions in order to achieve the goal of balancing risk and reward. The main risks faced by the Group operations include various credit risks, market risks (including interest rates, exchange rates, equity securities) and liquidity risks of on- and off-balance sheet businesses.

The Group has formulated a relevant risk management policy, which has been approved by the Board of Directors to effectively identify, measure, monitor and control credit risk, market risk and liquidity risk.

1) Market risk

The financial instrument held or issued by the Group are affected by market risk factors such as interest rate (including credit risk spread), exchange rate, securities price, product price and its volatility, interaction correlation and market liquidity that made surplus, capital, value or operating capacity an adverse impact.

The market risk comes from the trading book and the bank book portfolio. The trading book portfolio refers to various financial products (including commodities) transactions that are undertaken for the purpose of the transaction, or those who intend to make profits from short-term price fluctuations, such as Self-operated business, market-making transactions, etc. A bank book portfolio established for long-lasting and not for the purpose of earning capital gains.

a) Market risk management policy

i. Identifying market risk

The risk management unit shall clearly identify the source of the market risk of each type of transaction before the transaction is undertaken, and shall be stated in the relevant product guidelines document, and the market risk management unit shall independently perform the identification procedure.

ii. Measuring market risk

Market risk management units use appropriate and consistent measurement methods to cover key sources of risk based on business characteristics and sources of risk. Risk measurement is intimately integrated with daily risk management as a reference for planning, monitoring and controlling market risk conditions.

The evaluation method and market price information shall be determined by the market risk management unit to calculate the profit and loss, risk factor sensitivity, risk value and stress test.

iii. Monitoring

Market risk authority is a tool used to authorize and monitor the market risk assumed by the Group to ensure that market risk is in line with the Group's risk appetite. The establishment of authorization, approval, exception and overpass shall be subject to the relevant regulations of market risk management.

iv. Reporting

The market risk report is a risk communication tool. The market risk management unit reports risk management information to senior managers on a daily basis, and regularly reports the overall market risk status of the Group to the senior management and the board of directors. The risk strategy will adjust based on the market risk report.

b) Market risk measurement

The Board of Directors determines the capital adequacy ratio and annual earnings target annually, and the expectation of market volatility to measure whether the risk and remuneration ratio is acceptable, and whether the risk assumed is in line with the company's appetite. Besides, the Board of Directors approve the market risk operation authority that all transaction made by trading unit are conducted within the approved authority. The Group uses market risk factor sensitivity as a tool of market risk control.

i. Market risk management of trading book

Market risk sensitivity refers to the change in value of a unit due to a change in a specific market risk factor. Market risk factors are divided into interest rates, exchange rates, and prices of equity securities. The Group discloses the market risk arising from the trading positions of the Group by market risk sensitivity.

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Risk factor sensitivity

i) Foreign exchange rate factor sensitivity, FX Delta

The net amount of the risk component of each currency at the balance sheet date, that is, the change in the present value of the currency when the change in the exchange rate of each currency is increased by 1%. The exchange rate risk component stated in the following table is not only directly generated from the foreign exchange derivative commodity, but also integrated into the spot foreign exchange trading position for the purpose of hedging and the spot location of each foreign currency.

ii) Interest rate factor sensitivity

When the interest rate term structure of each evaluation yield curve paralleling up by 0.01% (1 basis point), the relative impact on the present value of future cash flows of interest rate spot trading positions and interest rate derivative commodity trading positions (DV01 or PVBP) will be made.

iii) Factor sensitivity of equity securities

The impact of changes in the value of the commodity portion when the spot price of the equity securities changes by 1%. Equity securities held by the Group include stocks, ETFs, etc.

Market Risk	Currency	December 31	
		2023	2022
Foreign exchange rate factor sensitivity (exchange rate increase 1%)	EUR	\$ 167	\$ 58
	JPY	(54)	12
	USD	4	(105)
	Other (Note)	(117)	(49)
Interest rate factor sensitivity DV01 (+1bp)	TWD	105	509
	USD	(378)	(405)
	AUD	22	1
	ZAR	(10)	(7)
	HKD	(14)	-
Equity securities factor sensitivity (stock price increase 1%)	Other (Note)	31	11
	TWD	1,410	-

Note: Other foreign currency is equivalent to TWD.

Stress testing

Set extreme risk events or situations to make a significant change at a specific or a range of risk factors, volatility, or correlations to measure the potential significant impact on a portfolio or location. This is the way to redeem the risk values which cannot measure the tail risk.

ii. Interest rate risk of banking book, IRRBB

The interest rate risk source of the bank book includes the interest rate risk arising from the transactions of the business units, such as deposits and lending transactions, as well as the debts held by the business units which manage the liquidity risk of the bank, the spot parts of the tickets and their hedging position. The interest rate risk position is transferred to the centralized management of the bank book management unit under the Bank's internal transfer pricing system (Fund Transfer Pricing, FTP). The risk management unit prepares risk reports regularly which includes interest rate sensitivity analysis, stress test results and limit usage analysis, and then reports to the Asset and Liability Management Committee and the Board of Directors. Management tools set as below.

Repricing Gap report

Measures the amount and the duration of re-pricing assets and liabilities at each point in time to understand the allocation of interest rate risk.

Risk sensitivity of interest rate

i) Mismatch risk of asset-liability interest rate

The impact of a benchmark (0.01%) of interest rate changes on future net interest income is shown by 1 bp Δ NII. The net interest income (1bp Δ NII) analysis focuses on changes in interest payments over the next year.

ii) Financial instrument interest rate risk

The DV01 measures the impact of a basic point of interest rate changes on the value of the site, and evaluates the market value of financial products to ensure that their impact on earnings or shareholders' equity is in line with the Group's risk appetite.

Stress testing

Evaluating the impact of the overall bank book position on the net economic value, in the context of large changes in interest rates. And compare the results with the capital to examine the allowable risk.

iii. Bank book equity securities risk

Bank Book Equity Securities Risk Definition refers to the impact of changes in the value of the commodity portion when the spot price of the equity securities for non-trading purposes changes by 1%. The market value of the financial product is evaluated to ensure its impact on earnings or shareholders' equity conforms to the Group's risk appetite.

Market Risk	Currency	December 31	
		2023	2022
Interest rate factor sensitivity DV01 (+1bp)	TWD	\$ (63,708)	\$ (74,363)
	USD	(24,258)	(25,563)
	AUD	(1,252)	(1,375)
	ZAR	(723)	(1,017)
	Other (Note)	(585)	(1,040)
Equity securities factor sensitivity (stock price increase 1%)	TWD	57,367	29,850

Note: Other foreign currency is equivalent to TWD

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c) Effect of interest rate benchmark reform

The Group is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on discounted and loans, financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, and debt investments measured at amortized cost. SOFR (Secured Overnight Financing Rate) has replaced USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Group has completed the USD LIBOR transition plans, and all the affected financial instruments were transitioned to the other alternative rate.

2) Credit risk

Credit risk may be caused by counterparties' failure to perform their obligations associated with financial assets held by the Group. The Group follows a strict credit policy to assess and approve all credit lines and guarantees. The secured loans constituted 73.15% of the total loans on December 31, 2023. The percentage of guarantees and issuance of letters of credit secured by collaterals were 21.64%. The collaterals for loans, financing guarantees and letters of credit guarantees are cash, inventories, securities, plants and other assets. If the customers default on their loans, the Group will execute its rights on the collateral in accordance with the terms of the contracts.

In order to ensure that the credit risk control is within the tolerable range, the Group has relevant risk management policies, and has relevant business management methods or operation points and risk management mechanisms for the goods provided and the business it performs.

a) Credit risk management program

The measurement and management of credit risks from the Group's main businesses are as follows:

i. Loans business

The Group adopts the 12-month ECLs to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopts the lifetime ECLs to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired. The credit quality of the Group to determine the discounted and loans is as follows:

Assessment of credit risk that has increased significantly since initial recognition

The Group assesses the change in the probability of default of loans during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Group takes into consideration the reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information). The main considerations include:

Quantitative indicators

- i) The TCRI rating of the listed cabinet company corresponding to the external rating has been reduced from the investment grade to the non-investment grade, that is, the credit risk has significantly increased since initial recognition.
- ii) When the contract amount is overdue for more than one month, it is determined that the credit risk of the financial asset has increased significantly since initial recognition.

Qualitative indicators

- i) Significant changes in actual or expected results of the debtor's operations.
- ii) Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.
- iii) The credit risk of other financial instruments of the same debtor has increased significantly.

Definition of default and credit impairment financial assets

The definition of financial asset default is the same as that of financial asset credit impairment. If one or more of the following conditions are met, the Group determines that the financial asset has defaulted and credit impairment:

Quantitative indicators

- i) When the contract amount is overdue for a certain number of days.
- ii) The credit amount of the debtor has been regarded as a delinquent loan.

Qualitative indicators

If there is evidence that the borrower will not be able to pay the contract, or that the borrower has significant financial difficulties, such as:

- i) The debtor has gone bankrupt or may have called for bankruptcy or financial restructuring.
- ii) Due to the economic or contractual reasons associated with the debtor's financial difficulties, the debtor's creditors give the borrower an unconfirmed concession and report the overdue loan.
- iii) It is known from external information that the debtor has experienced financial difficulties and needs to bargain with the Bank.
- iv) The debtor clearly insolvent.

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Evaluation of expected credit losses

The Group classifies the loans into the following classification according to the characteristics of the loans:

Group	Evaluation	Classification	Application	
1	Collective assessment	Corporate finance	Sufficient collateral	Loan case other than group 2
			Non-sufficient collateral or credit loans	
		Consumer finance	Credit loans	
			Auto loans	
			Mortgage	
Credit card				
2	Individual assessment	Corporate finance	Special collaterals	Note
		Consumer finance		

Note: Loans are classified as Group 2 if they obtain special collateral. Group 2 is assessed on the basis of a significant increase in credit risk or default and credit impairment, and the rest is assessed in accordance with Group 1.

For the classification criteria of loans, the expected credit losses are assessed at each stage of each portfolio classification:

Impairment for expected credit loss (Probability of Default (PD) × Loss Given Default (LGD) × Exposure at default (EAD)), the application of PD is described as follows:

- i) Stage 1: The Group evaluates loss allowance of financial assets, which credit risk did not significantly increase after initial recognition, based on 12 months PD to evaluate expected credit losses.
- ii) Stage 2: The Group evaluates loss allowance of financial assets, which credit risk significantly increased after initial recognition, based on lifetime expected credit losses, and calculates PD at each lifetime. If the cash flow of the contract in the future period (i.e., the default exposure amount of each period) can be assessed, the cash flow method is used to assess the expected credit losses. If the cash flow of each period cannot be assessed, then calculate the expected credit losses by the current mark-to-market method.
- iii) Stage 3: The Group evaluates loss allowance of financial assets, which credit risk will be regarded as default, and the probability of default is regarded as 100%. PD at each lifetime will not be considered. Recoverable amounts will be applied to assess expected credit losses.

Consideration of forward - looking estimation

In considering the expected credit losses, the Group uses forward-looking economic factors that affect credit risk and expected credit losses to take forward-looking information into consideration. Forward-looking information is based on the Taiwan National Development Council's regular promulgation of the "Benefit Strategy Signal" of Taiwan's overall prosperity indicators as indicators, which are divided into the boom expansion period, contraction period and flat period. The Group judges the economic situation to adjust the default probability every quarter, and then incorporates into the overall expected credit loss assessment.

ii. Debt instrument investments

In order to reduce the credit risk of debt instrument investment, the Group management team assigns a dedicated team to establish a credit rating database to assess the default risk of debt instrument investments. The information on the evaluation of the independent rating agencies.

The Group considers the historical default loss rate provided by the external rating agencies and the current financial status of the debtor to calculate 12 months and lifetime ECLs of financing commitments in debt instrument investments.

The securities held by the Group recognize the expected credit losses according to the expected credit losses during and lifetime ECLs of financing commitments. The credit quality of the Group's judgment securities is as follows:

Assessment of credit risk that has increased significantly since initial recognition

The Group assesses the change in the probability of default of debt instrument investments during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Group considerations show reasonable and supportable information that the credit risk has increased significantly since the initial recognition. The main considerations include:

Quantitative indicators

- i) For debt instrument investments on the initial recognition date, the issuer's credit rating is below the non-investment grade and the credit rating of the reporting day has not changed.
- ii) When the issuer's credit rating is a non-investment grade, the reported daily credit rating is reduced to a certain extent.

Quantitative indicators

- i) The credit rating of the issuer indicates that its credit risk has increased significantly.
- ii) The fair value of the debt instrument investment was significantly adversely changed on the reporting date.

Definition of default and credit impairment financial assets

If the debt instrument investment meets one or more of the following conditions, it determines that the financial asset has defaulted and the credit is derogated.

Qualitative indicators

- i) Debt instrument investment is a credit impairment bond when purchased.
- ii) The credit rating of the issuer or debt instrument investment is at a default level on the reporting date.

INDEPENDENT AUDITORS' REPORT

Quantitative indicators

- i) The issuer modifies the issue conditions of the debt instrument investment due to financial difficulties or fails to pay the principal or interest according to the conditions of the issue.
- ii) The issuer or the guarantee institution has ceased operations, applied for reorganization, bankruptcy, dissolution, and sale of major assets that have a significant impact on the Company's continued operations.

Measurement of expected credit losses

- i) Debt instrument investment is classified in a group with similar type, the Group then assesses expected credit loss at each group by IFRS 9 impairment evaluation guide.
 - ii) Comparing the risk of default on the dated debt instrument with the default risk at the time of initial recognition, and considering the reasonable and corroborative information showing a significant increase in credit risk since the initial recognition, to determine whether the financial instrument's credit risk since the original recognition has increased significantly.
 - The Group evaluates loss allowance of financial assets, which credit risk did not significantly increase after initial recognition, based on 12 months PD to evaluate expected credit losses.
 - The Group evaluates loss allowance of financial assets, which credit risk significantly increased after initial recognition, based on lifetime expected credit losses, and calculates PD at each lifetime. If the cash flow of the contract in the future period (i.e., the default exposure amount of each period) can be assessed, the cash flow method is used to assess the expected credit losses. If the cash flow of each period cannot be assessed, then calculate the expected credit losses by the current mark-to-market method.
 - The Group evaluates loss allowance of financial assets, which credit risk will be regarded as default, and the probability of default is regarded as 100%. PD at each lifetime will not be considered. Recoverable amounts will be applied to assess expected credit losses.
 - Debt instrument investment default probability is based on the value published by external credit rating agencies, and imply the possibility of future market fluctuations.
- b) Credit risk hedging or mitigation policies
 - i. Collaterals

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

The requirements for collaterals 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 collaterals.

The Group observes the value of the collateral of the financial instrument and considers the financial assets that are deducted from the credit impairment. The credit of financial assets that have been deducted and the value of collateral to mitigate potential losses on December 31, 2023, was as follows:

	Total Book Value	Allowance for Impairment	Exposure (Amortized Cost)	Fair Value of Collaterals
<u>Credit-impaired financial assets</u>				
Discounted and loans	\$ 4,275,113	\$ (1,304,507)	\$ 2,970,606	\$ 2,970,606
Receivables				
Credit card	39,572	(26,989)	12,583	-
Others	806,852	(653,901)	152,951	7,000
Other financial assets	<u>10,247</u>	<u>(7,588)</u>	<u>2,659</u>	<u>2,659</u>
Total	<u>\$ 5,131,784</u>	<u>\$ (1,992,985)</u>	<u>\$ 3,138,799</u>	<u>\$ 2,980,265</u>

The collateral which contains land and buildings obtained by the Group have been written off and recognized as collateral assumed (Note 20) as of December 31, 2023. The collateral will be sold when it is available for sale. The collateral is classified as other assets in the balance sheet. The difference between the price and the carrying amount is recognized as net gain (loss) on the sale of collateral assumed under the net income item.

ii. Credit risk concentration limits and control

To avoid the concentration of credit risks, the Group 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 derivatives transactions.

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

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

iii. Other credit enhancements

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

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c) Objects of assessing credit risks are including positive fair value of contracts on balance sheet and off-balance sheet commitments. Maximum exposure to credit risk of all financial instruments is the same as book value.

i. Off-balance sheet exposure of credit risk

Financial Instrument	December 31	
	2023	2022
Guarantees	\$ 23,765,579	\$ 20,240,879
Letters of credit	3,225,711	3,181,139
Loan commitments (excluding credit card)	274,688,293	251,710,215
Loan commitments - credit card	1,778,123	1,854,431

ii. Risk concentration

When the other parties to the financial instruments consist of a single individual, or a concentration of entities with similar commercial activities, they may have similar abilities to fulfill their credit obligations. The Group does not have such situation. The Group's credit exposure related to loans on December 31, 2023 was classified as follows:

Industry	Contract Amount	Maximum Exposure of Credit Risk
Individuals	\$ 513,713,503	\$ 513,713,503
Finance and insurance	630,327,269	630,327,269
Manufacturing	112,521,405	112,521,405
Real estate and leasing	78,506,388	78,506,388
Wholesale and retail	35,881,914	35,881,914
Servicing	11,828,282	11,828,282
Utilities	32,426,342	32,426,342
Warehouse and transportation	4,786,166	4,786,166
Others	<u>36,833,025</u>	<u>36,833,025</u>
	<u>\$ 1,456,824,294</u>	<u>\$ 1,456,824,294</u>

Region	Contract Amount	Maximum Exposure of Credit Risk
Domestic	\$ 1,181,448,102	\$ 1,181,448,102
North America	50,523,931	50,523,931
Europe	107,863,764	107,863,764
Asia	96,010,022	96,010,022
Oceania	17,706,783	17,706,783
Africa	<u>3,271,692</u>	<u>3,271,692</u>
	<u>\$ 1,456,824,294</u>	<u>\$ 1,456,824,294</u>

d) Financial assets credit quality analysis

Part of financial assets held by the Group, such as cash and cash equivalents, placement with Central Bank and call loans to other banks and financial assets at fair value through profit or loss are exposed to low credit risks because the counterparties have rather high credit ratings. Except for those mentioned above, the credit quality of the Group's remaining financial assets was analyzed as follows:

December 31, 2023

i. Credit quality analysis of discounted and loans and receivables:

Category	Discounted and Loans				
	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under Regulations	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs		
Consumer loans	\$ 428,625,673	\$ 15,157,538	\$ 2,935,391	\$ -	\$ 446,718,602
Corporation loans	<u>334,910,614</u>	<u>23,205,522</u>	<u>1,339,722</u>	-	<u>359,455,858</u>
Total book value	763,536,287	38,363,060	4,275,113	-	806,174,460
Allowance for impairment	(1,865,650)	(1,488,319)	(1,304,507)	-	(4,658,476)
Difference of impairment loss under regulations	-	-	-	(5,766,373)	(5,766,373)
	<u>\$ 761,670,637</u>	<u>\$ 36,874,741</u>	<u>\$ 2,970,606</u>	<u>\$ (5,766,373)</u>	<u>\$ 795,749,611</u>

Category	Receivables and Other Financial Assets				
	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under Regulations	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs		
Credit card	\$ 8,159,205	\$ 521,029	\$ 39,572	\$ -	\$ 8,719,806
Others	<u>111,120,227</u>	<u>80,865</u>	<u>817,099</u>	-	<u>112,018,191</u>
Total book value	119,279,432	601,894	856,671	-	120,737,997
Allowance for impairment	(25,035)	(29,039)	(688,478)	-	(742,552)
Difference of impairment loss under regulations	-	-	-	(197,241)	(197,241)
	<u>\$ 119,254,397</u>	<u>\$ 572,855</u>	<u>\$ 168,193</u>	<u>\$ (197,241)</u>	<u>\$ 119,798,204</u>

Category	Loan Commitment				
	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under Regulations	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs		
Guarantees	\$ 23,765,579	\$ -	\$ -	\$ -	\$ 23,765,579
Letter of credit	3,223,527	2,184	-	-	3,225,711
Others	<u>1,773,802</u>	<u>115,693</u>	-	-	<u>1,889,495</u>
Total book value	28,762,908	117,877	-	-	28,880,785
Allowance for impairment	(86,422)	(1,793)	-	-	(88,215)
Difference of impairment loss under regulations	-	-	-	(871,462)	(871,462)
	<u>\$ 28,676,486</u>	<u>\$ 116,084</u>	<u>\$ -</u>	<u>\$ (871,462)</u>	<u>\$ 27,921,108</u>

December 31, 2022

i. Credit quality analysis of discounted and loans and receivables:

Category	Discounted and Loans				
	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under Regulations	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs		
Consumer loans	\$ 394,329,200	\$ 16,077,509	\$ 3,384,792	\$ -	\$ 413,791,501
Corporation loans	<u>313,340,250</u>	<u>24,271,113</u>	<u>1,959,135</u>	-	<u>339,570,498</u>
Total book value	707,669,450	40,348,622	5,343,927	-	753,361,999
Allowance for impairment	(1,791,330)	(1,563,624)	(1,599,367)	-	(4,954,321)
Difference of impairment loss under regulations	-	-	-	(5,066,373)	(5,066,373)
	<u>\$ 705,878,120</u>	<u>\$ 38,784,998</u>	<u>\$ 3,744,560</u>	<u>\$ (5,066,373)</u>	<u>\$ 743,341,305</u>

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Receivables and Other Financial Assets					
	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under Regulations	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs		
Category					
Credit card	\$ 7,816,352	\$ 519,339	\$ 34,070	\$ -	\$ 8,369,761
Others	<u>108,706,189</u>	<u>63,281</u>	<u>2,031,402</u>	-	<u>110,800,872</u>
Total book value	116,522,541	582,620	2,065,472	-	119,170,633
Allowance for impairment	(34,727)	(28,749)	(1,630,011)	-	(1,693,487)
Difference of impairment loss under regulations	-	-	-	(141,405)	(141,405)
	<u>\$ 116,487,814</u>	<u>\$ 553,871</u>	<u>\$ 435,461</u>	<u>\$ (141,405)</u>	<u>\$ 117,335,741</u>
Loan Commitment					
	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under Regulations	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs		
Category					
Guarantees	\$ 20,240,879	\$ -	\$ -	\$ -	\$ 20,240,879
Letter of credit	3,161,933	19,206	-	-	3,181,139
Others	<u>2,423,530</u>	<u>145,096</u>	-	-	<u>2,568,626</u>
Total book value	25,826,342	164,302	-	-	25,990,644
Allowance for impairment	(74,889)	(3,047)	-	-	(77,936)
Difference of impairment loss under regulations	-	-	-	(767,619)	(767,619)
	<u>\$ 25,751,453</u>	<u>\$ 161,255</u>	<u>\$ -</u>	<u>\$ (767,619)</u>	<u>\$ 25,145,089</u>

ii. Credit quality analysis of securities investment:

Debt instrument credit quality analysis

The breakdown below shows the debt instruments classified as FVTPL, FVTOCI and financial assets at amortized cost.

December 31, 2023

	Financial Asset at FVTOCI	Financial Asset at Amortized Cost
Total book value	\$ 185,170,745	\$ 60,470,583
Allowance loss	<u>(36,020)</u>	<u>(13,991)</u>
Amortized cost	185,134,725	60,456,592
Fair value adjustment	<u>(10,059,751)</u>	<u>-</u>
	<u>\$ 175,074,974</u>	<u>\$ 60,456,592</u>

December 31, 2022

	Financial Asset at FVTOCI	Financial Asset at Amortized Cost
Total book value	\$ 192,992,432	\$ 44,277,968
Allowance loss	<u>(38,820)</u>	<u>(7,917)</u>
Amortized cost	192,953,612	44,270,051
Fair value adjustment	<u>(13,520,801)</u>	<u>-</u>
	<u>\$ 179,432,811</u>	<u>\$ 44,270,051</u>

The total book value of the current credit risk rating mechanism of the Group and the investments in debt instruments of each credit rating are as follows:

December 31, 2023

Credit Rating	Definition	Recognition basis	Expected credit loss	Total Book Value
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit losses	0.00%-0.33%	\$ 245,641,328
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition	Lifetime expected credit losses (no credit impaired)		-
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit (credit impaired)		-

December 31, 2022

Credit Rating	Definition	Recognition basis	Expected credit loss	Total Book Value
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit losses	0.00%-0.33%	\$ 237,270,400
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition	Lifetime expected credit losses (no credit impaired)		-
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit (credit impaired)		-

Debt instrument credit quality analysis as follow:

December 31, 2023

Category	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under Regulations	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs		
Domestic bond					
Investment grade	\$ 151,995,259	\$ -	\$ -	\$ -	\$ 151,995,259
Non-investment grade	148,592	-	-	-	148,592
Foreign bond					
Investment grade	83,437,726	-	-	-	83,437,726
Total book value	235,581,577	-	-	-	235,581,577
Allowance for impairment	(50,011)	-	-	-	(50,011)
Difference of impairment loss under regulations	-	-	-	-	-
	<u>\$ 235,531,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,531,566</u>

December 31, 2022

Category	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under Regulations	Total
	12-month ECLs	Lifetime ECLs	Lifetime ECLs		
Domestic bond					
Investment grade	\$ 150,854,742	\$ -	\$ -	\$ -	\$ 150,854,742
Non-investment grade	146,938	-	-	-	146,938
Foreign bond					
Investment grade	72,747,919	-	-	-	72,747,919
Total book value	223,749,599	-	-	-	223,749,599
Allowance for impairment	(46,737)	-	-	-	(46,737)
Difference of impairment loss under regulations	-	-	-	-	-
	<u>\$ 223,702,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,702,862</u>

INDEPENDENT AUDITORS' REPORT

With respect to debt investments at FVTOCI and measured at amortized measured cost invested by the Group, the information of changes in allowance is summarized as follows:

For the year ended December 31, 2023

The Allowance Information Summarized According to the Credit Risk Rating	Credit Rating		
	Normal (12-Month Expected Credit Losses)	Abnormal (Lifetime ECL Without Credit Impaired)	Default (Lifetime ECL with Credit Impaired)
Balance, beginning of year	\$ 46,737	\$ -	\$ -
Change credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase new debt instruments	7,673	-	-
Disposal	(4,387)	-	-
Model/risk parameter changes	-	-	-
Exchange rate and other changes	<u>(12)</u>	<u>-</u>	<u>-</u>
Allowance loss, ending of year	<u>\$ 50,011</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2022

The Allowance Information Summarized According to the Credit Risk Rating	Credit Rating		
	Normal (12-Month Expected Credit Losses)	Abnormal (Lifetime ECL Without Credit Impaired)	Default (Lifetime ECL with Credit Impaired)
Balance, beginning of year	\$ 54,283	\$ -	\$ -
Change credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase new debt instruments	8,928	-	-
Disposal	(15,688)	-	-
Model/risk parameter changes	-	-	-
Exchange rate and other changes	<u>(786)</u>	<u>-</u>	<u>-</u>
Allowance loss, ending of year	<u>\$ 46,737</u>	<u>\$ -</u>	<u>\$ -</u>

3) Liquidity risk

Ratios of liquidity reserves of the Group are 22% and 27% on December 31, 2023 and 2022, respectively.

Liquidity risk means the risk that the Group could not provide enough capital to deal with either the increase in assets or payment of obligation upon maturity. The Group classifies the factor into the following classification according to the cause of the risk:

Founding liquidity risk

Refers to the risk that the Group will be unable to monetize assets or obtain sufficient funds for dealing with the payment of obligation upon maturity.

Market liquidity risk

Refers to the lack of market depth or presence of market disorder, which causes the Group to face the risk of a significant decline in market prices when it sells or offsetting the positions. Especially when market liquidity freezes, it is very likely that actual losses will be much greater than expected losses.

Management purpose and principle of liquidity risk

If the elimination of liquidity risks may be relatively costly, the purpose of liquidity management is to achieve a balance between surplus and risk within a tolerable range. The Group clearly defined the rights and responsibilities of each unit in accordance with relevant regulations on liquidity risk management, and through the procedures of identification, measurement, monitoring, and reporting as a mechanism for the liquidity risk management of the Group. The principles of management of liquidity risk for the Group are as follows:

a) Principle of Diversification

The Group should avoid excessive concentration of funds on the same maturity date, scheduling tool, region, source of funds or counterparties.

b) Principle of Stability

The Group should develop a strategy to obtain stable funding.

c) Market Liquidity

The assets of each book should maintain proper market liquidity as the goodness of market liquidity will indirectly affect the funding liquidity.

d) Matching of the expiry date of assets and liabilities

Set the relevant indicators for monitoring the suitability of short-term and long-term objectives.

e) Management of financing source

Reduce reliance on unstable financing sources such as large deposits and interbank lending.

f) Management of financing needs

Control of payment commitments derived from loans business.

Measurement of liquidity risk

The Group formulates liquidity management indicators and management mechanisms for each major currency, mainly covering the following:

- a) Current ratio
- b) Analysis of funding gap
- c) Structure of asset and liability
- d) Concentration of funding sources

INDEPENDENT AUDITORS' REPORT

In addition, the Group standardizes management principles for fund requirements for off-balance-sheet transactions, large-capital notification mechanisms, early warning mechanisms, and formulates emergency plans for liquidity risks, as well as for liquid assets for financial asset positions held by the Group, sets allocation proportion and order of disposal according to liquidity attributes.

Stress testing

The stress test of liquidity risk is used to detect the ability of the Group to meet the funding gap under extreme adverse market conditions to ensure that the Group can withstand sudden events. The survival horizon and stress scenario of the Group's stress test contains at least:

- a) General market pressure scenarios
- b) Possible stress situations unique to the Group

Further, the Group to estimate the remaining funds during the survival horizon in each stress situation. If there is a negative funding gap or a significant liquidity slowdown during the survival horizon, it should be investigated in a timely manner, including capital injection and other means to increase the cash flow cover ratio.

- a) Maturity analysis of non-derivative financial liabilities

The Group'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					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits of Central Bank and other banks	\$ 288,901	\$ 254,130	\$ 223,521	\$ 78,169	\$ 529	\$ 845,250
Bills and bonds sold under repurchase agreement	2,329,304	7,311,369	-	-	-	9,640,673
Payables	6,761,569	694,712	1,044,604	675,162	269,334	9,445,381
Deposits and remittances	224,063,672	153,936,791	116,859,036	245,164,829	355,348,596	1,095,372,924
Bank debentures	-	-	-	2,500,000	25,700,000	28,200,000
Lease liabilities	50,928	105,175	156,176	319,265	2,151,651	2,783,195
Other maturity items	2,039,288	2,293,265	3,345,005	4,281,426	22,852,863	34,811,847

Financial Instruments Item	December 31, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits of Central Bank and other banks	\$ 33,897	\$ 18,088	\$ 193,508	\$ 78,152	\$ 235	\$ 323,880
Bills and bonds sold under repurchase agreement	6,307,060	-	-	-	-	6,307,060
Payables	5,927,402	606,651	914,305	427,644	410,432	8,286,434
Deposits and remittances	256,102,537	172,043,288	112,009,163	212,391,802	320,061,374	1,072,608,164
Bank debentures	800,000	-	-	-	26,000,000	26,800,000
Lease liabilities	48,404	101,473	161,238	340,093	2,968,953	3,620,161
Other maturity items	1,825,727	1,231,091	1,759,144	2,064,654	15,176,744	22,057,360

- b) Maturity analysis of derivative financial assets and liabilities

- i. Derivative instruments that settle on a net basis

The Derivative instruments that settle on a net basis include:

Foreign exchange derivative: Interest rate swap contracts, non principal delivery forward contract (NDF).

We evaluate the expiry days of derivative instruments which are shown in the balance sheet. The amounts in the balance sheet are based on cash flow. Therefore, some amounts do not correspond to the consolidated balance sheet. The analysis as follows:

Financial Instruments Item	December 31, 2023					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial instrument at FVTPL Derivative	\$ (86,208)	\$ (161,357)	\$ (211,859)	\$ (272,988)	\$ (1,549,265)	\$ (2,281,677)

Financial Instruments Item	December 31, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial instrument at FVTPL Derivative	\$ (146,248)	\$ (150,122)	\$ (156,193)	\$ (281,991)	\$ (1,769,424)	\$ (2,503,978)

ii. Derivative instruments that settle on a gross basis

The derivative instruments that settle on a gross basis include:

Foreign exchange derivative: Foreign exchange forward contracts, foreign exchange swap contracts, foreign exchange options.

The Group conducted maturity analysis of off-balance sheet items based on the residual maturities as of the balance sheet dates. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some of these amounts may not correspond to those shown in the balance sheets.

Item	December 31, 2023					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial instrument at FVTPL						
Outflows	\$ 70,160,151	\$ 52,942,311	\$ 10,028,965	\$ 7,239,394	\$ -	\$ 140,370,821
Inflows	69,062,308	51,847,920	9,881,925	7,186,257	-	137,978,410
Net flows	\$ (1,097,843)	\$ (1,094,391)	\$ (147,040)	\$ (53,137)	\$ -	\$ (2,392,411)

Item	December 31, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial instrument at FVTPL						
Outflows	\$ 24,310,087	\$ 23,175,531	\$ 9,068,388	\$ 7,634,952	\$ 210,732	\$ 64,399,690
Inflows	23,879,458	22,445,946	8,545,079	7,175,810	212,018	62,258,311
Net flows	\$ (430,629)	\$ (729,585)	\$ (523,309)	\$ (459,142)	\$ 1,286	\$ (2,141,379)

4) Maturity analysis of off-balance-sheet items

Item	December 31, 2023					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Developed and irrevocable loan commitments	\$ -	\$ -	\$ -	\$ -	\$ 111,372	\$ 111,372
Irrevocable credit	11	3	-	-	1,778,109	1,778,123
Letters of credit	720,552	1,832,356	579,965	92,838	-	3,225,711
Guarantees	5,612,497	4,905,227	1,706,492	2,959,785	8,581,578	23,765,579
Total	\$ 6,333,060	\$ 6,737,586	\$ 2,286,457	\$ 3,052,623	\$ 10,471,059	\$ 28,880,785

INDEPENDENT AUDITORS' REPORT

Item	December 31, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Developed and irrevocable loan commitments	\$ -	\$ -	\$ 254,110	\$ 307,080	\$ 153,005	\$ 714,195
Irrevocable credit	266	592	64,768	166,645	1,622,160	1,854,431
Letters of credit	1,271,683	1,459,817	255,802	193,837	-	3,181,139
Guarantees	3,394,784	4,433,188	787,661	3,390,497	8,234,749	20,240,879
Total	\$ 4,666,733	\$ 5,893,597	\$ 1,362,341	\$ 4,058,059	\$ 10,009,914	\$ 25,990,644

5) Cash flow and fair value risk of interest rate fluctuation

The floating-rate assets/liabilities held by the Group may take risks of future cash inflow/outflow. The Group mitigates the cash outflow risks by controlling the interest sensitivity gap.

38. RISK CONTROL AND HEDGE STRATEGY

The risk control activities and hedge strategy of the Group are affected by the customer-oriented nature of the banking industry and the restrictions of law. Under this circumstance, an all-around and total risk management and control system has been implemented to recognize, measure and control all the risks of the Group.

The market risk management objective is to hold the best risk position, maintain adequate liquidity and concentrate on all market risks by thoroughly studying the risk factors including economic environment, competitive situation, market value risk and the influence on net interest revenue; therefore, to avoid net cash flow and market value risks, cash flow hedge and fair value hedge are the main hedge strategy of the Group.

The Group uses two types of hedging relationship to manage the risks: Cash flow hedge and fair value hedge. Cash flow hedge is used to avoid interest rate risk, and fair value hedge is used to reduce market value risk.

Fair value hedge involves transfer of fixed income or structured transaction to floating income. The Group uses fair value hedge to transfer non-monetary-linked bonds to become monetary-linked bonds following the current policy. The Group set up the strategy of fair value hedge of interest rate exposure to hedge certain loans, deposits, and fixed interest or structured liabilities. The Group primarily uses interest rate swap to hedge fair value risk. In addition, cross-currency swaps, swap options, interest rate caps and floors, and other derivatives may be used as hedging instruments.

To hedge interest rate risk, a great part of the Group's financial instruments are fixed-interest-rate instruments. The Group also transferred instruments linked to the money market to fixed-interest-rate instruments. Interest rate swap contracts are the prime hedging instruments against interest rate fluctuations. In addition, cross-currency swaps, swap options, interest rate caps and floors, and other derivatives may be used by the Group as hedging instruments.

39. INFORMATION ABOUT THE BANK

Asset Quality

(In Thousands of New Taiwan Dollars, %)

Category		Items	December 31, 2023					
			Nonperforming Loan (Note 1)	Total Loan	NPL Ratio (Note 2)	Loan Loss Reserve	Coverage Ratio (Note 3)	
Corporate loans	Secured		\$ 206,666	\$ 191,202,490	0.11%	\$ 1,941,744	939.56%	
	Unsecured		296,806	168,035,682	0.18%	1,993,404	671.62%	
Consumer loans	Mortgage (Note 4)		80,313	210,498,013	0.04%	3,255,288	4,053.26%	
	Cash card		-	215	-	201	-	
	Micro credit (Note 5)		205,364	47,376,294	0.43%	1,193,732	581.28%	
	Other (Note 6)	Secured		150,169	187,855,900	0.08%	2,021,688	1,346.27%
		Unsecured		2,289	988,180	0.23%	18,792	821.11%
Loans			941,607	805,956,774	0.12%	10,424,849	1,107.13%	

(In Thousands of New Taiwan Dollars, %)

Category		Items	December 31, 2022					
			Nonperforming Loan (Note 1)	Total Loan	NPL Ratio (Note 2)	Loan Loss Reserve	Coverage Ratio (Note 3)	
Corporate loans	Secured		\$ 139,829	\$ 179,339,589	0.08%	\$ 1,957,441	1,399.88%	
	Unsecured		408,553	160,056,361	0.26%	2,380,733	582.72%	
Consumer loans	Mortgage (Note 4)		131,166	198,951,843	0.07%	3,047,653	2,323.51%	
	Cash card		-	303	-	279	-	
	Micro credit (Note 5)		72,289	40,257,821	0.18%	797,948	1,103.82%	
	Other (Note 6)	Secured		164,905	173,521,379	0.10%	1,821,261	1,104.43%
		Unsecured		2,510	1,051,916	0.24%	15,379	612.59%
Loans			919,252	753,179,212	0.12%	10,020,694	1,090.09%	

(In Thousands of New Taiwan Dollars, %)

Category		Items	December 31, 2023			Coverage Ratio	
			Overdue Receivable	Account Receivable	Delinquency Ratio		Allow for Credit Losses
Credit card			\$ 15,423	\$ 8,736,359	0.18%	\$ 177,824	1,152.99%
Account receivable without recourse (Note 7)			-	770,284	-	20,040	-

Category		Items	December 31, 2022			Coverage Ratio	
			Overdue Receivable	Account Receivable	Delinquency Ratio		Allow for Credit Losses
Credit card			\$ 13,703	\$ 8,383,372	0.16%	\$ 160,482	1,171.18%
Account receivable without recourse (Note 7)			-	1,499,403	-	24,324	-

Non-reportable overdue loans and receivable

	December 31, 2023		December 31, 2022	
	Non-Reportable NPL Balance	Non-reportable Overdue Receivable Balance	Non-Reportable NPL Balance	Non-reportable Overdue Receivable Balance
Non-reportable amount upon performance of debt negotiation program (Note 8)	\$ 1,730	\$ 43,560	\$ 2,783	\$ 57,342
Amount received from performance of debt negotiation program (Note 9)	141,449	180,776	127,223	200,808
Total	143,179	224,336	130,006	258,150

INDEPENDENT AUDITORS' REPORT

- Note 1: The amount recognized as non-performing loans (NPLs) is in compliance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans.” Nonperforming credit loans represent the amounts of nonperforming loans reported to the FSC, as required by the FSC in its letter dated July 6, 2005 (Ref. No. 094400378).
- Note 2: Nonperforming loan ratio = Nonperforming loans ÷ Outstanding loan balance; Nonperforming credit loan ratio = Nonperforming loans ÷ Accounts receivable balance.
- Note 3: Allowance for doubtful accounts ratio = Allowance for doubtful accounts in loans ÷ Overdue loans; Allowance for doubtful accounts ratio of credit card = Allowance for doubtful accounts in credit cards ÷ Overdue loans.
- Note 4: Home mortgage refer to financing obtained to buy, build, or fix houses owned by the borrowers' spouse or children, with the house used as loan collateral.
- Note 5: Micro credit is covered by the FSC pronouncement dated December 19, 2005 (Ref No. 09440010950) and is excluded from credit card and cash card loans.
- Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.
- Note 7: As required by the FSC in its letter dated July 19, 2005 (Ref No. 094000494), provision for bad debt is recognized once no compensation is made by a factor or insurance company for accounts receivable factored without recourse.
- Note 8: Accounts under “loans not required to be classified as NPL upon performance of a debt negotiation program” and “accounts receivable not required to be classified as overdue receivable upon debt negotiation program” were processed according the FSC pronouncement dated April 25, 2006 (Ref No. 09510001270).
- Note 9: Accounts under “loans not required to be classified as NPL upon performance of a debt discharge program and rehabilitation program” and “accounts receivable not required to be classified as overdue receivable upon debt discharge program and rehabilitation program” were processed according the FSC pronouncement dated September 15, 2008 (Ref No. 09700318940) and September 20, 2016 (Ref No. 10500134790).

Concentration of Credit Extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2023			
Top 10 Rank (Note 1)	Group (Note 2)	Total Credit (Note 3)	Percentage of Net Worth (%)
1	Group A (016811 real estate activities for sale and rental with own or leased property)	\$ 5,489,912	7.33
2	Group B (016811 real estate activities for sale and rental with own or leased property)	4,947,000	6.60
3	Group C (016700 real estate development activities)	4,457,670	5.95
4	Group D (012630 manufacture of bare printed circuit boards)	3,910,927	5.22
5	Group E (016700 real estate development activities)	3,595,675	4.80
6	Group F (016811 real estate activities for sale and rental with own or leased property)	3,592,219	4.79
7	Group G (011151 manufacture of made-up textile articles)	3,464,888	4.62
8	Group H (011810 manufacture of raw chemical material)	3,417,559	4.56
9	Group I (016499 other financial service activities not elsewhere classified)	3,170,000	4.23
10	Group J (012630 manufacture of bare printed circuit boards)	3,136,470	4.19

(In Thousands of New Taiwan Dollars, %)

December 31, 2022			
Top 10 Rank (Note 1)	Group (Note 2)	Total Credit (Note 3)	Percentage of Net Worth (%)
1	Group B (016811 real estate activities for sale and rental with own or leased property)	\$ 4,786,400	7.52
2	Group K (016102 wireless telecommunications activities)	4,660,152	7.33
3	Group A (016811 real estate activities for sale and rental with own or leased property)	4,573,385	7.19
4	Group C (016700 real estate development activities)	4,294,170	6.75
5	Group H (011810 manufacture of raw chemical material)	3,427,885	5.39
6	Group E (016700 real estate development activities)	3,347,540	5.26
7	Group I (016499 other financial service activities not elsewhere classified)	3,235,000	5.09
8	Group F (016811 real estate activities for sale and rental with own or leased property)	3,068,583	4.82
9	Group L (016700 real estate development activities)	2,698,202	4.24
10	Group M (016491 financial leasing)	2,690,603	4.23

Note 1: The ranking is arranged in descending order of outstanding loan balance, excluding all the government entities and nation-owned enterprises. If the borrower is a member company of a group, then the disclosed amount will be the total granted loan amount of that entire group.

Note 2: According to Article 6 of the “Supplementary Provisions to the Stock Exchange Corporation Criteria for the Review of Securities Listings”, “Group” refers to the entity that has a controlling or subordinate relationship with the counter-party that obtained loans from the Bank.

INDEPENDENT AUDITORS' REPORT

Note 3: Credit balance means the sum of all the loan (including import bill negotiated, discounted export bills negotiated, overdrafts, short-term secured and unsecured loans, marginal receivables, medium-term secured and unsecured loans, long-term secured and unsecured loans and overdue receivables), exchange bills negotiated, accounts receivable factored without recourse, acceptances notes receivable, and guarantees issued.

Interest Rate Sensitivity Information

Interest Rate Sensitivity December 31, 2023

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	\$ 760,428,999	\$ 22,197,102	\$ 18,476,545	\$ 209,002,491	\$1,010,105,137
Interest-sensitive liabilities	301,043,996	450,014,519	149,668,476	29,765,676	930,492,667
Interest sensitivity gap	459,385,003	(427,817,417)	(131,191,931)	179,236,815	79,612,470
Net equity					74,917,454
Ratio of interest-sensitive assets to liabilities					108.56
Ratio of interest sensitivity gap to net equity					106.27

December 31, 2022

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	\$ 680,729,558	\$ 19,815,641	\$ 29,925,962	\$ 235,714,298	\$ 966,185,459
Interest-sensitive liabilities	325,788,579	419,028,970	101,665,622	28,053,817	874,536,988
Interest sensitivity gap	354,940,979	(399,213,329)	(71,739,660)	207,660,481	91,648,471
Net equity					63,607,968
Ratio of interest-sensitive assets to liabilities					110.48
Ratio of interest sensitivity gap to net equity					144.08

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity
December 31, 2023

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

Item	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	\$ 3,131,613	\$ 238,053	\$ 94,664	\$ 1,781,271	\$ 5,245,601
Interest-sensitive liabilities	4,302,825	594,412	442,593	7,749	5,347,579
Interest sensitivity gap	(1,171,212)	(356,359)	(347,929)	1,773,522	(101,978)
Net equity					2,437,529
Ratio of interest-sensitive assets to liabilities					98.09
Ratio of interest sensitivity gap to net equity					(4.18)

December 31, 2022

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

Item	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	\$ 3,121,279	\$ 120,053	\$ 92,752	\$ 1,638,610	\$ 4,972,694
Interest-sensitive liabilities	5,102,101	436,760	527,267	11,763	6,077,891
Interest sensitivity gap	(1,980,822)	(316,707)	(434,515)	1,626,847	(1,105,197)
Net equity					2,071,381
Ratio of interest-sensitive assets to liabilities					81.82
Ratio of interest sensitivity gap to net equity					(53.36)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars).

Profitability

(%)

Item		For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Return on total assets	Pretax	0.67	0.69
	After tax	0.55	0.58
Return on net equity	Pretax	12.01	12.46
	After tax	9.81	10.31
Profit margin		34.13	36.38

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

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

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

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Note 4: Income before (after) income tax represents income for the years ended December 31, 2023 and 2022.

Maturity Analysis

Maturity Analysis of Assets and Liabilities December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Total	Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,097,604,784	\$ 143,320,407	\$ 68,218,263	\$ 88,331,964	\$ 66,609,185	\$ 62,786,282	\$ 668,338,683
Main capital outflow on maturity	1,314,139,956	55,228,906	123,538,171	169,278,763	150,392,726	333,427,106	482,274,284
Gap	(216,535,172)	88,091,501	(55,319,908)	(80,946,799)	(83,783,541)	(270,640,824)	186,064,399

December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Total	Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,046,255,399	\$ 152,079,652	\$ 47,627,910	\$ 106,371,836	\$ 48,828,161	\$ 67,899,103	\$ 623,448,737
Main capital outflow on maturity	1,246,877,535	71,871,470	113,091,915	200,498,080	150,891,253	292,282,466	418,242,351
Gap	(200,622,136)	80,208,182	(65,464,005)	(94,126,244)	(102,063,092)	(224,383,363)	205,206,386

Note: The above amounts included only New Taiwan dollar amounts held by the head office and domestic branches of the Bank (i.e., excluding foreign currency).

Maturity Analysis of Assets and Liabilities December 31, 2023

(In Thousands of U.S. Dollars)

Item	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 10,402,858	\$ 4,070,211	\$ 1,880,910	\$ 567,961	\$ 703,031	\$ 3,180,745
Main capital outflow on maturity	12,134,494	3,753,024	3,332,719	1,449,170	1,861,177	1,738,404
Gap	(1,731,636)	317,187	(1,451,809)	(881,209)	(1,158,146)	1,442,341

December 31, 2022

(In Thousands of U.S. Dollars)

Item	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 9,245,671	\$ 3,277,255	\$ 1,779,921	\$ 441,743	\$ 570,144	\$ 3,176,608
Main capital outflow on maturity	10,968,918	3,345,531	2,448,836	1,512,859	1,875,983	1,785,709
Gap	(1,723,247)	(68,276)	(668,915)	(1,071,116)	(1,305,839)	1,390,899

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: When the OBU's assets account for 10% of total assets of the bank, the bank should provide complimentary disclosed information.

10. CAPITAL MANAGEMENT

a. Capital management target and procedure

Purpose of capital management is to reach criteria set by administration, implement capital management procedure, and upgrade capital perform efficiency to reach maximum of organization purpose.

The Group's capital planning accounts for short-term and long-term capital requirements. The Group makes yearly capital planning based on operation planning, current and forecast future capital requirements, and promised returns for shareholders. The Group also makes back-up plan to meet the capital requirements not included in the planning. The Group also regularly conducts stress tests and scenario simulation analyses to calculate different capital ratios (common equity ratio, Tier 1 capital ratio, and capital adequacy ratio), fully taking into account of external conditions and other factors, including potential risks, changes in financial markets, and other events impacting risk taking capabilities, to make sure that the Group can maintain adequate capital in case of detrimental events and huge market changes.

Planning for yearly earnings distribution follows the principles and ratios mandated by articles of incorporation and dividend policy, and are put into effect after being approved by the board of directors and shareholders' meeting. The Group's capital adequacy, potential investment needs, and dividend amount of previous years are taken into account. The needs to maintain proper financial ratios and satisfy capital requirement of the parent company are also preconditions of the distribution.

b. Capital definition and standard

The administration of the Group is Financial Supervisory Commission, and follows principles of capital adequacy management.

The Banking Act and related regulations require that the Bank maintains both standalone and consolidated ratios of regulatory capital to risk-weighted assets (including ratio of the common equity to risk-weighted assets, ratio of Tier 1 capital to risk-weighted assets and capital adequacy ratio (CAR)) should comply with the minimum ratio requested by authorities.

c. Self-owned capital

Self-owned capital of the Group is divided into Tier I capital and Tier II capital according to "Administrative Measures for Bank Capital Adequacy and Capital Grade".

1) The term "Net Tier 1 Capital" shall mean the aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.

The common equity Tier 1 capital consists of the common equity that reduces intangible assets, the deferred tax assets due to losses from the previous year, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, unamortized losses on sales of non-performing loans, and the statutory adjustment items calculated in accordance with other rules for calculation methods. The common equity Tier 1 capital shall mean the sum of the common stock and additional paid-in capital in excess of par - common stock, the capital collected in advance, the capital reserves, the statutory surplus reserves, the special reserves, the accumulated profit or loss, the non-controlling interests and the other items of interest.

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The range of additional Tier 1 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.

- a) Non-cumulative perpetual preferred stock and its capital stock premium.
 - b) Non-cumulative perpetual subordinated debts.
 - c) The non-cumulative perpetual preferred stock and its capital stock premium, and the non-cumulative perpetual subordinated debts which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.
- 2) The range of Tier 2 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.
- a) Cumulative perpetual preferred stock and its capital stock premium.
 - b) Cumulative perpetual subordinated debts.
 - c) Convertible subordinated debts.
 - d) Long-term subordinated debts.
 - e) Non-perpetual preferred stock and its capital stock premium.

When the real estate was adopted by the International Financial Reporting Standards for the first time and used the fair value or the re-estimated value as the deemed cost. The difference in amount between the deemed cost and the book value was recognized in retained earnings, the 45% of unrealized gain on financial assets at FVTOCI, as well as operational reserves and loan-loss provisions.

The cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, and the non-perpetual preferred stock and its capital stock premiums which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

When a bank reports its capital adequacy ratio according to the regulations, the competent authority shall examine its capital category in accordance with the provisions of these regulations on the calculation of capital adequacy ratio.

When a bank's capital is graded as inadequate capital, significantly inadequate capital or seriously inadequate capital by the competent authority's examination, the competent authority shall take prompt corrective actions in pursuant to Sections 1 to 3, Paragraph 1, Article 44-2 of the Act.

The government regulations are formulated in accordance with the Basel Accord. The followings are the content of the Basel Accord and the implementation of the Group.

1) The First Pillar

The first pillar contains the capital requirements for credit risks, market risks and operation risks.

- a) Credit risks refer to the default risk resulted from the counterparties. The credit risk is derived from the assets, liabilities or off-balance sheet items. There are two measurement methods, the Standardized Approach and the Internal Ratings-Based Approach (the IRB). The Bank and its subsidiary use the Standardized Approach.

- b) Market risks refer to the loss due to the changes of the market price, such as the changes of the market interest rate, the exchange rate, the stock price and the product price. There are two measurement methods, the Standardized Approach and the Internal Model Approach. The Bank and its subsidiary use the Standardized Approach.
- c) Operation risks refer that the Bank has loss caused by the internal operations, the employee's faults, the system errors or external events. The operation risks include legal risks but exclude strategy risks and reputation risks. The measurement methods are the Basic Indicator Approach, the Standardized Approach, the Alternative Standardized Approach and the Advanced Measurement Approach. The Bank has adopted the Basic Indicator Approach since the first quarter of 2015 after obtaining the approval from the authorities.

2) The Second Pillar

The second pillar is used to ensure that each bank has sufficient internal assessment procedures and each bank can understand the capital adequacy through complete risk measurements. At the same time, it also uses proper supervisory operations to ensure the regulatory capital accord with the whole risk characteristics. The Bank and its subsidiary report the capital adequacy measurements and the risk management situations to the competent authority with related information.

3) The Third Pillar

The third pillar is related to the market discipline. It requires banks to disclose more information about the risks, the capital and the risk managements according the new Basel Accord in order to increase their information transparency. As a result, the Group has offered the "Information of the Capital Adequacy and the Risk Managements" in our website to disclose the qualitative data and the quantitative data.

d. Capital adequacy ratio

Items		Year	December 31, 2023	December 31, 2022
Eligible capital	Common stockholders' equity		\$ 72,338,936	\$ 61,962,520
	Other Tier 1 capital		18,000,000	15,800,000
	Tier 2 capital		13,222,613	14,012,558
	Eligible capital		103,561,549	91,775,078
Risk-weighted assets	Credit risk	Standard valuation method	633,386,183	604,390,967
		Internal valuation method	-	-
		Credit appraisal adjustment risk	1,928,633	2,221,727
		REIT's	-	-
	Operational risk	Basic index method	-	-
		Standard valuation method/ Selective standard method	30,713,950	28,381,475
		Advanced valuation method	-	-
	Market risk	Standard method	3,822,813	3,269,950
		Internal model method	-	-
	Total risk-weighted assets		669,851,579	638,264,119
Capital adequacy		15.46	14.38	
Ratio of common stock equity to risk-weighted assets		10.80	9.71	
Ratio of Tier 1 capital to risk-weighted assets		13.49	12.18	
Leverage ratio		6.84	6.15	

INDEPENDENT AUDITORS' REPORT

Note 1: The above table was filled in accordance with the Regulations Governing the Capital Adequacy Ratio of Banks and related calculation tables.

Note 2: The adequacy ratio of the current and previous period should be shown in the financial statements at quarter 4. The financial statements at quarter 2 should disclose the adequacy ratio of the previous year additionally.

Note 3: 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) x 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 asset

11. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

(Foreign Currencies/In Thousands of New Taiwan Dollars)

	December 31, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,354,832	30.74	\$ 164,580,757
HKD	2,058,050	3.93	8,096,121
CNY	1,707,052	4.33	7,393,049
JPY	29,996,413	0.22	6,519,151
AUD	289,659	21.00	6,083,194
Non-monetary items			
USD	678,724	30.74	20,860,596
HKD	2,591,542	3.93	10,194,811
CNY	1,940,469	4.33	8,403,951
ZAR	225,722	1.66	374,694
AUD	5,376	21.00	112,908

(Continued)

	December 31, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 5,359,879	30.74	\$ 164,735,892
CNY	2,012,693	4.33	8,716,742
HKD	1,939,566	3.93	7,630,017
JPY	28,193,371	0.22	6,127,294
AUD	197,622	21.00	4,150,307
Non-monetary items			
USD	741,265	30.74	22,782,771
HKD	2,278,676	3.93	8,964,034
CNY	1,734,551	4.33	7,512,142
ZAR	225,762	1.66	374,761
AUD	13,257	21.00	278,415
			(Concluded)

	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,168,682	30.71	\$ 158,719,879
CNY	3,110,717	4.41	13,711,510
HKD	2,031,006	3.94	7,998,788
ZAR	2,835,708	1.81	5,137,582
JPY	19,707,647	0.23	4,580,195
Non-monetary items			
USD	147,051	30.71	4,515,638
HKD	701,306	3.94	2,761,979
ZAR	274,735	1.81	497,749
CNY	62,269	4.41	274,473
AUD	7,934	20.83	165,233

	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	5,884,642	30.71	180,705,582
CNY	2,844,628	4.41	12,538,639
HKD	2,525,077	3.94	9,944,605
JPY	19,487,061	0.23	4,528,929
AUD	193,732	20.83	4,034,699
Non-monetary items			
USD	218,345	30.71	6,704,927
AUD	33,296	20.83	693,432
ZAR	274,753	1.81	497,783
CNY	62,223	4.41	274,269

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12. ALLOCATION OF REVENUE, COST, EXPENSE AND NET INCOME IN THE INTERCOMPANY TRANSACTIONS

In order to expand the economic scale and utilize the benefits of the group's resources, SKFHC and its subsidiaries 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 apportion the benefits to the respective companies in other reasonable ways.

13. INFORMATION RELATED TO SIGNIFICANT TRANSACTIONS

a. The related information of significant transaction is as follows:

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investee's marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2023	None
2	Acquisition of real assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2023	None
3	Disposal of real assets over NT\$300 million or 10% outstanding capital for the year ended December 31, 2023	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital	None
6	Sale of NPL information.	None
7	Financial assets securitization or real assets securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statement	None

b. The related information of the Group's investees (Note):

No.	Item	Explanation
1	Information on invested enterprise.	Appendix A
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2023	None
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2023	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2023	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2023	None
8	Discount on fees income from related parties over NT\$5 million	None
9	Receivable from related parties over NT\$300 million or 10% of outstanding capital	None
10	Sale of NPL information.	None
11	Financial assets securitization or real assets securitization	None
12	Derivative instrument	None
13	Other significant transactions which may affect decisions of the users of the financial statement	None

Note: Not applicable or not required for disclosure if the investee is a financial institution, insurance company, or security company.

c. Investment in Mainland China: None.

d. Intercompany relationships and significant intercompany transactions: Appendix B.

14. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under are therefore as follows:

a. Segment revenues and results

The analysis of the Group's revenue and results from continuing operations by reportable segment was as follows:

	For the Year Ended December 31, 2023			
	Commercial	Personal	Others	Total
Net interest income	\$ 5,300,423	\$ 6,194,969	\$ 1,471,533	\$ 12,966,925
Net income excluding interest income	<u>106,307</u>	<u>3,818,905</u>	<u>3,110,732</u>	<u>7,035,944</u>
Net revenue	5,406,730	10,013,874	4,582,265	20,002,869
Bad debt expense and provision for losses on commitments and guarantees	(266,471)	(477,273)	(368,695)	(1,112,439)
Operating expenses	<u>(1,403,431)</u>	<u>(5,582,387)</u>	<u>(3,566,547)</u>	<u>(10,552,365)</u>
Income before income tax	<u>\$ 3,736,828</u>	<u>\$ 3,954,214</u>	<u>\$ 647,023</u>	<u>\$ 8,338,065</u>
	For the Year Ended December 31, 2022			
	Commercial	Personal	Others	Total
Net interest income	\$ 4,903,071	\$ 8,588,830	\$ 219,679	\$ 13,711,580
Net income excluding interest income	<u>565,775</u>	<u>3,263,726</u>	<u>1,395,869</u>	<u>5,225,370</u>
Net revenue	5,468,846	11,852,556	1,615,548	18,936,950
Bad debt expense and provision for losses on commitments and guarantees	(639,216)	(275,075)	44,634	(869,657)
Operating expenses	<u>(2,142,549)</u>	<u>(7,061,264)</u>	<u>(570,650)</u>	<u>(9,774,463)</u>
Income before income tax	<u>\$ 2,687,081</u>	<u>\$ 4,516,217</u>	<u>\$ 1,089,532</u>	<u>\$ 8,292,830</u>

b. Segment assets

	December 31	
	2023	2022
<u>Segment assets</u>		
Commercial	\$ 340,425,702	\$ 333,306,966
Personal	466,090,803	433,887,100
Others	<u>459,162,230</u>	<u>444,700,211</u>
Total assets	<u>\$ 1,265,678,735</u>	<u>\$ 1,211,894,277</u>

INDEPENDENT AUDITORS' REPORT

APPENDIX A

TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION OF INVESTEE'S NAMES, LOCATIONS, ETC.
YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Except for Number of Shares)

Investor	Investee (Note 1)	Investee's Location	Investee's Business	Percentage %	Investment Amount	Investee's Gain/(Loss)	Consolidated Investment (Note 1)			Other Terms
							Shares	Imitated Shares (Note 2)	Total Shares Percentage %	
The Bank	Shin Kong Marketing Consultant Co., Ltd.	Taipei	Marketing and consultant	100.00	\$ 224,652	\$ 84,462	10,000	-	10,000	100.00

Note 1: All present shares or imitated shares of the Bank, director, supervisor, the Bank's managements, and affiliates should be included.

Note 2: a. Imitated shares are acquired under the hypothesis that equity-type securities and derivative financial instrument contracts are transferred to common shares. Based on the transaction terms of the Bank, the two types of investments are linked to the equity of investees, which are recognized as investment under the equity method, financial assets at FVTOCI and financial assets carried at cost, to comply with Article 74 of the Securities and Exchange Act.

b. Equity-type securities are securities regulated by Article 11 of the Securities and Exchange Law Enforcement Rules, such as convertible bonds and warrants.

c. Financial instrument contracts are those defined under IFRS 9 such as stock option.

Note 3: The table of "Information of Investees' Names, Locations, etc." only be seen in the second and fourth quarter's financial statement.

APPENDIX B

TAIWAN SHIN KONG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

**THE BUSINESS RELATIONSHIP BETWEEN THE PARENT AND THE SUBSIDIARIES AND BETWEEN EACH SUBSIDIARY, AND SIGNIFICANT TRANSACTIONS BETWEEN THEM
YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 3)	Payment Terms	% to Total Net Revenue or Total Assets (Note 4)
0	Year ended December 31, 2023 Taiwan Shin Kong Commercial Bank Co., Ltd.	Shin Kong Marketing Consultant Co., Ltd.	a	Deposits and remittances	\$ 272,669	No significant difference from those with ordinary customers	-

Note 1: Parties to the intercompany transactions are identified and numbered (in first column) as follows:

- a. "0" for Taiwan Shin Kong Commercial Bank Co., Ltd.
- b. Subsidiaries are numbered from "1".

Note 2: Flow of transactions are categorized as follows:

- a. From a parent company to its subsidiary.
- b. From a subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: Have been eliminated on consolidation.

Note 4: Percentage to consolidated total assets is calculated by dividing the amount of a particular asset or liability account by the consolidated total of assets as of December 31, 2023. Percentage to consolidated total net revenues is calculated by dividing the amount of a particular revenue or cost or expense account by the consolidated total net revenues for the year ended December 31, 2023.

HEAD OFFICE AND BRANCHES

BRANCH NAME	ADDRESS	TEL
Head Office	1F,3-5F,10F,19-21F,No.36,9F-1,No.36,14F-1,No.36,3-5F,10F,19-21F,No.32and 4F-1, No.32, 5F-1, No.32,9F-1,No.32, Songren Road, Xinyi District, Taipei City 11073, Taiwan, (R.O.C.)	886-2-87587288
International Banking Dept.	5F., No. 99, Sec. 1, Xincheng S. Rd., Da-an Dist., Taipei City 10652, Taiwan (R.O.C.)	886-2-27786818
Trust Dept.	4F-1, No. 32, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan, (R.O.C.)	886-2-87587288
Business Department	No.36., Songren Rd., Xinyi District, Taipei City 11073, Taiwan(R.O.C.)	886-2-87808667
Hsih Lin Branch	No.510, Wunlin Rd., Shihlin District, Taipei City 11159, Taiwan (R.O.C.)	886-2-28338789
Tien Mu Branch	No.41-1, Sec. 7, Jhongshan N. Rd., Shihlin District, Taipei City 11156, Taiwan (R.O.C.)	886-2-28762126
Cheng Teh Branch	No.192-1, Sec. 4, Cheng Teh Rd., Hsih Lin District, Taipei City 11168, Taiwan (R.O.C.)	886-2-28812628
Da Tung Branch	No.269, Sec. 3, Chongcing N. Rd., Datong District, Taipei City 10369, Taiwan (R.O.C.)	886-2-25974951
Chien Cheng Branch	No.73, Sec. 1, Chongcing N. Rd., Datong District, Taipei City 10350, Taiwan (R.O.C.)	886-2-25567227
Chung Hsiao Branch	No.160, Yanji St., Da-an District, Taipei City 10696, Taiwan (R.O.C.)	886-2-27410101
Da An Branch	No.177, Sec. 2, Fusing S. Rd., Da-an District, Taipei City 10667, Taiwan (R.O.C.)	886-2-27551639
Ku Ting Branch	No.41, Sec. 2, Roosevelt Rd., Da-an District, Taipei City 10643, Taiwan (R.O.C.)	886-2-23432330
Hsin Sheng S. Road Branch	No.101, Sec.1, Hsin Sheng South Rd., Taipei City 10652, Taiwan, (R.O.C.)	886-2-87719099
Dun Nan Branch	No.223, Sec. 1, Dunhua S. Rd., Da-an District, Taipei City 10689, Taiwan (R.O.C.)	886-2-27513989
Wu Chang Branch	No.76, Lane 356, Longjiang Rd., Jhongshan District, Taipei City 10474, Taiwan (R.O.C.)	886-2-25059161
Cheng Pei Branch	1F., No.162, Songjiang Rd., Jhongshan District, Taipei City 10459, Taiwan (R.O.C.)	886-2-25652711
Lin Sen N Road Branch	No.554, Linsen N. Rd., Jhongshan District, Taipei City 10453, Taiwan (R.O.C.)	886-2-25861991
Ta Chih Branch	No. 600, Mingshui Rd., Zhongshan District, Taipei City 10462, Taiwan (R.O.C.)	886-2-85091819

BRANCH NAME	ADDRESS	TEL
Chang An Branch	No.100, Sec. 2, Chang-an E. Rd., Jhongshan District, Taipei City 10491, Taiwan (R.O.C.)	886-2-25067366
Nan Dong Branch	No. 90, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City 104496 , Taiwan (R.O.C.)	886-2-25167698
Jhong Jheng Branch	No.27, Sec. 2, Xinyi Rd., Jhongjheng District, Taipei City 10057, Taiwan (R.O.C.)	886-2-23560506
Cheng Nei Branch	No.115, Sec. 1, Chongcing S. Rd., Jhongjheng District, Taipei City 10045, Taiwan (R.O.C.)	886-2-23814518
Shin Jin-Hu Branch	No.464,No.462,Sec.5, Chenggong Rd.,Neihu Dist., Taipei City 11490, Taiwan,(R.O.C.)	886-2-26306208
Nei Hu Branch	No.17, Lane 360, Sec. 1, Neihu Rd., Neihu District, Taipei City 11493, Taiwan (R.O.C.)	886-2-27976768
Hsing Lung Branch	No.133,No.131, Jinglong St., Wunshan District, Taipei City 11680, Taiwan (R.O.C.)	886-2-89311099
Peitou FushingKang Branch	No.422, Sec. 2, Zhongyang N. Rd., Beitou District, Taipei City 11258, Taiwan (R.O.C.)	886-2-28982399
Dong Taipei Branch	1F, No.29, Lane 11, Guang Fu North Rd., Taipei City 10560, Taiwan (R.O.C.)	886-2-27685966
Fu Hsing Branch	No.311, Fusing N. Rd., Songshan District, Taipei City 10544, Taiwan (R.O.C.)	886-2-27150825
Cin Cheng Branch	No.1-1, Cingcheng St., Songshan District, Taipei City 10547, Taiwan (R.O.C.)	886-2-27199811
World Trade Center Branch	No.8, Sec. 5, Xinyi Rd., Xinyi District, Taipei City 11049, Taiwan (R.O.C.)	886-2-23451888
Sung Shan Branch	No.510, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 11077, Taiwan (R.O.C.)	886-2-23466636
Nan Gang Branch	No.218, Chongyang Rd., Nangang District, Taipei City 11573, Taiwan (R.O.C.)	886-2-27821787
Lung Shan Branch	No.207, Kangding Rd., Wanhua District, Taipei City 10852, Taiwan (R.O.C.)	886-2-23023531
Hsi Yuan Branch	No.37 and No.39, Sec. 2, Hsi Yuan Rd., Taipei City 10859, Taiwan (R.O.C.)	886-2-23061271
Hsi Men Branch	No.73, Sining S. Rd., Wanhua District, Taipei City 10842, Taiwan (R.O.C.)	886-2-23145791
Dong San Chung Branch	No.102, Sec. 1, Chongsin Rd., Sanchong District, New Taipei City 24142, Taiwan (R.O.C.)	886-2-29737788

HEAD OFFICE AND BRANCHES

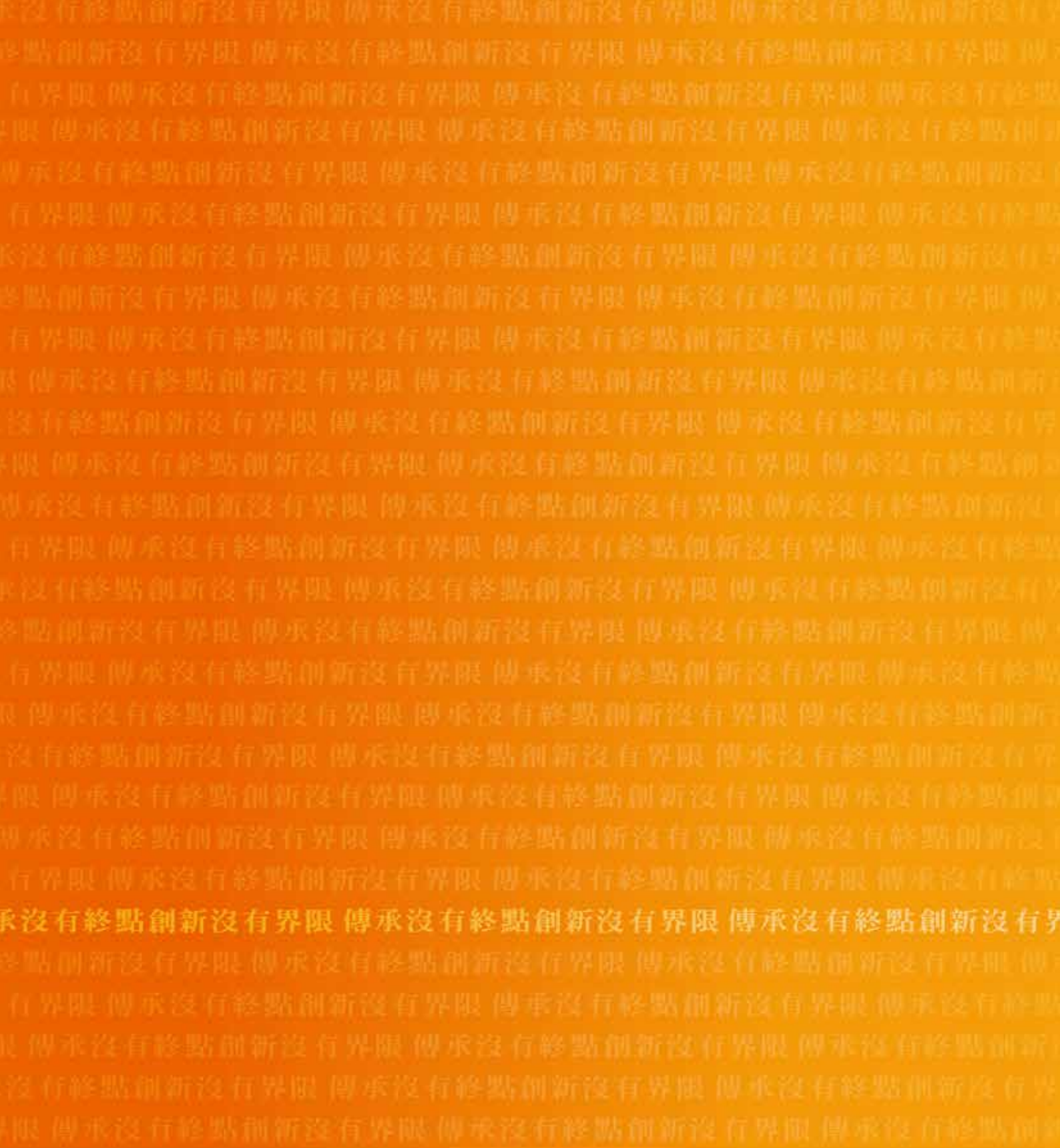
BRANCH NAME	ADDRESS	TEL
Pei San Chung Branch	No.115, Siwei St., Sanchong District, New Taipei City 24155, Taiwan (R.O.C.)	886-2-29875522
San Shia Branch	No.45, Fusing Rd., Sansia District, New Taipei City 23741, Taiwan (R.O.C.)	886-2-86717616
Tu Cheng Branch	No.122, Sec. 3, Jincheng Rd., Tucheng District, New Taipei City 23643, Taiwan (R.O.C.)	886-2-22705050
Lien Cheng Road Branch	No.166, Liancheng Rd., Jhonghe District, New Taipei City 23553, Taiwan (R.O.C.)	886-2-22477330
Jhong He Branch	No.35-1, Sec. 3, Jhongshan Rd., Jhonghe District, New Taipei City 23546, Taiwan (R.O.C.)	886-2-82213878
Yung Ho Branch	No. 70, Zhulin Rd., Yonghe Dist., New Taipei City 234, Taiwan (R.O.C.)	886-2-32335656
Si Chih Branch	No.146, No.148, Chung Hsing Rd., His Chih District, New Taipei City 22158, Taiwan (R.O.C.)	886-2-26959659
Lin Kou Branch	No.67, No.65, Sec. 1, Wenhua 3rd Rd., Linkou Dist., New Taipei City 24448, Taiwan (R.O.C.)	886-2-26068999
Sin Pu Branch	No.21, Yunong Rd., Banciao District, New Taipei City 22049, Taiwan (R.O.C.)	886-2-22521919
Sinban Branch	No.141, Sec.1, Zhongshan Rd., Banciao Dist., New Taipei City 22063, Taiwan (R.O.C.)	886-2-29617997
Jiang Tz Tsuei Branch	No.428, Sec. 2, Wunhua Rd., Banciao District, New Taipei City 22044, Taiwan (R.O.C.)	886-2-82586288
Hsin Tien Branch	No.311, No.313, Jhongjheng Rd., Hsin Tien District, New Taipei City 23148, Taiwan (R.O.C.)	886-2-89117180
Dan Feng Branch	No.665, Jhongjheng Rd., Sinjhuang District, New Taipei City 24257, Taiwan (R.O.C.)	886-2-29083636
Hsin Chuang Branch	No.252, Sintai Rd., Sinjhuang District, New Taipei City 24242, Taiwan (R.O.C.)	886-2-29965995
Shulin Branch	No.116-1, Jhonghua Rd., Shulin District, New Taipei City 23860, Taiwan, (R.O.C.)	886-2-86848777
Lu Chou Branch	No.101, Fusing Rd., Lujhou District, New Taipei City 24753, Taiwan, (R.O.C.)	886-2-82813182
Keelung Branch	No.259, Jen 1st Rd., Ren-ai District, Keelung City 20051, Taiwan (R.O.C.)	886-2-24213998
Pa Teh Branch	No.1032, Sec. 2, Jieshou Rd., Bade District, Taoyuan City 33447, Taiwan (R.O.C.)	886-3-3658085

BRANCH NAME	ADDRESS	TEL
Jhong Li Branch	No.201, Jhongshan Rd., Jhongli District, Taoyuan City 32044, Taiwan (R.O.C.)	886-3-4270123
Qingpu Branch	No.89,No.87,No.85,Sec.3,Linghang S. Rd., Zhongli Dist., Taoyuan City 32056, Taiwan (R.O.C.)	886-3-2876111
Tao Yuan Branch	1F, No.207, Fusing Rd., Taoyuan City, 33066, Taiwan (R.O.C.)	886-3-3316996
Tao Bei Branch	No.1080, Jhongjheng Rd., Taoyuan District, Taoyuan City 33044, Taiwan (R.O.C.)	886-3-3465660
Hsin Chu Branch	No.84, Jhongshan Rd., Hsinchu City 30046, Taiwan (R.O.C.)	886-3-5215171
Chu Ke Branch	No.333, Sec. 1, Guangfu Rd., Hsinchu City 30074, Taiwan (R.O.C.)	886-3-5678989
Chu Pei Branch	No.372, Jhonghua Rd., Jhubei City, Hsinchu County 30252, Taiwan (R.O.C.)	886-3-5552058
Liu Jia Branch	No. 388, Sec. 1, Wenxing Rd., Zhubei City, Hsinchu County 30272, Taiwan (R.O.C.)	886-3-6586111
Zhunan Branch	No.159, Sec. 3, Huanshi Rd., Zhunan Township, Miaoli County 35045, Taiwan (R.O.C.)	886-37-466948
Chung Hua Branch	No.126, Sec. 1, Jhonghua Rd., Central District, Taichung City 40041, Taiwan (R.O.C.)	886-4-22203176
Siang Shang Branch	No.116, Sec. 1, Siangshang Rd., West District, Taichung City 40358, Taiwan (R.O.C.)	886-4-23056881
Nan Taichung Branch	No.160-1, Sec. 2, Fusing Rd., South District, Taichung City 40252, Taiwan (R.O.C.)	886-4-22612516
Taichung Branch	No.101, Taichung Rd., East District, Taichung City 40146, Taiwan (R.O.C.)	886-4-22284113
Shih Chia Branch	No.36, Jingwu E. Rd., East District, Taichung City 40147, Taiwan (R.O.C.)	886-4-22120606
Sung Chu Branch	No.162, Sec. 2, Songjhu Rd., Beitun District, Taichung City 40669, Taiwan (R.O.C.)	886-4-22453456
Shui Nan Branch	No.238, Sec. 2, Zhongqing Rd., Beitun District, Taichung City 40676, Taiwan (R.O.C.)	886-4-22910388
Bei Tun Branch	No.974, Sec. 4, Wunsin Rd., Beitun District, Taichung City 40654, Taiwan (R.O.C.)	886-4-22333626

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BRANCH NAME	ADDRESS	TEL
Chung Kang Branch	No.769, Sec. 4, Taiwan Blvd., Situn District, Taichung City 40755, Taiwan (R.O.C.)	886-4-23588211
Si Tun Branch	No.63, Guangming Rd., Situn District, Taichung City 40757, Taiwan (R.O.C.)	886-4-27019551
Yung An Branch	No.159-75, Sec. 3, Situn Rd., Situn District, Taichung City 40763, Taiwan (R.O.C.)	886-4-24616115
Da Dun Branch	No.5, Sec.2, Gongyi Rd., Nantun District, Taichung City 40861, Taiwan (R.O.C.)	886-4-23296236
Nan Tun Branch	No.501, Sec. 2, Wucyuan W. Rd., Nantun District, Taichung City 40878, Taiwan (R.O.C.)	886-4-23832121
Da Chia Branch	No.36, Zhongxiao St., Dajia Dist., Taichung City 43747, Taiwan (R.O.C.)	886-4-26760020
Da Li Branch	No.269, Defang S. Rd., Dali District, Taichung City 41284, Taiwan (R.O.C.)	886-4-24835123
Ta Ya Branch	No.1187, Sec. 3, Zhongqing Rd., Daya Dist., Taichung City 42878, Taiwan (R.O.C.)	886-4-25650901
Sha Lu Branch	No. 321, Sec. 2, Zhennan Rd., Shalu Dist., Taichung City 433020,, Taiwan (R.O.C.)	886-4-26625008
Fung Yuan Branch	No.193, Yuanhuan S. Rd., Fengyuan District, Taichung City 42041, Taiwan (R.O.C)	886-4-25251201
Chang Hwa Branch	No.107, Sanmin Rd., Changhua City 50043, Taiwan (R.O.C.)	886-4-7235997
Yuan Lin Branch	No.346, Sec. 2, Jhongshan Rd., Yuanlin City, Changhua County 51049, Taiwan (R.O.C.)	886-4-8377007
Cao Tun Branch	No.146, Sec. 2, Taiping Rd., Caotun Township, Nantou County 54263, Taiwan(R.O.C.)	886-4-92328296
Chia Yi Branch	No.248, Jhongshan Rd., Chiayi City 60041, Taiwan (R.O.C.)	886-5-2247755
Pei Chia Yi Branch	No.465, Zhongxing Rd., West Dist., Chiayi City 60088,Taiwan (R.O.C.)	886-5-2330367
Tou Liu Branch	No.225, Sec. 2, Yunlin Rd., Douliu City, Yunlin County 64041, Taiwan (R.O.C.)	886-5-5375586
Tainan Branch	No.307, Sec.2, Ming Sheng Rd., Tainan City 70054, Taiwan (R.O.C.)	886-6-2219511
Dong Tainan Branch	No.12, Sec. 1, Jhonghua E. Rd., East District, Tainan City 70155, Taiwan (R.O.C.)	886-6-2347777
Yong Kang Branch	No.659, Jhongjheng S. Rd., Yongkang District, Tainan City 71045, Taiwan (R.O.C.)	886-6-2432877

BRANCH NAME	ADDRESS	TEL
Sin Ying Branch	No.138, Jhong Shan Rd., Sin Ying District, Tainan City 73065, Taiwan, (R.O.C.)	886-6-6378266
North Kaohsiung Branch	No.523, Minzu 1st Rd., Sanmin District, Kaohsiung City 80792, Taiwan (R.O.C.)	886-7-3478511
Siao Gang Branch	No.292, Hanmin Rd., Siaogang District, Kaohsiung City 81256, Taiwan (R.O.C.)	886-7-8025588
Zuoying Huasia Rd. Branch	No.692, Huasia Rd., Zuoying District, Kaohsiung City 81368, Taiwan (R.O.C.)	886-7-3487077
Gan Shan Branch	No.339, Gangshan Rd. Gangshan Dist., Kaohsiung City 82041 Taiwan (R.O.C.)	886-7-6212551
Kaohsiung Branch	No. 105, Qingnian 2nd Rd., Lingya Dist., Kaohsiung City 80247, Taiwan (R.O.C.)	886-7-2158811
Chi Hsien Branch	No.249, Chi Hsien 1st Rd., Sinsing District, Kaohsiung City 80053, Taiwan (R.O.C.)	886-7-2361678
Lu Chu Branch	No.1185, Jhongshan Rd., Lujhu District, Kaohsiung City 82151, Taiwan (R.O.C.)	886-7-6975395
Feng Shan Branch	No.242, Sec.3, Jian Guo Rd., Feng Shan District, Kaohsiung City 83048, Taiwan, (R.O.C.)	886-7-7805966
Mi Two Branch	No.242, Jhongjheng Rd., Mituo District, Kaohsiung City 82743, Taiwan (R.O.C.)	886-7-6178407
Ping Tung Branch	No.123, Jhongjheng Rd., Pingtung City, Pingtung County 90074, Taiwan (R.O.C.)	886-8-7339911
Dong Yuan Branch	No.63, Guangdong Rd., Pingtung City, Pingtung County 90051, Taiwan (R.O.C.)	886-8-7228306
Jiou Ru Branch	No.100, No.102, Sec. 2, Jiouru Rd., Jiouru Township, Pingtung County 90442, Taiwan (R.O.C.)	886-8-7390985
Wan Dan Branch	No.256, Sec. 1, Wandan Rd., Wandan Township, Pingtung County 91341, Taiwan (R.O.C.)	886-8-7772010
Yi Lan Branch	No.48, Kungfu Rd., Yilan City, 26043, Taiwan (R.O.C.)	886-3-9358178
Hua Lien Branch	No. 588, Zhongzheng Rd., Hualien City, Hualien County 970007 , Taiwan (R.O.C.)	886-3-8310802
Offshore Banking Unit	5F., No. 99, Sec. 1, Xincheng S. Rd., Da-an Dist., Taipei City 10652, Taiwan (R.O.C.)	886-2-27786818
Hong Kong Branch	Suites 1502-12, 15/F, Tower 2, The Gateway, 25 Canton Road, Harbour City, Kowloon, Hong Kong	852-35574666



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