Taichung Commercial Bank Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taichung Commercial Bank Co., Ltd.

Opinion

We have audited the accompanying financial statements of Taichung Commercial Bank Co., Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

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 Financial Statements section of our report. We are independent of the Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of 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 financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Expected Credit Losses of Notes Discounted and Loans, Net

As described in Notes 13 and 29 to the financial statements, notes discounted and loans amounted to $540,323,511 thousand, which accounted for 63% of total assets at December 31, 2023 and the expected credit losses of the notes discounted and loans amounted to $1,361,659 thousand, which accounted for 8% of total net revenue for the year ended December 31, 2023. Due to the large amount, such accounts have a significant effect on the financial statements of the Bank. In addition, the measurement of expected credit losses of notes discounted and loans involved various financial factors, such as probability of default and loss given default, which were determined by the management's critical estimations and judgments, and also required compliance with relevant laws and regulations, and then recognized at the higher of the amount. Therefore, the expected credit loss of notes discounted and loans were identified as a key audit matter.

The relevant accounting policies, estimates, assumptions and other information are referred to in Notes 4, 5, 13 and 29 to the financial statements.

The main audit procedures performed for the expected credit losses of notes discounted and loans were as follows:

- We obtained an understanding of internal controls for the expected credit losses of notes discounted and loans of the Bank. We also tested whether notes discounted and loans were categorized in accordance with the relevant laws and regulations issued by the competent authorities.

- We obtained an understanding of and recalculated the key parameters (such as the probability of default and loss given default) for the expected credit losses of notes discounted and loans assessed by the Bank to evaluate the reasonableness of expected credit losses. In addition, we examined whether the amount of expected credit losses compiled with relevant laws and regulations issued by authorities.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Shu-Lin Liu and Pan-Fa Wang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2024

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the 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 financial statements shall prevail.

TAICHUNG COMMERCIAL BANK CO., LTD.

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

	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 26,298,086	3	$ 24,384,724	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7 and 34)	43,950,642	5	40,921,600	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	30,357,929	4	28,000,718	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4 and 9)	64,687,776	8	44,588,693	6
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 34)	111,914,866	13	104,757,966	13
SECURITIES PURCHASED UNDER RESALE AGREEMENT (Notes 4 and 11)	10,696,795	1	11,643,340	2
RECEIVABLES, NET (Notes 4, 12 and 33)	4,286,019	-	3,244,829	-
NOTES DISCOUNTED AND LOANS, NET (Notes 4, 13 and 33)	540,323,511	63	512,879,230	64
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 14)	6,541,075	1	6,043,163	1
OTHER FINANCIAL ASSETS, NET (Notes 4 and 15)	190,878	-	271,035	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 16)	17,891,216	2	16,215,697	2
RIGHT-OF-USE ASSETS, NET (Notes 4 and 17)	959,695	-	692,932	-
INTANGIBLE ASSETS, NET (Notes 4 and 18)	196,045	-	175,196	-
DEFERRED TAX ASSETS (Notes 4 and 30)	696,640	-	597,026	-
OTHER ASSETS (Notes 19 and 34)	2,450,581	-	2,188,999	-
TOTAL	$ 861,441,754	100	$ 796,605,148	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 20)	$ 11,615,468	1	$ 8,703,740	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	2,971,490	-	1,630,985	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4 and 21)	5,756,555	1	-	-
PAYABLES (Notes 22 and 33)	8,564,122	1	7,865,915	1
CURRENT TAX LIABILITIES (Notes 4 and 30)	690,305	-	476,109	-
DEPOSITS AND REMITTANCES (Notes 23 and 33)	731,664,851	85	685,334,994	86
BANK DEBENTURES (Notes 24 and 33)	16,500,000	2	16,500,000	2
OTHER FINANCIAL LIABILITIES (Note 25)	3,839,951	1	3,989,488	1
PROVISIONS (Notes 4 and 26)	1,318,560	-	1,237,517	-
LEASE LIABILITIES (Notes 4 and 17)	988,126	-	725,609	-
DEFERRED TAX LIABILITIES (Notes 4 and 30)	109,486	-	109,486	-
OTHER LIABILITIES (Notes 27 and 33)	907,856	-	801,679	-
Total liabilities	784,926,770	91	727,375,522	91
EQUITY (Note 28)				
Ordinary shares	52,260,953	6	50,154,465	7
Capital surplus	1,528,256	-	1,528,256	-
Retained earnings				
Legal reserve	13,760,327	2	12,141,002	1
Special reserve	308,196	-	149,077	-
Unappropriated earnings	6,960,395	1	5,416,510	1
Other equity	1,696,857	-	(159,684)	-
Total equity	76,514,984	9	69,229,626	9
TOTAL	$ 861,441,754	100	$ 796,605,148	100

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

TAICHUNG COMMERCIAL BANK CO., LTD.

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

	2023		2022		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST REVENUE (Notes 4, 29 and 33)	$ 20,153,082	124	$ 14,789,509	106	36
INTEREST EXPENSE (Notes 29 and 33)	(9,505,408)	(59)	(4,568,011)	(33)	108
NET INTEREST	10,647,674	65	10,221,498	73	4
NET INCOME (LOSS) OTHER THAN INTEREST					
Service fee income, net (Notes 4, 29 and 33)	2,969,032	18	2,494,507	18	19
Gains on financial assets and liabilities at fair value through profit or loss (Note 29)	762,262	5	1,011,654	7	(25)
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 29)	374,378	2	234,842	2	59
Foreign exchange gains (losses), net (Note 4)	791,065	5	(301,894)	(2)	362
Impairment losses on assets (Notes 4, 9, 10 and 29)	(535)	-	(11,032)	-	(95)
Share of profit of subsidiaries and associates for using the equity method (Notes 4 and 14)	725,833	5	321,144	2	126
Other non-interest (losses) gains, net (Notes 4 and 29)	(1,285)	-	36,547	-	(104)
TOTAL NET REVENUE	16,268,424	100	14,007,266	100	16
PROVISION FOR BAD DEBTS EXPENSE, COMMITMENTS AND GUARANTEES (Notes 4, 12, 13, 26 and 29)	(1,546,846)	(9)	(1,144,972)	(8)	35

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TAICHUNG COMMERCIAL BANK CO., LTD.

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

	2023		2022		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 26 and 29)	$ (4,042,286)	(25)	$ (3,976,434)	(28)	2
Depreciation and amortization expenses (Notes 4 and 29)	(415,372)	(3)	(373,792)	(3)	11
Other selling and administrative expenses (Notes 29 and 33)	(2,202,659)	(13)	(2,039,703)	(15)	8
Total operating expenses	(6,660,317)	(41)	(6,389,929)	(46)	4
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	8,061,261	50	6,472,365	46	25
INCOME TAX EXPENSE (Notes 4 and 30)	(1,239,827)	(8)	(1,128,160)	(8)	10
NET PROFIT FOR THE YEAR	6,821,434	42	5,344,205	38	28
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Notes 4 and 26)	(83,691)	(1)	62,887	1	(233)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income (Note 4)	1,064,818	7	(147,339)	(1)	823
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	43,613	-	29,365	-	49
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 30)	1,042	-	(15,836)	-	107
Items that will not be reclassified subsequently to profit or loss, net of income tax	1,025,782	6	(70,923)	-	1,546

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TAICHUNG COMMERCIAL BANK CO., LTD.

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

	2023		2022		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on the translation of financial statements of foreign operations (Note 4)	$ (36,262)	-	$ 30,925	-	(217)
Share of the other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method	(17,013)	-	16,287	-	(204)
Unrealized gains (losses) on investments in debt instruments designated as at fair value through other comprehensive income	996,051	6	(1,390,473)	(10)	172
Items that may be reclassified subsequently to profit or (loss), net of income tax	942,776	6	(1,343,261)	(10)	170
Other comprehensive income (loss) for the year, net of income tax	1,968,558	12	(1,414,184)	(10)	239
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 8,789,992	54	$ 3,930,021	28	124
EARNINGS PER SHARE (Note 31)					
Basic	$1.31		$1.07		
Diluted	$1.30		$1.07		

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

TAICHUNG COMMERCIAL BANK CO., LTD.

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

			Retained Earnings			Other Equity		
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized (Losses) Gains on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2022	$ 45,385,205	$ 1,054,006	$ 10,677,008	$ 149,678	$ 4,886,043	$ (85,087)	$ 1,393,132	$ 63,459,985
Appropriation of 2021 earnings								
Legal reserve	-	-	1,463,994	-	(1,463,994)	-	-	-
Reversal of special reserve	-	-	-	(601)	601	-	-	-
Cash dividends	-	-	-	-	(1,134,630)	-	-	(1,134,630)
Share dividends	2,269,260	-	-	-	(2,269,260)	-	-	-
Net profit for the year ended December 31, 2022	-	-	-	-	5,344,205	-	-	5,344,205
Other comprehensive (loss) income for the year ended December 31, 2022, net of income tax	-	-	-	-	51,126	47,212	(1,512,522)	(1,414,184)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	5,395,331	47,212	(1,512,522)	3,930,021
Issuance of ordinary shares for cash (Note 28)	2,500,000	437,500	-	-	-	-	-	2,937,500
Issuance of ordinary shares under employee share options (Note 32)	-	36,750	-	-	-	-	-	36,750
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	2,419	-	(2,419)	-
BALANCE AT DECEMBER 31, 2022	50,154,465	1,528,256	12,141,002	149,077	5,416,510	(37,875)	(121,809)	69,229,626
Appropriation of 2022 earnings								
Legal reserve	-	-	1,619,325	-	(1,619,325)	-	-	-
Special reserve	-	-	-	159,684	(159,684)	-	-	-
Reversal of special reserve	-	-	-	(565)	565	-	-	-
Cash dividends	-	-	-	-	(1,504,634)	-	-	(1,504,634)
Share dividends	2,106,488	-	-	-	(2,106,488)	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	6,821,434	-	-	6,821,434
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	(67,032)	(53,275)	2,088,865	1,968,558
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	6,754,402	(53,275)	2,088,865	8,789,992
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	179,049	-	(179,049)	-
BALANCE AT DECEMBER 31, 2023	$ 52,260,953	$ 1,528,256	$ 13,760,327	$ 308,196	$ 6,960,395	$ (91,150)	$ 1,788,007	$ 76,514,984

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

TAICHUNG COMMERCIAL BANK CO., LTD.

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		
Income before income tax	$ 8,061,261	$ 6,472,365
Adjustments for:		
Depreciation expense	343,929	312,309
Amortization expense	71,443	61,483
Provision for bad debts expense, commitments and guarantees liabilities	1,546,846	1,144,972
Gains on financial assets and liabilities at fair value through profit or loss	(762,262)	(1,011,654)
(Gains) losses on disposal of properties and equipment	(1,539)	169
Interest expense	9,505,408	4,568,011
Interest revenue	(20,153,082)	(14,789,509)
Dividend income	(269,232)	(234,775)
Compensation costs of employee share options	-	36,750
Share of profit of subsidiaries and associates	(725,833)	(321,144)
Gains on disposal of investments in debt instruments at fair value through other comprehensive income	(105,146)	(67)
Impairment losses on financial assets	535	11,032
Unrealized losses (gains) on foreign currency exchange	113,095	(1,517,313)
Gain on lease suspension	(11,462)	(3,152)
Total adjustment	(10,447,300)	(11,742,888)
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(1,012,772)	(2,378,335)
Financial assets at fair value through profit or loss	2,404,049	8,531,460
Receivables	(389,818)	366,654
Notes discounted and loans	(28,818,596)	(35,487,893)
Other financial assets	79,753	150,956
Other assets	(118,080)	(46,415)
Due to the Central Bank and other banks	2,911,728	4,750,040
Financial liabilities at fair value through profit or loss	(2,658,493)	(1,718,325)
Securities sold under repurchase agreements	5,756,555	(1,205,559)
Payables	284,946	(625,434)
Deposits and remittances	46,329,857	23,951,505
Other financial liabilities	(149,537)	3,404,995
Provision for employee benefits	(76,801)	(70,975)
Other liabilities	106,177	226,289
Changes in operating assets and liabilities	24,648,968	(151,037)
Cash generated from (used in) operations	22,262,929	(5,421,560)
Interest received	19,367,665	14,292,198
Dividend received	522,683	619,356
Interest paid	(9,087,147)	(4,250,552)
Income tax paid	(1,124,203)	(834,269)
Net cash generated from operating activities	31,941,927	4,405,173

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TAICHUNG COMMERCIAL BANK CO., LTD.

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		
Purchase of financial assets at fair value through other comprehensive income	$ (36,165,312)	$ (2,738,723)
Proceeds from disposal of financial assets at fair value through other comprehensive income	18,215,682	4,656,255
Purchase of financial assets at amortized cost	(640,667,263)	(783,723,829)
Proceeds from sale of financial assets at amortized cost	633,435,455	789,824,504
Payments for properties and equipment	(1,874,745)	(2,692,192)
Proceeds from disposal of properties and equipment	2,131	-
Increase in refundable deposits	(133,502)	(389,107)
Payments for intangible assets	(90,967)	(75,037)
Net cash (used in) generated from investing activities	(27,278,521)	4,861,871
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in funds borrowing from Central Bank and other banks	-	(3,489,540)
Repayment of the principal portion of lease liabilities	(139,423)	(119,428)
Cash dividends distributed	(1,504,634)	(1,134,630)
Proceeds from issuance of ordinary shares	-	2,937,500
Net cash used in financing activities	(1,644,057)	(1,806,098)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(36,262)	30,925
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,983,087	7,491,871
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	54,521,018	47,029,147
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	$ 57,504,105	$ 54,521,018

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TAICHUNG COMMERCIAL BANK CO., LTD.

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

	December 31	
	2023	**2022**
RECONCILIATIONS OF THE AMOUNTS IN THE STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE BALANCE SHEETS AT DECEMBER 31, 2023 AND 2022		
Cash and cash equivalents in the balance sheets	$ 26,298,086	$ 24,384,724
Due from the central bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	20,509,224	18,492,954
Securities purchased under resale agreements in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	10,696,795	11,643,340
Cash and cash equivalents at the end of the year	$ 57,504,105	$ 54,521,018

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

TAICHUNG COMMERCIAL BANK CO., LTD.

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

1. GENERAL INFORMATION

Taichung Commercial Bank Co., Ltd. (the "Bank"), formerly known as Taichung District Association Saving Co., Ltd. It was established in April 1953 and started operations in August of the same year. In July 1975, the Banking Act of the Republic of China was revised and implemented. On January 1, 1978, the Taichung District Association Saving Co., Ltd. was restructured into Taichung SME Bank Co., Ltd. ("Taichung SME Bank") and its shares were listed on May 15, 1984.

In line with the national financial policy to provide public and social financial services and support the economic construction as well as the development of industrial and commercial, Taichung SME Bank was renamed as Taichung Commercial Bank Co., Ltd. in December 1998. As of December 31, 2023, the Bank had a business department, a trust department, an international banking department, 85 domestic branches, a Malaysia Labuan branch and an offshore banking unit (OBU) and Vietnam Ho Chi Minh Representative Office. The operations of the Bank consist of planning, managing, operating a trust business and overseas financial business. These operations are regulated under the Bank Law of the Republic of China (ROC).

At the time of the establishment, the amount of capital invested by the Bank was $500 thousand. In line with the government degree, in order to improve the capital structure and cooperate with the government decree, the Bank has successively applied for increase and decrease of capital. As of December 31, 2023, the Bank's capital amount was $52,260,953 thousand.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank's board of directors on February 23, 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 amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have any material impact on the Bank's accounting policies.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 are 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 financial statements were authorized for issue, the Bank has assessed that the application of above standards and interpretations will not have a material impact on the Bank's financial position and financial performance.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 IFRSs 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value 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:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) 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

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

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

d. Foreign currencies

In preparing the Bank's financial statements, transactions in currencies other than the Bank'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 measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. 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 purpose of presenting financial statements, the functional currencies of the entities included in the report 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.

e. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, time deposits that can be readily terminated without the deduction of principal, and highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. For the statements of cash flows, cash and cash equivalents include cash and cash equivalents on the balance sheets, due from the Central Bank and call loans to other banks and securities purchased under resale agreements that are in conformity with the definition of cash and cash equivalents in IAS 7 "Statement of Cash Flows", as endorsed and issued into effect by the FSC.

f. Bonds purchased under resale/notes issued under repurchase agreements

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

g. Investments in subsidiaries

The Bank uses the equity method to account for its investments in subsidiaries. A subsidiary is an entity (including a structured entity) that is controlled by the Bank.

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

The Bank assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Bank 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 or depreciation) had no impairment loss been recognized in prior years.

Profits or losses resulting from downstream transactions are eliminated in full in the Bank's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the Bank's financial statements only to the extent of interests in the subsidiaries that are not related to the Bank.

h. Investments in associates

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Bank uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associate. The Bank also recognizes the changes in the Bank's share of the equity of associates attributable to the Bank.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

i. Property and equipment

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

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.

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

j. Intangible assets

1) 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. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) 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.

k. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

At the end of each reporting period, the Bank reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties 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 Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest Bank of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the 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 or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

1. Financial instruments

Financial assets and financial liabilities are recognized when the Bank 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.

1) Financial assets

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

a) Measurement 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.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified 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.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in gains on financial assets and liabilities at fair value through profit or loss. Fair value is determined in the manner described in Note 36.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset 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, due from the Central Bank and call loans to other banks, securities purchased under resale agreements, notes discounted and loans, trade receivables at amortized cost, other financial assets and refundable deposits, 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:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have 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.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in debt instruments at FVTOCI

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

i) 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

ii) 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.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Bank 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 Bank'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 Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI.

The Bank always recognizes lifetime expected credit losses (ECLs) for notes discounted and loans, trade receivables. For all other financial instruments, the Bank 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 Bank 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.

For internal credit risk management purposes, the Bank determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Bank):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Bank has reasonable and corroborative information to support a more lagged default criterion.

According to the Regulations, the Bank 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 categorized into: Normal loans, need attention, less likely to be collectible in full, difficult to collect, and 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 for each category. 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.

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

c) Derecognition of financial assets

The Bank 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.

2) Equity instruments

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

Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

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

i. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading at FVTPL.

Financial liabilities at fair value through profit or loss are stated at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in gains on financial assets and liabilities at fair value through profit or loss. Fair value is determined in the manner described in Note 36.

ii. Financial guarantee contracts

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

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

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

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.

4) Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, cross-currency swap contracts, cross-currency option contracts, interest structured instrument contracts, non-deliverable forward contracts and asset swap contracts.

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 host that is 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 that is 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.

5) 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 Bank 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 Bank 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.

m. Provisions (excluding amounts in provision for employee benefits)

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.

n. Revenue recognition

The Bank identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. The interest income generated by all interest-bearing financial instruments is recognized on an accrual basis at the effective interest rate in accordance with relevant regulations.

2) Service fee and commissions income

The Bank identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. Service fee income and expenses are recognized when loans or other services are provided. If the contract between the labor service and the collection of consideration is within one year, the major financial components of the contract will not be adjusted.

3) Dividend income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Bank and that the amount of income can be measured reliably.

o. Leases

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

1) The Bank 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.

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

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

2) The Bank as lessee

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

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

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. 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 Bank uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank 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 on the balance sheets.

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

The Bank 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 less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Bank elects to apply the practical expedient to these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Bank recognizes the reduction in lease payment in profit or loss as other non-interest gains, net in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

p. Employee benefits

1) 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.

2) 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 and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the 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 represent the actual deficit in the Bank'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.

3) Employee benefit - employees' preferential deposits

The Bank has granted a preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential interest rate in excess of market interest rate is considered employee benefits.

Under the "Regulations Governing the Preparation of Financial Reports by Public Bank", if the Bank's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employee's retirement. The actuarial valuation assumptions and parameters are based on the guidelines announced by authority.

4) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

q. Share-based payment arrangements

<u>Employee share options granted to employees</u>

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Bank'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. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

At the end of each reporting period, the Bank revises its estimate of the number of employee share options 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.

r. Taxation

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

1) Current tax

According to the Income Tax Act, an additional tax on unappropriated earnings is provided for as income tax 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.

2) 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.

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 and associates except where the Bank 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 only recognized 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 they 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 Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

<u>Estimated impairment of financial assets</u>

The provision for impairment of loans, notes discounted, trade receivables, investments in debt instruments, and financial guarantee contracts is based on probability of default and loss given default. The Bank uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Bank’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 36 and 37. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	$ 4,483,904	$ 7,586,140
Checks for clearing	4,215,282	4,276,016
Due from banks	17,598,900	12,522,568
	$ 26,298,086	$ 24,384,724

a. The loss allowance is measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on cash and cash equivalents as of December 31, 2023 and 2022.

b. Reconciliations of cash and cash equivalents between the statements of cash flows and the balance sheets as of December 31, 2023 and 2022 were shown in the statements of cash flows.

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

	December 31	
	2023	2022
Deposit reserves		
Deposit reserves for checking accounts	$ 14,420,430	$ 12,018,774
Deposit reserves for demand accounts	23,170,517	22,270,486
Inter-bank clearing account	4,513,789	4,515,145
Deposit reserves for foreign currency deposits	104,380	95,201
Due from banks	1,661,526	1,951,994
Deposit reserves for trust compensation	80,000	70,000
	$ 43,950,642	$ 40,921,600

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

b. 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 accounts can only be used for monthly deposit reserve adjustments.

c. The Bank deposited the reserves for trust compensation on government bonds measured at amortized cost on December 31, 2023 and 2022, with a nominal amount of $80,000 thousand and $70,000 thousand, respectively. Refer to Note 34.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial assets at FVTPL		
Commercial papers	$ 18,814,086	$ 18,158,908
Domestic listed shares	411,718	318,732
Corporate bonds	11,620	34,419
PEM Group policy assets	746,351	875,684
Beneficiary certificates	903,291	290,350
Asset swap contracts	7,444,433	6,609,438
Cross-currency swap contracts	1,104,265	617,521
Foreign exchange forward contracts	66,320	101,124
Cross-currency option contracts	452,643	544,909
Interest rate-linked structured instruments	403,202	449,633
	$ 30,357,929	$ 28,000,718
Financial liabilities at FVTPL		
Cross-currency swap contracts	$ 2,071,989	$ 564,281
Foreign exchange forward contracts	39,715	67,728
Cross-currency option contracts	456,584	549,343
Interest rate-linked structured instruments	403,202	449,633
	$ 2,971,490	$ 1,630,985

a. The Bank engages in exchange rate related derivative financial contracts, mainly to provide customers and the Bank with hedging instruments for foreign exchange positions from transactions such as import/export and currency exchange, to avoid the risks from the business and to flatten the demand for foreign exchange funds from non-transactional operations.

b. The nominal principal amounts of outstanding derivative contracts as of December 31, 2023 and 2022 were as follows:

	December 31			
	2023		2022	
	Contract Amount	Interest Rate Range	Contract Amount	Interest Rate Range
Asset swap contracts	$ 7,398,800	0.85%-5.50%	$ 6,577,200	0.80%-5.00%
Cross-currency swap contracts	80,607,610	-	44,882,911	-
Foreign exchange forward contracts	2,321,961	-	4,243,518	-
Cross-currency option contracts	49,032,868	-	43,191,197	-
Interest rate-linked structured instrument contracts	3,839,951	0.00%-10.20%	3,989,488	1.50%-10.20%

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
Investments in equity instruments at FVTOCI	$ 5,366,637	$ 4,512,710
Investments in debt instruments at FVTOCI	59,321,139	40,075,983
	$ 64,687,776	$ 44,588,693

a. Investments in equity instruments at FVTOCI

	December 31	
	2023	2022
Domestic listed shares	$ 4,055,958	$ 3,286,450
Domestic unlisted shares	903,979	898,032
Foreign listed shares	406,700	328,228
	$ 5,366,637	$ 4,512,710

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Bank's strategy of holding these investments for long-term purposes.

The ordinary shares sold had a fair value of $1,098,905 thousand and $69,751 thousand and the accumulated unrealized valuation gains of $10,445 thousand and $2,404 thousand were transferred from other equity to retained earnings in 2023 and 2022, respectively.

Dividend income of $269,232 thousand and $234,775 thousand was recognized in profit or loss for the years ended December 31, 2023 and 2022, respectively.

b. Investments in debt instruments at FVTOCI

	December 31	
	2023	2022
Corporate bonds	$ 30,306,167	$ 29,822,548
Government bonds	9,499,322	5,228,275
Foreign bonds	17,635,583	3,362,115
Bank debentures	1,880,067	1,663,045
	$ 59,321,139	$ 40,075,983

Foreign bonds denominated in foreign currency details were as follows:

	December 31	
	2023	2022
USD	$ 240,300	$ 55,300
CNY	260,000	380,000
AUD	414,000	6,000
EUR	20,000	-
GBP	20,000	-

1) As of December 31, 2023, foreign bonds at FVTOCI amounted to $184,200 thousand (US$6,000 thousand) which had been sold under repurchase agreements. Refer to Note 38 for information relating to their carrying amount.

2) The Bank recognized impairment (loss) reversal of $(6,821) thousand and $2,868 thousand in 2023 and 2022, respectively, after assessing the expected credit losses of the investments in debt instruments at FVTOCI.

3) Refer to Note 37 for information relating to their credit risk management and impairment.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2023	**2022**
Foreign bonds	$ 28,285,539	$ 28,442,213
Government bonds	11,289,765	11,070,175
NCDs issued by the CBC	49,200,000	49,350,000
Corporate bonds	23,660,576	16,314,020
Bank debentures	100,000	100,000
Treasury bills	49,412	148,280
	112,585,292	105,424,688
Less: Allowance for impairment loss	(39,926)	(46,222)
Less: Withdrawal of reserves for trust compensation and refundable deposits	(630,500)	(620,500)
	$ 111,914,866	$ 104,757,966

a. The foreign bonds denominated in foreign currencies were as follows:

	December 31	
	2023	**2022**
USD	$ 708,797	$ 725,297
CNY	855,000	920,000
AUD	87,500	68,500
ZAR	680,000	480,000

b. As of December 31, 2023, the government bonds and the foreign bonds at amortized cost amounted to $870,000 thousand and $5,243,560 thousand (US$170,800 thousand), respectively, which had been sold under repurchase agreements. Refer to Note 38 for information relating to their carrying amount.

c. The Bank recognized reversal of impairment (loss) of $6,286 thousand and $(13,900) thousand in 2023 and 2022, respectively, after assessing the expected credit losses of the investments in debt instruments at amortized cost.

d. Refer to Note 37 for information relating to their credit risk management and impairment.

11. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Securities purchased under resale agreements in the amounts of $10,696,795 thousand and $11,643,340 thousand as of December 31, 2023 and 2022 would be subsequently resold for $10,701,501 thousand and $11,646,960 thousand, respectively, with interest rate 1.38%-1.40% and 1.28%, respectively.

12. RECEIVABLES, NET

	December 31	
	2023	2022
Receivables on credit cards	$ 770,595	$ 791,791
Accounts receivable factored without recourse	144,660	148,925
Acceptances	602,675	544,239
Interest receivables	2,413,080	1,647,227
Receivables on foreign currency settlement	4,137	4,094
Receivables from related parties	241,086	16,663
Other receivables	229,823	199,766
	4,406,056	3,352,705
Less: Allowance for doubtful accounts	(120,037)	(107,876)
	$ 4,286,019	$ 3,244,829

a. Movements in the total carrying amount of receivables for the years ended December 31, 2023 and 2022 were as follows:

2023

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2023	$ 70,246,139	$ 65,557	$ 530,083	$ 70,841,779
Transfers to lifetime ECL	(13,517)	13,627	(110)	-
Transfers to credit-impaired financial assets	(3,980)	(19,016)	22,996	-
Transfers to 12-month ECLs	30,457	(30,111)	(346)	-
New receivables purchased or originated	9,237,180	10,195	27,614	9,274,989
Write-offs	-	-	(116,248)	(116,248)
Derecognition	(1,177,372)	(13,824)	(15,538)	(1,206,734)
Foreign exchange differences and other changes	265,395	31,851	26,633	323,879
Balance at December 31, 2023	$ 78,584,302	$ 58,279	$ 475,084	$ 79,117,665

2022

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2022	$ 63,211,684	$ 29,370	$ 651,112	$ 63,892,166
Transfers to lifetime ECL	(10,251)	10,329	(78)	-
Transfers to credit-impaired financial assets	(3,131)	(2,882)	6,013	-
Transfers to 12-month ECLs	8,410	(7,752)	(658)	-
New receivables purchased or originated	8,843,302	28,143	53,066	8,924,511
Write-offs	-	-	(189,822)	(189,822)
Derecognition	(1,938,900)	(8,092)	(9,973)	(1,956,965)
Foreign exchange differences and other changes	135,025	16,441	20,423	171,889
Balance at December 31, 2022	$ 70,246,139	$ 65,557	$ 530,083	$ 70,841,779

The above-mentioned carrying amount of receivables include due from banks, due from the Central Banks and call loans to other banks, securities purchased under resale agreements, receivables on credit cards, accounts receivable factored without recourse, acceptances, interest receivables, other receivables, other financial assets (including delinquent receivables not from loans) and refundable deposits.

b. Movements in the allowance for doubtful accounts of receivables for the years ended December 31, 2023 and 2022 were as follows:

2023

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2023	$ 18,474	$ 5,321	$ 108,998	$ 132,793	$ 91,034	$ 223,827
Reconciliation from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(35)	101	(66)	-	-	-
Transfers to credit-impaired financial assets	(11)	(1,050)	1,061	-	-	-
Transfers to 12-month ECLs	1,374	(1,106)	(268)	-	-	-
Derecognition of financial assets in current period	(12,370)	(1,776)	(4,284)	(18,430)	-	(18,430)
New financial assets purchased or originated	14,388	1,189	15,583	31,160	-	31,160
Difference of impairment loss under regulations	-	-	-	-	91,257	91,257
Write-offs	-	-	(18,964)	(18,964)	(97,284)	(116,248)
Recovery of written-offs	-	-	-	-	12,858	12,858
Foreign exchange differences and other changes	(1,329)	1,904	11,393	11,968	-	11,968
Balance at December 31, 2023	$ 20,491	$ 4,583	$ 113,453	$ 138,527	$ 97,865	$ 236,392

2022

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2022	$ 18,882	$ 2,972	$ 151,696	$ 173,550	$ 56,659	$ 230,209
Reconciliation from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(29)	74	(45)	-	-	-
Transfers to credit-impaired financial assets	(17)	(144)	161	-	-	-
Transfers to 12-month ECLs	1,741	(1,239)	(502)	-	-	-
Derecognition of financial assets in current period	(15,256)	(919)	(2,454)	(18,629)	-	(18,629)
New financial assets purchased or originated	13,293	2,116	3,064	18,473	-	18,473
Difference of impairment loss under regulations	-	-	-	-	158,596	158,596
Write-offs	-	-	(49,612)	(49,612)	(140,210)	(189,822)
Recovery of written-offs	-	-	-	-	15,989	15,989
Foreign exchange differences and other changes	(140)	2,461	6,690	9,011	-	9,011
Balance at December 31, 2022	$ 18,474	$ 5,321	$ 108,998	$ 132,793	$ 91,034	$ 223,827

The allowance for doubtful accounts of the abovementioned receivables includes allowances for delinquent receivables not from loans, refer to Note 15.

13. NOTES DISCOUNTED AND LOANS, NET

	December 31 2023	December 31 2022
Bills negotiated	$ 182,898	$ 163,189
Secured overdrafts	9,090	7,220
Accounts receivable financing	20,503	63,668
Short-term unsecured loans	42,172,142	45,405,871
Short-term secured loans	98,193,946	100,085,561
Medium-term unsecured loans	90,661,279	77,330,088
Medium-term secured loans	136,756,767	123,575,879
Long-term unsecured loans	13,168,766	11,048,117
Long-term secured loans	166,068,185	161,228,409
Delinquent loans	359,696	601,847
	547,593,272	519,509,849
Add: Adjustment of premium or discount	10,753	23,690
Less: Allowance for doubtful accounts	(7,280,514)	(6,654,309)
	$ 540,323,511	$ 512,879,230

a. As of December 31, 2023 and 2022, the delinquent loans on which interest ceased to accrue amounted to $359,696 thousand and $601,847 thousand, respectively. The unrecognized interest revenues on these loans were $8,431 thousand and $14,619 thousand for the years ended December 31, 2023 and 2022, respectively.

b. There was no credit loan written off without a lawsuit in 2023 and 2022.

c. Movements in the total carrying amount of notes discounted and loans for the years ended December 31, 2023 and 2022 were as follows:

2023

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2023	$ 498,301,572	$ 14,044,049	$ 7,187,918	$ 519,533,539
Transfers to lifetime ECL	(6,734,765)	6,747,423	(12,658)	-
Transfers to credit-impaired financial assets	(1,668,229)	(1,728,782)	3,397,011	-
Transfers to 12-month ECLs	2,157,021	(2,143,805)	(13,216)	-
New notes discounted and loans purchased or originated	269,113,155	2,808,178	160,741	272,082,074
Write-offs	-	-	(2,028,037)	(2,028,037)
Derecognition	(212,814,693)	(3,786,455)	(995,767)	(217,596,915)
Foreign exchange differences and other changes	(23,370,947)	(792,895)	(222,794)	(24,386,636)
Balance at December 31, 2023	$ 524,983,114	$ 15,147,713	$ 7,473,198	$ 547,604,025

2022

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2022	$ 464,179,761	$ 12,243,822	$ 8,698,694	$ 485,122,277
Transfers to lifetime ECL	(4,683,712)	4,711,081	(27,369)	-
Transfers to credit-impaired financial assets	(767,134)	(618,324)	1,385,458	-
Transfers to 12-month ECLs	2,514,847	(2,470,294)	(44,553)	-
New notes discounted and loans purchased or originated	262,169,573	3,926,130	98,131	266,193,834
Write-offs	-	-	(2,303,517)	(2,303,517)
Derecognition	(203,659,024)	(3,074,377)	(538,339)	(207,271,740)
Foreign exchange differences and other changes	(21,452,739)	(673,989)	(80,587)	(22,207,315)
Balance at December 31, 2022	$ 498,301,572	$ 14,044,049	$ 7,187,918	$ 519,533,539

d. Movements in the allowance for doubtful accounts of notes discounted and loans for the years ended December 31, 2023 and 2022 were as follows:

2023

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2023	$ 2,055,379	$ 1,156,156	$ 1,634,126	$ 4,845,661	$ 1,808,648	$ 6,654,309
Reconciliation from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(13,081)	14,235	(1,154)	-	-	-
Transfers to credit-impaired financial assets	(8,390)	(118,051)	126,441	-	-	-
Transfers to 12-month ECLs	160,922	(159,757)	(1,165)	-	-	-
Derecognition of financial assets in current period	(1,058,983)	(399,051)	(164,138)	(1,622,172)	-	(1,622,172)
New financial assets purchased or originated	1,283,873	156,533	63,609	1,504,015	-	1,504,015
Difference of impairment loss under regulations	-	-	-	-	1,192,333	1,192,333
Write-offs	-	-	(455,279)	(455,279)	(1,572,758)	(2,028,037)
Recovery of written-offs	-	-	-	-	1,279,927	1,279,927
Foreign exchange differences and other changes	(275,311)	313,642	261,808	300,139	-	300,139
Balance at December 31, 2023	$ 2,144,409	$ 963,707	$ 1,464,248	$ 4,572,364	$ 2,708,150	$ 7,280,514

2022

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2022	$ 1,464,704	$ 608,655	$ 1,857,339	$ 3,930,698	$ 2,750,165	$ 6,680,863
Reconciliation from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(7,906)	10,493	(2,587)	-	-	-
Transfers to credit-impaired financial assets	(4,945)	(32,486)	37,431	-	-	-
Transfers to 12-month ECLs	87,883	(82,908)	(4,975)	-	-	-
Derecognition of financial assets in current period	(777,648)	(117,874)	(72,084)	(967,606)	-	(967,606)
New financial assets purchased or originated	1,285,136	428,742	42,936	1,756,814	-	1,756,814
Difference of impairment loss under regulations	-	-	-	-	(268,609)	(268,609)
Write-offs	-	-	(421,822)	(421,822)	(1,881,695)	(2,303,517)
Recovery of written-offs	-	-	-	-	1,208,787	1,208,787
Foreign exchange differences and other changes	8,155	341,534	197,888	547,577	-	547,577
Balance at December 31, 2022	$ 2,055,379	$ 1,156,156	$ 1,634,126	$ 4,845,661	$ 1,808,648	$ 6,654,309

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	December 31	
	2023	2022
Investments in subsidiaries	$ 6,368,629	$ 5,870,862
Investments in associates	172,446	172,301
	$ 6,541,075	$ 6,043,163

a. Investments in subsidiaries

The following table shows the Bank's proportion of ownership and voting right of subsidiaries at the end of reporting date:

	December 31			
	2023		2022	
	Amount	Proportion of Ownership (%)	Amount	Proportion of Ownership (%)
Domestic non-listed (cabinet) companies				
Taichung Bank Leasing Corporation Limited	$ 2,369,513	100.00	$ 2,192,053	100.00
Taichung Bank Insurance Brokers Co., Ltd.	2,074,740	100.00	1,977,256	100.00
Taichung Bank Securities Co., Ltd.	1,924,376	100.00	1,701,553	100.00
	$ 6,368,629		$ 5,870,862	

Detail of share of profit (loss) of subsidiaries for using the equity method was as follows:

	For the Year Ended December 31	
Investee Company	2023	2022
Taichung Bank Leasing Corporation Limited	$ 194,473	$ 140,441
Taichung Bank Insurance Brokers Co., Ltd.	309,910	282,793
Taichung Bank Securities Co., Ltd.	222,823	(95,374)
	$ 727,206	$ 327,860

b. Investments in associates

The following table shows the Bank's proportion of ownership and voting right of associates at the end of reporting date:

	December 31			
	2023		2022	
	Amount	Proportion of Ownership (%)	Amount	Proportion of Ownership (%)
Associates that are not individually material				
Taichung Bank Securities Investment Trust Co., Ltd.	$ 172,446	38.46	$ 172,301	38.46

Detail of share of loss of associates for using the equity method was as follows:

Investee Company	For the Year Ended December 31 2023	2022
Taichung Bank Securities Investment Trust Co., Ltd.	$ (1,373)	$ (6,716)

Investment was accounted for using the equity method and the share of profit (loss) of the investment was calculated based on financial statements which have been audited.

The Bank is the single largest shareholder of Taichung Bank Securities Investment Trust Co., Ltd. with 38.46% interest in the investee, in which the remaining interest is held by several other shareholders. The Bank considered the absolute size of its holding, and the relative size and dispersion of the other shareholdings in Taichung Bank Securities Investment Trust Co., Ltd. and concluded that it does not have control over Taichung Bank Securities Investment Trust Co., Ltd. The management of the Bank considered the Bank as exercising significant influence over Taichung Bank Securities Investment Trust Co., Ltd. and, therefore, classified Taichung Bank Securities Investment Trust Co., Ltd. as associate of the Bank.

15. OTHER FINANCIAL ASSETS, NET

	December 31 2023	2022
Other delinquent receivables, net	$ 190,878	$ 271,035

Other delinquent receivables, net were as follows:

	December 31 2023	2022
Delinquent receivables not from loans	$ 307,233	$ 386,986
Less: Allowance for doubtful accounts (Note 12)	(116,355)	(115,951)
	$ 190,878	$ 271,035

16. PROPERTIES AND EQUIPMENT, NET

	Land	Building and Structures	Transportation Equipment	Miscellaneous Equipment	Lease Improvements	Construction in Progress	Total
	2023						
Cost							
Balance at January 1, 2023	$ 7,859,148	$ 2,187,301	$ 56,855	$ 1,946,516	$ 27,676	$ 7,188,036	$ 19,265,532
Additions	-	45,108	2,605	81,512	61,255	1,684,265	1,874,745
Disposals	-	-	(4,437)	(64,171)	-	-	(68,608)
Reclassifications	-	-	-	19,389	-	(20,714)	(1,325)
Exchange differences, net	-	-	-	(2)	(2)	-	(4)
Balance at December 31, 2023	7,859,148	2,232,409	55,023	1,983,244	88,929	8,851,587	21,070,340
Accumulated depreciation							
Balance at January 1, 2023	-	1,312,047	41,714	1,613,225	5,849	-	2,972,835
Additions	-	57,612	5,850	122,245	11,599	-	197,306
Disposals	-	-	(3,932)	(64,084)	-	-	(68,016)
Exchange differences, net	-	-	-	(1)	-	-	(1)
Balance at December 31, 2023	-	1,369,659	43,632	1,671,385	17,448	-	3,102,124
Impairment							
Balance at January 1, 2023	77,000	-	-	-	-	-	77,000
Balance at December 31, 2023	77,000	-	-	-	-	-	77,000
Balance at December 31, 2023	$ 7,782,148	$ 862,750	$ 11,391	$ 311,859	$ 71,481	$ 8,851,587	$ 17,891,216

	Land	Building and Structures	Transportation Equipment	Miscellaneous Equipment	Lease Improvements	Construction in Progress	Total
	2022						
Cost							
Balance at January 1, 2022	$ 7,859,148	$ 2,110,482	$ 52,960	$ 1,927,678	$ 13,787	$ 4,687,091	$ 16,651,146
Additions	-	76,819	4,258	95,124	13,674	2,502,317	2,692,192
Disposals	-	-	(401)	(78,581)	-	-	(78,982)
Reclassifications	-	-	-	1,372	-	(1,372)	-
Exchange differences, net	-	-	38	923	215	-	1,176
Balance at December 31, 2022	7,859,148	2,187,301	56,855	1,946,516	27,676	7,188,036	19,265,532
Accumulated depreciation							
Balance at January 1, 2022	-	1,267,495	35,475	1,562,313	1,004	-	2,866,287
Additions	-	44,552	6,617	128,856	4,839	-	184,864
Disposals	-	-	(392)	(78,421)	-	-	(78,813)
Exchange differences, net	-	-	14	477	6	-	497
Balance at December 31, 2022	-	1,312,047	41,714	1,613,225	5,849	-	2,972,835
Impairment							
Balance at January 1, 2022	77,000	-	-	-	-	-	77,000
Balance at December 31, 2022	77,000	-	-	-	-	-	77,000
Balance at December 31, 2022	$ 7,782,148	$ 875,254	$ 15,141	$ 333,291	$ 21,827	$ 7,188,036	$ 16,215,697

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

Building and structures	
Building	30 to 60 years
Renovation	10 to 29 years
Transportation equipment	3 to 5 years
Miscellaneous equipment	1 to 15 years
Lease improvements	2 to 5 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	December 31 2023	December 31 2022
Carrying amount		
Land and buildings	$ 913,160	$ 663,989
Transportation equipment	46,535	28,943
	$ 959,695	$ 692,932

	For the Year Ended December 31 2023	For the Year Ended December 31 2022
Additions to right-of-use assets	$ 551,072	$ 192,727
Depreciation charge for right-of-use assets		
Land and buildings	$ 132,439	$ 114,648
Transportation equipment	14,184	12,797
	$ 146,623	$ 127,445
Income from the subleasing of right-of-use assets (presented in other income)	$ 1,501	$ 1,282

The Bank suspended the leases of some land and buildings and transportation equipment before the leases expired. The amount of right-of-use assets derecognized was $137,566 thousand and $59,921 thousand for the years ended December 31, 2023 and 2022, respectively. The disposal gain of $11,462 thousand and $3,152 thousand was recognized for the years ended December 31, 2023 and 2022.

Except for the aforementioned suspension and addition and recognized depreciation, the Bank 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	December 31 2022
Carrying amount	$ 988,126	$ 725,609

Range of discount rates for lease liabilities was as follows:

	December 31 2023	December 31 2022
Land	1.20%-4.14%	1.20%-4.14%
Buildings	1.20%-4.14%	1.20%-4.14%
Transportation equipment	1.20%-4.14%	1.20%-4.14%

c. Material lease-in activities and terms

The Bank leases domestic offices, ATM sites and transportation equipment with lease terms of 1 to 15 years. The lease contract specifies that lease payments will be adjusted on the basis of changes in market rental rates. The Bank does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2023	**2022**
Expenses relating to short-term leases	$ 3,640	$ 2,568
Expenses relating to low-value asset leases	$ 9,913	$ 9,757
Total cash outflow for leases	$ (175,331)	$ (158,336)

The Bank leases certain office equipment under leases which qualify as short-term leases and certain computer equipment under leases which qualify as low-value asset leases. The Bank has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

18. INTANGIBLE ASSETS, NET

	For the Year Ended December 31	
	2023	**2022**
Balance at January 1, 2023	$ 175,196	$ 161,518
Additions	90,967	75,037
Amortization	(71,443)	(61,483)
Reclassification	1,325	-
Exchange influence	-	124
Balance at December 31, 2023	$ 196,045	$ 175,196

Computer software is amortized on a straight-line basis over its estimated useful lives as follows:

Computer software	1 to 5 years

19. OTHER ASSETS, NET

	December 31	
	2023	**2022**
Refundable deposits	$ 2,162,176	$ 2,018,674
Prepayments	287,668	147,724
Others	737	22,601
	$ 2,450,581	$ 2,188,999

As of December 31, 2023 and 2022, the government bonds at amortized cost which amounted to $550,500 thousand, were pledged as collateral to the district court for litigation related to the overdraft of the U.S. dollar clearing account. These amounts were stated classified under refundable deposits. Refer to Note 34.

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31 2023	December 31 2022
Call loans from banks	$ 11,600,000	$ 8,650,000
Due to Chunghwa Post Co., Ltd.	12,700	53,687
Due to banks	2,768	53
	$ 11,615,468	$ 8,703,740

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31 2023	December 31 2022
Government bonds	$ 870,000	$ -
Foreign bonds	4,886,555	-
	$ 5,756,555	$ -

Foreign bonds denominated in foreign currencies were as follows:

	December 31 2023	December 31 2022
USD	$ 159,171	$ -

The details of repurchase price and interest rate at the end of the period were as follows:

	December 31 2023	December 31 2022
Government bonds	$ 870,954	$ -
Foreign bonds	4,956,294	-
	$ 5,827,248	$ -
Government bonds	1.20%-1.22%	-
Foreign bonds	5.65%-5.85%	-

22. PAYABLES

	December 31 2023	December 31 2022
Notes and checks in clearing	$ 4,215,282	$ 4,276,016
Accrued expenses	1,986,062	1,827,990
Interest payable	995,344	582,083
Acceptances	603,967	544,899

(Continued)

	December 31	
	2023	2022
Collections payable	$ 47,881	$ 43,570
Factored accounts payable	33,345	14,994
Foreign currency settlement payable	3,747	5,227
Other payables	678,494	571,136
	$ 8,564,122	$ 7,865,915

(Concluded)

23. DEPOSITS AND REMITTANCES

	December 31	
	2023	2022
Demand	$ 206,261,465	$ 197,643,159
Demand savings	167,281,466	162,103,208
Time	145,780,176	135,813,254
Time savings	200,320,855	178,202,610
Checking	11,993,862	11,528,762
Remittances	27,027	44,001
	$ 731,664,851	$ 685,334,994

24. BANK DEBENTURES

	December 31	
	2023	2022
Subordinated financial debenture	$ 16,500,000	$ 16,500,000

a. The Bank issued first subordinated financial debenture on December 28, 2015, which was approved under ruling reference No. 10400200460 issued by the Banking Bureau of the FSC on August 26, 2015. Details of the subordinated financial debenture's issuance are summarized as follows:

   1) Total approved principal: $1,500,000 thousand.

   2) Principal issued: $1,500,000 thousand.

   3) Denomination: $10,000 thousand, issued at par.

   4) Period: No due date.

   5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.

   6) Repayment: To be executed according to the issuance.

   7) The interest will be paid annually from the issuance date.

b. The Bank issued first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture and first no due date non-cumulative subordinated financial debenture on March 28, 2017, May 18, 2017, August 28, 2017 and December 28, 2016, respectively, which were approved under ruling reference No. 10500210950 issued by the Banking Bureau of the FSC on September 2, 2016. Details of the subordinated financial debenture's issuance are summarized as follows:

1) Total approved principal: $3,500,000 thousand.

2) Principal issued:

a) Debenture I in 2016: $1,500,000 thousand.
b) Debenture I in 2017: $1,000,000 thousand.
c) Debenture II in 2017: $500,000 thousand.
d) Debenture III in 2017: $500,000 thousand.

3) Denomination:

a) Debenture I in 2016: $10,000 thousand, issued at par.
b) Debenture I in 2017: $10,000 thousand, issued at par.
c) Debenture II in 2017: $10,000 thousand, issued at par.
d) Debenture III in 2017: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

c. The Bank issued first no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture on April 25, 2018, December 5, 2017 and December 27, 2017, respectively, which were approved under ruling reference No. 10600229120 issued by the Banking Bureau of the FSC on September 22, 2017. Details of the subordinated financial debenture's issuance are summarized as follows:

1) Total approved principal: $5,000,000 thousand.

2) Principal issued:

a) Debenture IV in 2017: $1,350,000 thousand.
b) Debenture V in 2017: $2,650,000 thousand.
c) Debenture I in 2018: $1,000,000 thousand.

3) Denomination:

a) Debenture IV in 2017: $10,000 thousand, issued at par.
b) Debenture V in 2017: $10,000 thousand, issued at par.
c) Debenture I in 2018: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

d. The Bank issued second no due date non-cumulative subordinated financial debenture on December 18, 2018, which was approved under ruling reference No. 10702156550 issued by the Banking Bureau of the FSC on August 23, 2018. Details of the subordinated financial debenture issuance is summarized as follows:

1) Total approved principal: $1,500,000 thousand.

2) Principal issued: $1,500,000 thousand.

3) Denomination: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

e. The Bank issued first subordinated financial debenture on December 27, 2021, which was approved under ruling reference No. 1100226929 issued by the Banking Bureau of the FSC on October 12, 2021. Detail of the subordinated financial debenture issuance is summarized as follows:

1) Total approved principal: $5,000,000 thousand.

2) Principal issued: $5,000,000 thousand.

3) Denomination: $10,000 thousand, issued at par.

4) Period: 7 years with maturities on December 27, 2028.

5) Nominal interest rate: Fixed interest, 1.2%.

6) Repayment: The subordinated financial debenture will be paid on the maturity date.

7) The interest will be paid annually from the issuance date.

25. OTHER FINANCIAL LIABILITIES

	December 31	
	2023	2022
Structured commodity principal	$ 3,839,951	$ 3,989,488

26. PROVISIONS

	December 31	
	2023	2022
Provision for employee benefits	$ 833,142	$ 826,252
Provision for losses on guarantees	307,263	275,963
Provision for loan commitments	136,042	93,388
Provision for outstanding loss	29,090	24,090
Other provision	13,023	17,824
	$ 1,318,560	$ 1,237,517

a. Details of provision for employee benefits were as follows:

	December 31	
	2023	2022
Benefit plans	$ 629,295	$ 631,542
Preferential interest on employees' deposits	162,038	154,244
Other long-term employee benefit liabilities	41,809	40,466
	$ 833,142	$ 826,252

1) Defined contribution plans

The Bank 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.

The amounts of contributions paid by the Bank in 2023 and 2022 in accordance with the defined contribution plan and recognized in the statements of comprehensive income were $108,232 thousand and $105,683 thousand for the years ended December 31, 2023 and 2022, respectively.

2) Defined benefit plans

The defined benefit plan adopted of the Bank in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes amounts equal to 10% of total monthly salaries and wages of general employees that applicable to old seniority personnel (excluding appointed managers) 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 Bank 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 Bank 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 Bank has no right to influence the investment policy and strategy.

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

	December 31	
	2023	**2022**
Present value of defined benefit obligation	$ 1,563,251	$ 1,576,488
Fair value of plan assets	(933,956)	(944,946)
Deficit	629,295	631,542
Net defined benefit liabilities	$ 629,295	$ 631,542

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2022	$ 1,676,309	$ (900,461)	$ 775,848
Service cost			
Current service cost	6,191	-	6,191
Net interest expense (income)	10,477	(5,724)	4,753
Recognized in profit or loss	16,668	(5,724)	10,944
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(67,225)	(67,225)
Actuarial gain - changes in financial assumptions	(129,359)	-	(129,359)
Actuarial loss - experience adjustments	111,189	-	111,189
Recognized in other comprehensive income	(18,170)	(67,225)	(85,395)
Contributions from the employer	-	(57,691)	(57,691)
Benefits paid	(86,155)	86,155	-
Company paid	(12,164)	-	(12,164)
Balance at December 31, 2022	1,576,488	(944,946)	631,542
Service cost			
Current service cost	4,378	-	4,378
Net interest expense (income)	23,647	(14,613)	9,034
Recognized in profit or loss	28,025	(14,613)	13,412
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,322)	(5,322)
Actuarial loss - changes in financial assumptions	32,062	-	32,062
Actuarial loss - experience adjustments	23,426	-	23,426
Recognized in other comprehensive income	55,488	(5,322)	50,166
Contributions from the employer	-	(56,798)	(56,798)
Benefits paid	(87,723)	87,723	-
Company paid	(9,027)	-	(9,027)
Balance at December 31, 2023	$ 1,563,251	$ (933,956)	$ 629,295

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans was as follows:

	For the Year Ended December 31	
	2023	2022
Operating expenses	$ 13,412	$ 10,944

Through the defined benefit plans under the Labor Standards Act, the Bank 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 using 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.

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:

	December 31	
	2023	2022
Discount rate(s)	1.25%	1.50%
Expected rate(s) of salary increase	1.50%	1.50%

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)		
0.25% increase	$ (32,063)	$ (34,495)
0.25% decrease	$ 32,996	$ 35,557
Expected rate(s) of salary increase		
0.25% increase	$ 32,325	$ 34,914
0.25% decrease	$ (31,567)	$ (34,037)

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

	December 31	
	2023	**2022**
Expected contributions to the plan for the next year	$ 57,650	$ 58,557
Average duration of the defined benefit obligation	8.3 years	8.9 years

3) Preferential interest on employees' deposits plan

The Bank had revised the interest rate of the employees' savings deposit since December 21, 2014, in accordance with the regulations of the Financial Management Law No. 10110000850 and the Regulations Governing the Preparation of Financial Reports by Public Banks, and the preferential interest on employee's deposit liabilities were carried out by qualified actuaries.

The amounts included in the balance sheets in respect of the preferential interest on employee's deposit plan were as follows:

	December 31	
	2023	**2022**
Present value of the preferential interest on deposits	$ 162,038	$ 154,244
Fair value of plan assets	-	-
Deficit	162,038	154,244
Provision for preferential interest on deposits	$ 162,038	$ 154,244

Movements in preferential interest on employees' deposits obligation were as follows:

	Present Value of the Preferential Interest on Employees' Deposits Obligation	**Fair Value of the Plan Assets**	**Net Preferential Interest on Employees' Deposits Liabilities**
Balance at January 1, 2022	$ 147,633	$ -	$ 147,633
Service cost			
Past service cost	11,114	-	11,114
Net interest expense	5,306	-	5,306
Recognized in profit or loss	16,420	-	16,420
Remeasurement			
Actuarial loss - experience adjustments	22,508	-	22,508
Recognized in other comprehensive income	22,508	-	22,508
Company paid	(32,317)	-	(32,317)
Balance at December 31, 2022	154,244	-	154,244

(Continued)

	Present Value of the Preferential Interest on Employees' Deposits Obligation	Fair Value of the Plan Assets	Net Preferential Interest on Employees' Deposits Liabilities
Service cost			
Past service cost	$ 6,594	$ -	$ 6,594
Net interest expense	5,524	-	5,524
Recognized in profit or loss	12,118	-	12,118
Remeasurement			
Actuarial loss - changes in demographic assumptions	4,244	-	4,244
Actuarial loss - experience adjustments	29,281	-	29,281
Recognized in other comprehensive income	33,525	-	33,525
Company paid	(37,849)	-	(37,849)
Balance at December 31, 2023	$ 162,038	$ -	$ 162,038

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the preferential interest on employees' deposits plan was as follows:

	For The Year Ended December 31	
	2023	2022
Operating expenses	$ 12,118	$ 16,420

The actuarial valuations of the present value of preferential interest on employees' deposits obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate(s)	4.00%	4.00%
Expected return on employees' deposits	2.00%	2.00%
Excess interest rate	2.00%	2.00%
Preferential deposit withdrawal rate	3.25%	3.50%

If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of preferential interest on employees' deposits obligation will increase (decrease) as follows:

	December 31	
	2023	2022
Discount rate(s)		
0.25% increase	$ (3,944)	$ (3,720)
0.25% decrease	$ 4,116	$ 3,882
Preferential deposit withdrawal rate		
0.25% increase	$ 4,244	$ 4,013
0.25% decrease	$ (4,419)	$ (4,179)

The sensitivity analysis presented above may not be representative of the actual change in the present value of preferential interest on employees' deposits obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
Expected contributions to the plan for the next year	$ -	$ -
Average duration of preferential interest on employees' deposits obligation	10.3 years	10.2 years

4) Other long-term employee benefit liabilities

Other long-term employee benefits of the Bank are long-term disability benefits. If the employee does not encounter any casualty due to occupational disaster or accidental death, the Bank will pay the pension according to the seniority.

The amounts of total expense recognized by the Bank in the statements of comprehensive income for long-term employee benefits in 2023 and 2022 were $1,540 thousand and $4,851 thousand, respectively. As of December 31, 2023 and 2022, other long-term employee benefit liabilities were $41,809 thousand and $40,466 thousand, respectively.

b. Movements of the provision for losses on guarantees were as follows:

2023

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2023	$ 193,788	$ 20,588	$ 34,996	$ 249,372	$ 26,591	$ 275,963
Reconciliation from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(173)	173	-	-	-	-
Transfers to credit-impaired financial assets	(23)	-	23	-	-	-
Transfers to 12-month ECLs	1,089	(1,089)	-	-	-	-
Derecognition of financial assets in current period	(106,096)	(15,764)	-	(121,860)	-	(121,860)
New financial assets purchased or originated	140,141	1,857	256	142,254	-	142,254
Difference of impairment loss under regulations	-	-	-	-	20,696	20,696
Foreign exchange differences and other changes	(11,483)	(127)	1,820	(9,790)	-	(9,790)
Balance at December 31, 2023	$ 217,243	$ 5,638	$ 37,095	$ 259,976	$ 47,287	$ 307,263

2022

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2022	$ 171,880	$ 7,782	$ 33,375	$ 213,037	$ 84,926	$ 297,963
Reconciliation from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(40)	40	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	495	(495)	-	-	-	-
Derecognition of financial assets in current period	(115,154)	(3,631)	-	(118,785)	-	(118,785)
New financial assets purchased or originated	134,724	16,140	-	150,864	-	150,864
Difference of impairment loss under regulations	-	-	-	-	(58,335)	(58,335)
Foreign exchange differences and other changes	1,883	752	1,621	4,256	-	4,256
Balance at December 31, 2022	$ 193,788	$ 20,588	$ 34,996	$ 249,372	$ 26,591	$ 275,963

In 2023 and 2022, a provision was recognized for bad debts expense, commitments and guarantees.

c. Movements of the other provision were as follows:

2023

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2023	$ 8,267	$ 9,214	$ -	$ 17,481	$ 343	$ 17,824
Reconciliation from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	-	-	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets in current period	(8,145)	(9,214)	-	(17,359)	-	(17,359)
New financial assets purchased or originated	9,788	-	-	9,788	-	9,788
Difference of impairment loss under regulations	-	-	-	-	2,865	2,865
Foreign exchange differences and other changes	(95)	-	-	(95)	-	(95)
Balance at December 31, 2023	$ 9,815	$ -	$ -	$ 9,815	$ 3,208	$ 13,023

2022

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2022	$ 8,629	$ -	$ -	$ 8,629	$ 4,226	$ 12,855
Reconciliation from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	-	-	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets in current period	(8,552)	-	-	(8,552)	-	(8,552)
New financial assets purchased or originated	8,261	9,214	-	17,475	-	17,475
Difference of impairment loss under regulations	-	-	-	-	(3,883)	(3,883)
Foreign exchange differences and other changes	(71)	-	-	(71)	-	(71)
Balance at December 31, 2022	$ 8,267	$ 9,214	$ -	$ 17,481	$ 343	$ 17,824

In 2023 and 2022, a provision was recognized for bad debts expense, commitments and guarantees.

d. Movements of the loan commitments were as follows:

2023

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2023	$ 77,787	$ 1,648	$ 11,897	$ 91,332	$ 2,056	$ 93,388
Reconciliation from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(9)	9	-	-	-	-
Transfers to credit-impaired financial assets	(2)	(14)	16	-	-	-
Transfers to 12-month ECLs	1,021	(1,021)	-	-	-	-
Derecognition of financial assets in current period	(24,750)	(34)	(1,658)	(26,442)	-	(26,442)
New financial assets purchased or originated	62,551	1,390	-	63,941	-	63,941
Difference of impairment loss under regulations	-	-	-	-	7,139	7,139
Foreign exchange differences and other changes	(1,892)	(76)	(16)	(1,984)	-	(1,984)
Balance at December 31, 2023	$ 114,706	$ 1,902	$ 10,239	$ 126,847	$ 9,195	$ 136,042

2022

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2022	$ 45,923	$ 2,576	$ 12,005	$ 60,504	$ 4,643	$ 65,147
Reconciliation from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(6)	6	-	-	-	-
Transfers to credit-impaired financial assets	(1)	(18)	19	-	-	-
Transfers to 12-month ECLs	1,798	(1,798)	-	-	-	-
Derecognition of financial assets in current period	(9,148)	(702)	(108)	(9,958)	-	(9,958)
New financial assets purchased or originated	41,259	774	-	42,033	-	42,033
Difference of impairment loss under regulations	-	-	-	-	(2,587)	(2,587)
Foreign exchange differences and other changes	(2,038)	810	(19)	(1,247)	-	(1,247)
Balance at December 31, 2022	$ 77,787	$ 1,648	$ 11,897	$ 91,332	$ 2,056	$ 93,388

In 2023 and 2022, a provision was recognized for bad debts expense, commitments and guarantees.

e. Outstanding loss provision were as follows:

	December 31	
	2023	2022
Balance, January 1	$ 24,090	$ 19,090
Recognized	5,000	5,000
Balance, December, 31	$ 29,090	$ 24,090

For the year ended December 31, 2023 and 2022, the loss provision of $5,000 thousand was recognized for interest expense, refer to Note 35 for the relevant contingent liabilities.

27. OTHER LIABILITIES

	December 31	
	2023	2022
Guarantee deposit received	$ 416,442	$ 430,222
Advance receipts	475,476	370,030
Others	15,938	1,427
	$ 907,856	$ 801,679

28. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	7,770,000	7,770,000
Shares authorized	$ 77,700,000	$ 77,700,000
Number of shares issued and fully paid (in thousands)	5,226,095	5,015,447
Shares issued	$ 52,260,953	$ 50,154,465

Ordinary shares issued at par value of $10. Each share has one voting right and the right to receive dividends.

As of January 1, 2022, the Bank had issued ordinary shares totaling $45,385,205 thousand, divided into 4,538,521 thousand ordinary shares at par value of $10 per share. In July 2022, the Bank transferred $2,269,260 thousand of unappropriated earnings to ordinary shares, consisting of 226,926 thousand ordinary shares at par value of $10 per share. In June 2022, the board of directors of the Bank resolved to issue 250,000 thousand ordinary shares with a par value of $10, for a consideration of $11.75 per share issued at premium. On September 22, 2022, the above transaction was approved under ruling reference No. 1110356507 issued by the Banking Bureau of the FSC and the subscription base date was determined as at December 16, 2022. As of December 31, 2022, the Bank had increased ordinary shares to $50,154,465 thousand, consisting of 5,015,447 thousand ordinary shares at par value of $10 per share.

In July 2023, the Bank transferred $2,106,488 thousand of unappropriated earnings to ordinary shares, consisting of 210,649 thousand ordinary shares at par value of $10 per share. As of December 31, 2023, the Bank had issued ordinary shares totaling $52,260,953 thousand, divided into 5,226,095 thousand ordinary shares at par value of $10 per share.

b. Capital surplus

	December 31	
	2023	2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares	$ 1,381,133	$ 1,381,133
Issuance of ordinary shares - employee share options	115,707	115,707
Expired employee share options	6,874	6,874
May be used to offset a deficit only		
Share of changes in capital surplus of associates	16,813	16,813
Conversion of bank debentures' components	7,729	7,729
	$ 1,528,256	$ 1,528,256

* Such capital surplus 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 share capital (limited to a certain percentage of the Bank's capital surplus and to once a year).

c. Appropriation of earnings and dividend policy

Under the Bank's dividends policy as set forth in the Articles, where the Bank made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 30% of the remaining profit, however, provided that the legal reserve amounts to the total paid-in capital, the legal reserve need not be set aside, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing a distribution plan, which should be admitted in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 29.

The appropriation of earnings mentioned above shall be retained by the board of directors in accordance with the changing operating environment, operating and investment needs. When dividends are declared, cash dividends must be at least 10% of total dividends declared.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. The legal reserve may be used to offset deficits. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

In addition, the Banking Act limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived. If the ratio of own capital to risk assets does not meet the standards set by the business authority, the appropriation of earnings in cash or other assets should be subject to the restrictions or prohibitions of the relevant provisions of the business authority.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the shareholders' equity section. Afterward, if there is any reversal of the decrease in shareholders' equity, the Bank is allowed to appropriate retained earnings from the reversed amount.

According to Order No. 1090150022 issued by the FSC, Order No. 10901500221 issued by the FSC and International Financial Reporting Standards and "Q&A on the application of the reference to the special reserve following adoption of IFRSs", retained earnings should be appropriated to or reversed from a special reserve by the Bank. Afterward, if there is any reversal of the decrease in other shareholders' equity, the Bank is allowed to appropriate retained earnings from the reversal amount. According to 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 No. 10802714560 issued by the FSC, the Bank no longer uses 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 employees' transfer from financial technology development within the amount of the abovementioned special reserve from 2016 to 2018.

The appropriations of earnings for 2022 and 2021 were approved in the shareholders' meetings of the Bank on May 15, 2023 and May 17, 2022, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2022	2021	2022	2021
Legal reserve	$ 1,619,325	$ 1,463,994	$ -	$ -
Special reserve	159,684	-	-	-
Reverse a special reserve	(565)	(601)	-	-
Cash dividends	1,504,634	1,134,630	0.30	0.25
Share dividends	2,106,488	2,269,260	0.42	0.50

The appropriations of earnings for 2023 which had been proposed by the Bank's board of directors on February 23, 2024 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 2,080,035	$ -
Reverse a special reserve	(160,454)	-
Cash dividends	2,090,438	0.40
Share dividends	2,926,613	0.56

The appropriations of earnings for 2023 are subject to the resolution of the shareholders' meeting to be held on May 24, 2024.

d. Other equity items

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Losses) Gains on Financial Assets at FVTOCI	Total
Balance at January 1, 2023	$ (37,875)	$ (121,809)	$ (159,684)
Recognized for the year			
Unrealized losses			
Equity instruments	-	1,064,818	1,064,818
Debt instruments	-	989,230	989,230
Net remeasurement of loss allowance - debt instruments	-	6,821	6,821
Share from subsidiaries and associates accounted for using the equity method	(17,013)	43,692	26,679
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(179,049)	(179,049)
Cumulative translation adjustment			
Exchange differences for current period	(36,262)	-	(36,262)
Income tax related to other comprehensive income	-	(15,696)	(15,696)
Balance at December 31, 2023	$ (91,150)	$ 1,788,007	$ 1,696,857

(Continued)

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Losses) Gains on Financial Assets at FVTOCI	Total
Balance at January 1, 2022	$ (85,087)	$ 1,393,132	$ 1,308,045
Recognized for the year			
Unrealized losses			
Equity instruments	-	(147,339)	(147,339)
Debt instruments	-	(1,387,605)	(1,387,605)
Net remeasurement of loss allowance - debt instruments	-	(2,868)	(2,868)
Share from subsidiaries and associates accounted for using the equity method	16,287	28,548	44,835
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(2,419)	(2,419)
Cumulative translation adjustment			
Exchange differences for current period	30,925	-	30,925
Income tax related to other comprehensive income	-	(3,258)	(3,258)
Balance at December 31, 2022	$ (37,875)	$ (121,809)	$ (159,684)

(Concluded)

29. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

a. Net interest

	For the Year Ended December 31	
	2023	2022
Interest revenue		
Notes discounted and loans	$ 16,450,276	$ 12,457,368
Due from banks and call loans to the other banks	512,170	330,017
Investment in securities	3,007,764	1,883,608
Revolving interests of credit cards	32,070	32,326
Accounts receivable factoring without recourse	15,825	14,312
Securities purchased under resale agreements	133,805	71,148
Others	1,172	730
	20,153,082	14,789,509

(Continued)

	For the Year Ended December 31	
	2023	2022
Interest expense		
Deposits	$ (8,398,342)	$ (3,879,969)
Due to the Central Bank and other banks	(2,747)	(1,008)
Funds borrowed from the Central Bank and other banks	(166,707)	(42,917)
Securities sold under repurchase agreements	(75,861)	(4,806)
Financial debentures	(574,016)	(513,943)
Structured instruments	(259,880)	(93,708)
Lease liabilities	(22,355)	(26,583)
Others	(5,500)	(5,077)
	(9,505,408)	(4,568,011)
	$ 10,647,674	$ 10,221,498

(Concluded)

b. Service fee income, net

	For the Year Ended December 31	
	2023	2022
Service fee income		
Loans	$ 1,090,825	$ 935,503
Trust business	1,085,621	939,018
Guarantee	280,589	244,788
Others	698,157	548,878
	3,155,192	2,668,187
Service fee expense		
Cross-bank transactions	(37,293)	(37,164)
Others	(148,867)	(136,516)
	(186,160)	(173,680)
	$ 2,969,032	$ 2,494,507

The Bank provides custody, trust, investment management and consultancy services to third parties, so the Bank's activities involve the planning, management and trading decisions of financial instruments. For the trust funds or investment portfolios that are managed and used on behalf of the trustee, the independent accounting reports and preparation of financial statements for internal management purposes are not included in the Bank's financial statements.

c. Gain on financial assets and liabilities at fair value through profit or loss

	For the Year Ended December 31	
	2023	**2022**
Realized profit and loss		
Commercial papers	$ 295,782	$ 181,327
Shares	26,080	14,482
Beneficiary certificates	13,017	(33,100)
Derivative financial instruments	1,227,824	898,485
Corporate bonds	8,539	945
Others	-	7,897
	1,571,242	1,070,036
Valuation		
Commercial papers	3,533	14,098
Shares	94,882	(29,188)
Beneficiary certificates	101,170	(184,699)
Derivative financial instruments	(1,026,382)	164,664
Corporate bonds	(1,279)	(3,145)
PEM Group policy assets	19,096	(20,112)
	(808,980)	(58,382)
	$ 762,262	$ 1,011,654

1) Realized profit and loss of gain on financial assets and liabilities at fair value through profit or loss include disposal profit in 2023 and 2022 amounted to $1,051,900 thousand and $753,783 thousand, dividend revenue amounted to $25,903 thousand and $14,482 thousand and interest revenue amounted to $493,439 thousand and $301,771 thousand, respectively.

2) Net income from exchange rate commodities includes realized and unrealized gains and losses on exchange forward contracts, cross-currency options and cross-currency swap. The translation gains or losses included net income from exchange rate commodities when significant assets and liabilities denominated in foreign currencies classified as at FVTPL are not designated for hedging relationship.

d. Realized gains on financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2023	**2022**
Dividend income	$ 269,232	$ 234,775
Gain on disposal of bonds	105,146	67
	$ 374,378	$ 234,842

e. Impairment losses on financial assets

	For the Year Ended December 31	
	2023	**2022**
Investments in debt instruments at FVTOCI	$ (6,821)	$ 2,868
Financial assets at amortized cost	6,286	(13,900)
	$ (535)	$ (11,032)

f. Other non-interest gains (losses), net

	For the Year Ended December 31	
	2023	2022
Gains (losses) on disposal of properties and equipment	$ 1,539	$ (169)
Others (losses) gains	(2,824)	36,716
	$ (1,285)	$ 36,547

g. Provision for bad debts expense, commitments and guarantees

	For the Year Ended December 31	
	2023	2022
Bad debts on receivables	$ 116,025	$ 166,326
Bad debts on notes discounted and loans	1,361,659	969,901
Losses (reversal of losses) on guarantees	31,300	(22,000)
Loan commitments	42,662	25,938
Others	(4,800)	4,807
	$ 1,546,846	$ 1,144,972

h. Employee benefits expenses

	For the Year Ended December 31	
	2023	2022
Salaries	$ 3,248,788	$ 3,242,009
Labor and health insurance	235,503	225,794
Pension expense	121,644	116,627
Remuneration of directors	238,717	197,607
Other employee expenses	197,634	194,397
	$ 4,042,286	$ 3,976,434

i. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Bank, the Bank accrues employees' compensation and remuneration of directors at rates of 0.5%-3% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2023 and 2022 which were approved by the Bank's board of directors on February 23, 2024 and 2023, respectively, were as follows:

	For the Year Ended December 31, 2023		For the Year Ended December 31, 2022	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	0.75%	$ 62,490	0.75%	$ 50,173
Remuneration of directors	2.50%	208,301	2.50%	167,245

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

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

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

j. Depreciation and amortization expenses

	For the Year Ended December 31	
	2023	**2022**
Properties and equipment	$ 197,306	$ 184,864
Right-of-use assets	146,623	127,445
Intangible assets	71,443	61,483
	$ 415,372	$ 373,792

k. Other selling and administrative expenses

	For the Year Ended December 31	
	2023	**2022**
Taxes	$ 975,210	$ 788,672
Professional service	139,616	245,487
Advertisement	80,885	50,176
Insurance	187,075	180,423
Entertainment	84,005	90,412
Donation	116,682	90,239
Postage	68,995	70,408
Others	550,191	523,886
	$ 2,202,659	$ 2,039,703

30. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2023	**2022**
Current tax		
In respect of the current year	$ 1,340,113	$ 973,006
Income tax on unappropriated earnings	409	633
Adjustments for prior year	(2,123)	1,221
Deferred tax		
In respect of the current year	(98,572)	153,300
Income tax expense recognized in profit or loss	$ 1,239,827	$ 1,128,160

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2023	**2022**
Profit before tax from continuing operations	$ 8,061,261	$ 6,472,365
Income tax expense calculated at the statutory rate	$ 1,612,252	$ 1,294,473
Non-deductible expenses in determining taxable income	2,458	162
Tax-exempt income	(373,169)	(169,405)
Unrecognized temporary differences	-	1,076
Income tax on unappropriated earnings	409	633
Adjustments for prior years' tax	(2,123)	1,221
Income tax expense recognized in profit or loss	$ 1,239,827	$ 1,128,160

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	**2022**
Deferred tax		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	$ (15,696)	$ (3,258)
Remeasurement of defined benefit plans	16,738	(12,578)
Total income tax benefits (expense) recognized in other comprehensive income	$ 1,042	$ (15,836)

c. Current tax liabilities

	December 31	
	2023	**2022**
Current tax liabilities		
Income tax payable	$ 690,305	$ 476,109

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

Deferred tax assets	**Opening Balance**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Temporary differences				
Property, plant and equipment	$ 3,644	$ -	$ -	$ 3,644
Unrealized losses on structure notes payment	254,163	(3,819)	-	250,344
Defined benefit obligations	165,250	(15,360)	16,738	166,628
Allowance for doubtful accounts	211,559	122,018	-	333,577
Others	(37,590)	(4,267)	(15,696)	(57,553)
	$ 597,026	$ 98,572	$ 1,042	$ 696,640

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax liabilities				
Temporary differences				
Provision for land value increment tax	$ 109,486	$ -	$ -	$ 109,486

(Concluded)

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Property, plant and equipment	$ 3,644	$ -	$ -	$ 3,644
Unrealized losses on structure notes payment	250,140	4,023	-	254,163
Defined benefit obligations	192,024	(14,196)	(12,578)	165,250
Allowance for doubtful accounts	310,079	(98,520)	-	211,559
Others	10,275	(44,607)	(3,258)	(37,590)
	$ 766,162	$ (153,300)	$ (15,836)	$ 597,026
Deferred tax liabilities				
Temporary differences				
Provision for land value increment tax	$ 109,486	$ -	$ -	$ 109,486

e. Income tax assessments

The income tax returns of the Bank through 2021 have been assessed by the tax authority.

31. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31 2023	2022
Basic earnings per share	$ 1.31	$ 1.07
Diluted earnings per share	$ 1.30	$ 1.07

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2022 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.12	$ 1.07
Diluted earnings per share	$ 1.12	$ 1.07

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

Net profit for the year

	For the Year Ended December 31	
	2023	2022
Earnings used in the computation of earnings per share	$ 6,821,434	$ 5,344,205

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

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	5,226,095	4,977,015
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	4,472	4,565
Weighted average number of ordinary shares used in the computation of diluted earnings per share	5,230,567	4,981,580

The Bank may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Bank 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.

32. SHARE-BASED PAYMENT ARRANGEMENTS

According to the Company Act, the Bank remains 15% of shares as provision for subscription by qualified employees when there is issuance of ordinary shares for cash. On October 17, 2022 qualified employees were granted 37,500 thousand options. Each option entitles the holder with the right to subscribe for one ordinary share of the Bank. The options were granted at an exercise price of $11.75.

Information on employee share options was as follows:

	2022	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)
Balance at January 1	-	$ -
Options granted	37,500	11.75
Options exercised	(37,415)	11.75
Options expired	(85)	11.75
Balance at December 31	-	
Options exercisable, end of the year	-	
Weighted-average fair value of options granted ($)	$ 0.98	

Options granted by Taichung Commercial Bank Co., Ltd. in October 2022 are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	2022
Grant-date share price	$12.65
Exercise price	$11.75
Volatility	17.76%
Duration	57 days
Dividend yield	0%
Risk-free interest rate	1.01%

Compensation costs recognized were $36,750 thousand for the years ended December 31, 2022.

33. RELATED-PARTY TRANSACTIONS

Related Party	Relationship with the Bank
China Man-Made Fiber Corporation	Parent company of the Bank
Hsu Tian Investment Co., Ltd.	Legal director of the Bank
Kuei-Fong Wang (Note 2)	Natural director of the Bank
Chien-An Shin (Notes 2 and 3)	General vice - chairman
Te-Wei Chia (Note 2)	General manager and legal representatives of the Bank’s director
Jin-Yi Lee, Hsin-Chang Tsai, Li-Woon Lim, Pi-Ta Chen (Note 2)	Independent directors of the Bank
Hsueh-Hsuan Liao (Note 3), Shih-Yi Chiang (Note 2), Ying-Hui Wu (Note 2)	Legal representatives of the Bank’s director
Wei-Liang Lin (Note 1), Hsin-Ching Chang, Ming-Hsiung Huang, Siou-Huei Ye, Li-Tzu Lai (Note 4)	Legal representatives of the Bank’s director
23 persons including the Chairman and general manager’s spouse	The spouses and second-degree relatives, etc. of the Bank’s chairman and general managers
22 persons including the director of the Board’s spouse	The spouses and children of the Bank’s directors

(Continued)

Related Party	Relationship with the Bank
7 persons including Kai-Yu Lin	Key management personnel
19 persons including associate general manager's spouse	The spouses and children of the Bank's associate general managers
112 persons including Hung-Lung Tsai	Managers of the Bank
12 persons including Kuei-Hsien Wang	The spouses and children of the parent company's chairman and general managers
Taichung Bank Securities Investment Trust Co., Ltd.	Associate accounted for using the equity method
Taichung Bank Insurance Brokers Co., Ltd.	Subsidiary
Taichung Bank Leasing Co., Ltd.	Subsidiary
Taichung Bank Securities Co., Ltd.	Subsidiary
TCCBL Co., Ltd.	Sub-subsidiary
Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Sub-subsidiary
Taichung Bank Venture Capital Co., Ltd.	Sub-subsidiary
Pan Asia Chemical Co., Ltd.	Related party in substance
China Fiber Investment Co., Ltd.	Related party in substance
Pan Asia Investment Co., Ltd.	Related party in substance
Taichung Commercial Bank Cultural and Educational Foundation, Taichung Commercial Bank Workers' Welfare Commission	Related party in substance
Deh Hsing Investment Co., Ltd.	Related party in substance
Iolite Company Limited (Note 5)	Related party in substance
Hammock (Hong Kong) Company Limited	Related party in substance
Hebei Hanoshi Contact Lens Co., Ltd.	Related party in substance
Chou Chin Industrial Co., Ltd.	Related party in substance
Chou Chang Co., Ltd.	Related party in substance
Greenworld Food Co., Ltd.	Related party in substance
Nan Chung Petrochemical Corporation	Related party in substance
Xiang Fong Development Co., Ltd. (Note 5)	Related party in substance
Reliance Securities Co., Ltd.	Related party in substance
Sheen Ren Knitting Factory Co., Ltd.	Related party in substance
Ta Fa Investment Co., Ltd.	Related party in substance
Formosa Imperial Wineseller Corp.	Related party in substance
Yu Hui Limited	Related party in substance
Formosawine Vintners Corporation	Related party in substance
Bomi International Co., Ltd.	Related party in substance
Shanghai Bomi Food Co., Ltd.	Related party in substance
Noble House Global Limited	Related party in substance
Noble House Glory Corporation	Related party in substance
Wang Wanjin Culture and Education Foundation	Related party in substance
Chaoqing Investment Co., Ltd.	Related party in substance
Sheng Yuan Ze Investment Limited Company	Related party in substance
Pan Hsu Investment Co., Ltd.	Related party in substance
Precious Wealth International Limited	Related party in substance
Storm Model Management Co., Ltd.	Related party in substance
Bonwell Praise Co., Ltd. (Note 5)	Related party in substance
Chen Teng Public Relations (Shanghai) Company (Note 5)	Related party in substance
Shanghai Bomi Consulting management Limited Company	Related party in substance
Shuo-Jung Co., Ltd.	Related party in substance
Shanghai Nianjia Culture Communication Co., Ltd. (Note 5)	Related party in substance

(Continued)

Related Party	Relationship with the Bank
General Pride Enterprise Co., Ltd.	Related party in substance
Fengqi Investment Co., Ltd.	Related party in substance
Reliance Kuan Chun Venture Capital Co., Ltd.	Related party in substance
Reliance Securities Investment Consultant Co., Ltd.	Related party in substance
Reliance Kuan Chun Venture Management Consulting Co., Ltd.	Related party in substance
Shen Ching Investment Co., Ltd.	Related party in substance
Lei Fu Life Business Co., Ltd.	Related party in substance
Chi Da Investment Co., Ltd.	Related party in substance
Syu Yi Investment Co., Ltd.	Related party in substance
Yao Shang Investment Co., Ltd.	Related party in substance
China Man-Made Fiber Entertainment Co., Ltd.	Related party in substance
Dr. Brain Lab Technology Co., Ltd.	Related party in substance
Bang Yu Co., Ltd.	Related party in substance

(Concluded)

Note 1: Wei-Liang, Lin, the legal representative of Hsu Tian Investment Co., Ltd., was discharged on February 9, 2023.

Note 2: 9 directors (including 4 independent directors) were elected at the shareholders' meeting of the Bank on May 15, 2023. The followings were respectively elected as directors: Kuei-Fong Wang and Chien-An Shin (legal representative of Hsu Tian Investment Co., Ltd.), Te-Wei Chia (legal representative of Hsu Tian Investment Co., Ltd.), Shih-Yi Chiang (legal representative of Hsu Tian Investment Co., Ltd.), Ying-Hui Wu (legal representative of Hsu Tian Investment Co., Ltd.), Jin-Yi Lee (independent directors of the Bank), Li-Woon Lim (independent directors of the Bank), Hsin-Chang Tsai (independent directors of the Bank) and Pi-Ta Chen (independent directors of the Bank).

Note 3: Chien-An Shin, the legal representative of Hsu Tian Investment Co., Ltd., was discharged on December 14, 2023, and the representative Hsueh-Hsuan Liao was appointed on December 28, 2023.

Note 4: Stepped down after the general meeting of shareholders on May 15, 2023.

Note 5: Sold on January 31, September 30 and December 11, 2023, respectively.

Significant transactions between the Bank and its related parties:

a. Receivables

	For the Year Ended December 31	
	2023	2022
Taichung Bank Insurance Brokers Co., Ltd.	$ 241,086	$ 16,663

As of December 31, 2023 and 2022, the receivables from Taichung Bank Insurance Brokers Co., Ltd. were receivables on service fee income.

b. Loans

For the year ended December 31, 2023

	Numbers/ Name	Highest Balance	Balance, End of the Year	Compliance Performing Loans	Compliance Overdue Loans	Interest Revenue	Collaterals	The Difference Between Related and Non-related Party
Employees' consumption loans	10	$ 4,952	$ 3,007	$ 3,007	$ -	$ 83	Credit loans	None
Loans on mortgage	43	280,456	206,484	206,484	-	3,845	Real estate	None
Other loans	Huang OO	1,159	1,020	1,020	-	21	Real estate	None
	Huang OO	2,224	1,463	1,463	-	32	Real estate	None
	Ye OO	11,000	11,000	11,000	-	219	Real estate	None
	Lee OO	2,133	1,995	1,995	-	42	Real estate	None
	Hsu OO	2,200	-	-	-	49	Real estate	None
	Chen OO	40,000	40,000	40,000	-	816	Real estate	None
	Yang OO	4,465	4,119	4,119	-	93	Real estate	None
	Lin OO	229	138	138	-	-	Real estate	None
	Wang OO	3,000	3,000	3,000	-	74	Real estate	None
	Fang OO	9,716	3,310	3,310	-	136	Real estate	None
	Chang OO	1,726	1,656	1,656	-	40	Real estate	None
	Liang OO	525	403	403	-	9	Real estate	None
	Liao OO	5,500	5,500	5,500	-	132	Real estate	None
	Chang OO	2,500	2,500	2,500	-	56	Real estate	None
	Chiu OO	2,317	2,009	2,009	-	41	Real estate	None

For the year ended December 31, 2022

	Numbers/ Name	Highest Balance	Balance, End of the Year	Compliance Performing Loans	Compliance Overdue Loans	Interest Revenue	Collaterals	The Difference Between Related and Non-related Party
Employees' consumption loans	11	$ 5,272	$ 3,652	$ 3,652	$ -	$ 65	Credit loans	None
Loans on mortgage	40	264,509	195,517	195,517	-	2,348	Real estate	None
Other loans	Zeng OO	101	62	62	-	2	Real estate	None
	Lee OO	2,273	2,133	2,133	-	34	Real estate	None
	Zeng OO	4,140	-	-	-	63	Real estate	None
	Liu OO	322	-	-	-	-	Real estate	None
	Tsai OO	5,000	-	-	-	2	Real estate	None
	Lin OO	321	229	229	-	-	Real estate	None
	Wang OO	6,000	3,000	3,000	-	60	Real estate	None
	Chen OO	80,000	40,000	40,000	-	678	Real estate	None
	Fang OO	35,132	11,716	11,716	-	190	Real estate	None
	Lin OO	16,400	15,200	15,200	-	281	Real estate	None
	Chang OO	1,750	1,726	1,726	-	12	Real estate	None
	Tsai OO	114	-	-	-	1	Real estate	None
	Liang OO	646	525	525	-	8	Real estate	None
	Ye OO	22,000	11,000	11,000	-	165	Real estate	None
	Huang OO	1,298	1,159	1,159	-	18	Real estate	None
	Wang OO	6,120	-	-	-	28	Real estate	None
	Chiu OO	2,627	2,317	2,317	-	34	Real estate	None
	Hsu OO	2,200	2,200	2,200	-	38	Real estate	None
	Huang OO	15,000	2,224	2,224	-	108	Real estate	None
	Chang OO	2,500	2,500	2,500	-	44	Real estate	None

According to Articles 32 and 33 of the Banking Law, credit loans cannot be made to related parties except loans to government and consumers; secured loans to related parties shall be provided with adequate collateral, and the terms of credits to related parties should be similar to those for third parties.

c. Deposits

	For the Year Ended December 31, 2023		
	Ending Balance	Interest Ratio	Interest Expense
Taichung Bank Insurance Brokers Co., Ltd.	$ 2,589,723	0.01-1.57	$ 13,769
Taichung Bank Securities Investment Trust Co., Ltd.	93,189	0.00-1.58	1,055
Taichung Commercial Bank Workers' Welfare Commission	139,904	0.01-5.63	8,565
Taichung Bank Leasing Co., Ltd.	62,473	0.00-1.30	2,143
China Man-Made Fiber Corporation	98,070	0.01-1.30	351
Reliance Securities Co., Ltd.	10,255	0.58-1.34	120
Taichung Commercial Bank Cultural and Educational Foundation	8,240	0.01-1.59	126
Formosa Imperial Wineseller Corp.	7	0.58	-
Greenworld Food Co., Ltd.	3,941	0.58	15
Pan Asia Chemical Co., Ltd.	28,440	0.01-0.58	206
Chou Chin Industrial Co., Ltd.	108,455	0.01-0.58	14
Chou Chang Co., Ltd.	1,957	0.01	-
Taichung Bank Securities Co., Ltd.	36,251	0.00-1.30	333
Pan Hsu Investment Co., Ltd.	2	0.01	-
TCCBL Co., Ltd.	1	0.00	-
Yu Hui Limited	4	0.01	-
Hsu Tian Investment Co., Ltd.	36,287	0.01-1.30	7
Shuo-Jung Co., Ltd.	624	0.01	-
Deh Hsing Investment Co., Ltd.	34,032	0.58-1.30	162
Pan Asia Investment Co., Ltd.	7	0.01	-
Taichung Bank Venture Capital Co., Ltd.	50,610	0.01-1.17	711
Syu Yi Investment Co., Ltd.	6,417	0.58	26
Yao Shang Investment Co., Ltd.	6,417	0.58	26
Chi Da Investment Co., Ltd.	6,417	0.58	26
Fengqi Investment Co., Ltd.	4	0.58	-
Lei Fu Life Business Co., Ltd.	3,712	0.58	6
China Man-Made Fiber Entertainment Co., Ltd.	1	0.58	-
Others	435,600	0.00-6.20	7,399
	$ 3,761,040		$ 35,060

	For the Year Ended December 31, 2022		
	Ending Balance	Interest Ratio	Interest Expense
Taichung Bank Insurance Brokers Co., Ltd.	$ 1,499,512	0.00-1.44	$ 3,505
Taichung Bank Securities Investment Trust Co., Ltd.	98,124	0.00-1.09	634
Taichung Commercial Bank Workers' Welfare Commission	149,903	0.01-5.38	7,523
Taichung Bank Leasing Co., Ltd.	511,012	0.00-1.05	1,225
China Man-Made Fiber Corporation	126,235	0.01-1.05	104
Reliance Securities Co., Ltd.	10,135	0.46-0.97	78
Taichung Commercial Bank Cultural and Educational Foundation	8,209	0.01-1.47	91
Formosa Imperial Wineseller Corp.	181	0.46	-
Greenworld Food Co., Ltd.	3,772	0.46	5
Pan Asia Chemical Co., Ltd.	34,408	0.01-0.46	46
Chou Chin Industrial Co., Ltd.	10,038	0.01-0.46	9
Chou Chang Co., Ltd.	-	0.01	-
Taichung Bank Securities Co., Ltd.	110,098	0.00-1.05	97
Pan Hsu Investment Co., Ltd.	8	0.01	-
TCCBL Co., Ltd.	1	0.17-0.90	1
Yu Hui Limited	4	0.01	-
Hsu Tian Investment Co., Ltd.	14,438	0.01-1.05	4
Shuo-Jung Co., Ltd.	5,488	0.01	2
Deh Hsing Investment Co., Ltd.	8,237	0.17-1.05	93
Pan Asia Investment Co., Ltd.	7	0.01	-
Taichung Bank Venture Capital Co., Ltd.	110,223	0.00-1.04	663
Syu Yi Investment Co., Ltd.	4,178	0.46	5
Yao Shang Investment Co., Ltd.	4,178	0.46	5
Chi Da Investment Co., Ltd.	4,178	0.46	5
Fengqi Investment Co., Ltd.	5	0.46	-
Lei Fu Life Business Co., Ltd.	1,561	0.46	3
China Man-Made Fiber Entertainment Co., Ltd.	1	0.46	1
Others	360,005	0.00-5.38	4,483
	$ 3,074,139		$ 18,582

The interest rates did not significantly differ from those with ordinary customers except for the interest rates on the Bank's employee deposits at 5.63% and 5.38% as of December 31, 2023 and 2022, respectively.

d. Financial debenture

The Bank issued, first no due date non-cumulative subordinated financial debenture in 2015, first no due date non-cumulative subordinated financial debenture in 2016, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture in 2017, first no due date non-cumulative subordinated financial debenture and second no due date non-cumulative subordinated financial debenture in 2018, and entrusted Concord Securities Co., Ltd. and KGI Securities Co., Ltd. as financial advisors for the issuance and collection of bonds.

As of December 31, 2023, the related parties subscribed for the financial debenture issued by the Bank through underwriting brokers as follows:

Counterparty	Subscription	Period
Hsu Tian Investment Co., Ltd.	$ 4,000,000	First no due date non-cumulative subordinated financial debenture in 2015, first no due date non-cumulative subordinated financial debenture in 2016, first no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture in 2017, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture in 2018
Others	3,740,000	First no due date non-cumulative subordinated financial debenture in 2015, first no due date non-cumulative subordinated financial debenture in 2016, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture, fifth no due date non-cumulative subordinated financial debenture in 2017, first no due date non-cumulative subordinated financial debenture and second no due date non-cumulative subordinated financial debenture in 2018

The interest payables on the financial debentures of the above-mentioned related parties were $56,156 thousand and $51,852 thousand on December 31, 2023 and 2022, respectively. The interest expenses were $346,212 thousand and $306,218 thousand in 2023 and 2022, respectively.

e. Guarantee deposit received

	For the Year Ended December 31	
	2023	2022
Taichung Bank Insurance Brokers Co., Ltd.	$ 922	$ 220
Taichung Bank Leasing Co., Ltd.	306	274
Taichung Bank Securities Co., Ltd.	598	573
	$ 1,826	$ 1,067

f. Leases arrangement

Bank is lessor under operating leases

The Bank leases out its buildings to its subsidiaries, Taichung Bank Securities Co., Ltd., Taichung Bank Insurance Brokers Co., Ltd. and Taichung Bank Leasing Co., Ltd. under operating leases with lease terms of 5 years, and the lease terms with its related parties are similar to those of the non-related parties. As of December 31, 2023 and 2022, the gross lease payments to be received were $34,576 thousand and $23,552 thousand, respectively. Lease income recognized for the years ended December 31, 2023 and 2022 were $7,502 thousand and $5,993 thousand, respectively.

g. Service fee income, net

	For the Year Ended December 31	
	2023	2022
Service fee income		
Taichung Bank Insurance Brokers Co., Ltd.	$ 351,383	$ 200,000
Taichung Bank Securities Investment Trust Co., Ltd.	1,627	2,473
Taichung Bank Leasing Co., Ltd.	63	45
Taichung Bank Securities Co., Ltd.	-	595
	353,073	203,113
Service fee expense		
Taichung Bank Securities Co., Ltd.	(3,026)	(1,648)
	$ 350,047	$ 201,465

The above amounts are for the promotion and channel revenue, etc. Taichung Bank Insurance Brokers Co., Ltd. pays the toll fee on a monthly basis; the service fee expense from Taichung Bank Securities Co., Ltd. is brokerage fee. The price of transactions with its related parties is similar to those of the non-related parties.

h. Other non-interest gains, net

	For the Year Ended December 31	
	2023	2022
Taichung Bank Securities Co., Ltd.	$ 1,568	$ 2,684

The above amount is other non-interest gains. The price of transactions with its related parties is similar to those of the non-related parties.

i. Other expenses

	For the Year Ended December 31	
	2023	2022
Greenworld Food Co., Ltd.	$ 1,965	$ 1,326

The above amounts are other business expenses. The price of transactions with its related parties is similar to those of the non-related parties.

j. Compensation of directors and key management personnel

For the years ended December 31, 2023 and 2022, the amounts of compensation of directors and key management personnel were as follows:

	For the Year Ended December 31	
	2023	2022
Short-term benefits	$ 311,258	$ 261,456
Post-employment benefits	751	605
Other long-term employee benefits	8	4
	$ 312,017	$ 262,065

34. PLEDGED ASSETS

	December 31	
	2023	2022
Investments in debt instrument at amortized cost - government bonds	$ 630,500	$ 620,500

Government bonds were pledged to district courts for litigation, the collateral for the overdraft of the clearing account and the compensation reserve for the securities firm and the trust business. The details were as follows:

	December 31	
	2023	2022
Guarantee to district courts for litigation	$ 50,500	$ 50,500
Reserve of trust compensation	80,000	70,000
Collateral for overdraft of clearing account	500,000	500,000
	$ 630,500	$ 620,500

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Notes 8, 11 and 21, significant commitments and contingencies of the Bank as of December 31, 2023 and 2022 were as follows:

a. Significant commitments

	December 31	
	2023	2022
Loan commitments (excluding credit cards)	$ 193,158,508	$ 171,409,708
Loan commitments - credit cards	14,759,255	14,958,648
Guarantee receivables	30,437,196	27,269,501
Trust liabilities	97,964,074	84,321,674
Letters of credit	3,813,732	3,350,494

b. According to Article 17 of the Implementation Rules of Trust Law, the Bank should disclose its balance sheet 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	$ 7,463,891	Securities under custody	
Debentures	16,451,588	payable	$ 4,526,547
Shares	4,630,816	Trust capital	93,437,527
Funds	44,570,998	Net income	1,521,788
Structured finance instruments	1,967,801	Deferred carryover amounts	(1,521,788)
Real estate			
Land	18,228,109		
Buildings	124,324		
Securities under custody	4,526,547		
Trust assets	$ 97,964,074	Trust liabilities	$ 97,964,074

Note: On December 31, 2023, the bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to $2,820,860 thousand.

Trust Account Asset Items
December 31, 2023

Item	Amount
Cash in banks	$ 7,463,891
Debentures	16,451,588
Shares	4,630,816
Funds	44,570,998
Structured finance instruments	1,967,801
Real estate	
Land	18,228,109
Buildings	124,324
Securities under custody	4,526,547
	$ 97,964,074

Trust Account Income Statement
Year Ended December 31, 2023

	Amount
Trust income	
Interest revenue	$ 2,606,145
Trust expense	
Management fee	(1,083,950)
Tax	(407)
Income before income tax	1,521,788
Income tax expense	-
Net income	$ 1,521,788

Trust Account Balance Sheet
December 31, 2022

Trust Asset	Amount	Trust Liability	Amount
Cash in banks	$ 6,123,483	Securities under custody	
Debentures	11,201,507	payable	$ 3,972,065
Shares	4,873,628	Trust capital	80,349,609
Funds	46,912,839	Net income	1,468,359
Structured finance instruments	1,679,542	Deferred carryover amounts	(1,468,359)
Real estate			
Land	9,428,737		
Buildings	129,873		
Securities under custody	3,972,065		
Trust assets	$ 84,321,674	Trust liabilities	$ 84,321,674

Note: On December 31, 2022, the bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to $2,672,714 thousand.

Trust Account Asset Items
December 31, 2022

Item	Amount
Cash in banks	$ 6,123,483
Debentures	11,201,507
Shares	4,873,628
Funds	46,912,839
Structured finance instruments	1,679,542
Real estate	
Land	9,428,737
Buildings	129,873
Securities under custody	3,972,065
	$ 84,321,674

Trust Account Income Statement
Year Ended December 31, 2022

	Amount
Trust income	
Interest revenue	$ 2,405,773
Trust expense	
Management fee	(937,253)
Tax	(161)
Income before income tax	1,468,359
Income tax expense	-
Net income	$ 1,468,359

c. Maturity analysis of capital expenditures

Capital expenditure commitments represent contractual commitments for the acquisition of capital expenditures on construction and equipment.

Considering the expansion of business scale and the increasing number of employees in the future, the Bank held a tender for the construction project of head office through an online open bidding process on February 11, 2019. Dacin Construction Co., Ltd. and Earthpower Co., Ltd. won the bidding, both parties entered into a joint venture agreement worth $11,160,000 thousand on March 29, 2019, and started construction on April 27, 2019. In order to improve construction safety, both parties agreed to change the "reverse drilling steel column well type foundation alternative construction method" and the "raft foundation beam structure optimization alternative plan". The first supplementary agreement was made on January 8, 2021, and the total contract price after the change is $11,155,943 thousand, in addition, the second supplementary agreement was processed on May 9, 2022, and the total contract price after the change was $11,154,971 thousand. The Group entered into a contract of planning, design and supervision with YSL Architects & Associates, and the contract price was worth $480,492 thousand. The Group entered into a contract of planning, design and supervision with Rich Honour Design Group, and the estimated contract price was $195,000 thousand.

Maturity analysis of capital expenditures was summarized as follows:

	December 31	
	2023	**2022**
Year 1	$ 3,934,181	$ 3,026,937
Year 2	176,209	2,176,974
Year 3	-	32,464
	$ 4,110,390	$ 5,236,375

d. The Bank and Pihsiang Energy Technology Co., Ltd. are parties in a consumer consignment litigation. The Taichung District Court of first instance issued a civil judgment on the 2018 case No. 598 that the Bank lost the case on February 4, 2020. The claim of Pihsiang Energy Technology Co., Ltd. against the Bank is $100 million, and the interest shall be calculated at 5% per annum from April 10, 2018 to the settlement date. The litigation costs shall be borne by the defendant (i.e., the Bank). The appointed lawyer of the Bank assessed that the content of the original judgment is contradictory and unprovoked. Therefore, the Bank filed an appeal on February 27, 2020, and was in the High Court Taichung Branch as 2020 renewed trial No. 78. After the second instance, the High Court Taichung Branch reappealed to trial No. 78 of 2020 on March 29, 2022, ruling that the Bank won the case. However, the plaintiff refused to accept the judgment of the second instance and filed an appeal, and the Supreme Court remanded the case to the Taichung Branch of the Taiwan High Court on January 11, 2024. According to the civil judgment on the 2018 case No. 598 on February 4, 2020, the Bank has prepared in advance the outstanding indemnities (statutory fruits and litigation costs) of the open litigation, as at December 31, 2023, the balance of the outstanding loss provision was $29,090 thousand. Please refer to Note 26 for movements of the outstanding loss provision.

36. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the carrying amounts of financial instruments recognized in the financial statements approximate their fair values or that the fair values cannot be reasonably measured. Therefore, those were not disclosed in this note.

1) Fair value hierarchy

December 31, 2023

	Carrying Amount	Fair Value			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Investments in debt instrument at amortized cost	$ 112,545,366	$ 84,256,467	$ 27,477,571	$ -	$ 111,734,038
Financial liabilities					
Financial liabilities at amortized cost					
Bank debentures	16,500,000	-	16,370,469	-	16,370,469

December 31, 2022

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Investments in debt instrument at amortized cost	$ 105,378,466	$ 76,715,095	$ 27,222,061	$ -	$ 103,937,156
Financial liabilities					
Financial liabilities at amortized cost					
Bank debentures	16,500,000	-	16,643,094	-	16,643,094

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

Financial Instruments	Valuation Techniques and Inputs
Non-derivatives	The market transaction price in the non-active market is taken as the fair value.

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

1) Fair value hierarchy

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative financial assets	$ 9,470,863	$ -	$ 9,470,863	$ -
Commercial papers	18,814,086	18,814,086	-	-
Domestic listed shares	411,718	411,718	-	-
Beneficiary certificates	903,291	903,291	-	-
Domestic corporate bonds	11,620	11,620	-	-
Others	746,351	-	746,351	-
	$ 30,357,929	$ 20,140,715	$ 10,217,214	$ -
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ 903,979	$ -	$ -	$ 903,979
Domestic listed shares	4,055,958	4,055,958	-	-
Foreign listed shares	406,700	406,700	-	-
Investments in debt instruments				
Domestic corporate bonds	30,306,167	30,306,167	-	-
Domestic government bonds	9,499,322	9,499,322	-	-
Foreign bonds	17,635,583	-	17,635,583	-
Bank debentures	1,880,067	1,880,067	-	-
	$ 64,687,776	$ 46,148,214	$ 17,635,583	$ 903,979
Financial liabilities at FVTPL				
Derivative financial liabilities	$ 2,971,490	$ -	$ 2,971,490	$ -

Reconciliation of Level 3 fair value measurements of financial instruments:

Item	Beginning Balance	Increase		Decrease		Ending Balance
		Buy or Issue	Transfer In	Sell, Disposal	Transfer Out	
Financial assets at FVTOCI Unlisted shares	$ 898,032	$ 5,947	$ -	$ -	$ -	$ 903,979

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative financial assets	$ 8,322,625	$ -	$ 8,322,625	$ -
Commercial papers	18,158,908	18,158,908	-	-
Domestic listed shares	318,732	318,732	-	-
Beneficiary certificates	290,350	290,350	-	-
Domestic corporate bonds	34,419	34,419	-	-
Others	875,684	-	875,684	-
	$ 28,000,718	$ 18,802,409	$ 9,198,309	$ -
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ 898,032	$ -	$ -	$ 898,032
Domestic listed shares	3,286,450	3,286,450	-	-
Foreign listed shares	328,228	328,228	-	-
Investments in debt instruments				
Domestic corporate bonds	29,822,548	29,822,548	-	-
Domestic government bonds	5,228,275	5,228,275	-	-
Foreign bonds	3,362,115	-	3,362,115	-
Bank debentures	1,663,045	1,663,045	-	-
	$ 44,588,693	$ 40,328,546	$ 3,362,115	$ 898,032
Financial liabilities at FVTPL				
Derivative financial liabilities	$ 1,630,985	$ -	$ 1,630,985	$ -

Reconciliation of Level 3 fair value measurements of financial instruments:

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	$ 810,234	$ 87,798	$ -	$ -	$ -	$ -	$ 898,032

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

Financial Instruments	Valuation Techniques and Inputs
Non-derivatives	The market transaction price in the non-active market is taken as the fair value.
Derivatives Option contracts	Valuation model: The execution price, maturity date, 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.

(Continued)

Financial Instruments	Valuation Techniques and Inputs
Cross-currency swap contracts, foreign	Discounted cash flow:
Exchange forward contracts	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.
Asset swap contract	Convertible corporate bond closing price on the day minus bond value. The pure bond value is discounted by the cash flow provided by the convertible corporate bonds in accordance with Taiwan Bills Index Rate (TAIBIR).
Structured finance instruments	
Interest rate-linked structured instruments	The counterparty quotes.

(Concluded)

3) The quantitative information on fair value of significant unobservable input (Level 3)

The quantitative information on unobservable inputs of the financial instruments classified in Level 3, and held by the Bank on December 31, 2023 and 2022, were as follows:

Items	Fair Value on December 31, 2023	Fair Value on December 31, 2022	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at fair value through other comprehensive income						
Domestic unlisted shares	$ 903,979	$ 898,032	Seller's quote (Monte Carlo Simulation Method)	Volatility rate	21.91%-21.92%	The lower the volatility rate, the higher the fair value

4) The assessment of fair value in Level 3

The Bank assessed fair value in accordance with evaluation report provided by independent company, and compiled the evaluation result into a quarterly report presented to the board of directors.

5) Sensitivity analysis of Level 3 fair value if reasonable possible alternative assumptions may be used.

The Bank adopts multiple approaches to estimate the volatility rate of quantitative information on significant unobservable input. The sensitivity analysis based on assets category is as follows:

December 31, 2023

Significant Unobservable Input	Sensitivity Rate	Impact
Liquidity discount ratio	Increase 10%	$ (20,699)
	Decrease 10%	20,699

December 31, 2022

Significant Unobservable Input	Sensitivity Rate	Impact
Liquidity discount ratio	Increase 10%	$ (20,088)
	Decrease 10%	20,088

c. Categories of financial instruments

	December 31	
	2023	2022
Financial assets		
Financial assets at FVTPL	$ 30,357,929	$ 28,000,718
Financial assets at amortized cost (Note 1)	739,822,973	700,121,398
Financial assets at FVTOCI		
Equity instruments	5,366,637	4,512,710
Debt instruments	59,321,139	40,075,983
Financial liabilities		
Financial liabilities at FVTPL	2,971,490	1,630,985
Financial liabilities at amortized cost (Note 2)	778,357,389	722,824,359

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, due from the Central Bank and call loans to other banks, investment in debt instrument at amortized cost, securities purchased under resale agreements, receivables, notes discounted and loans, refundable deposits, and other financial assets.

Note 2: The balances include financial liabilities at amortized cost, which comprise due to the Central Bank and other banks, securities sold under resale agreements, payables, deposits and remittances, bank debentures, other financial liabilities, and guarantee deposits received.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The financial risk management objective of the Bank is to achieve the goal of balancing risk tolerance, business objectives and external legal restrictions. These risks include market risks (including interest rate, exchange rate, equity securities, product price and the product price risks) and liquidity risks of on-and-off balance sheet business.

The Bank 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.

Risk Management Organizational Structure

The board of directors is the highest decision-making unit for the Bank’s corporate risk management and assumes the ultimate responsibility for risk management. The Bank has a risk management committee and a risk management department, which grants risk authority and confers responsibilities on the relevant departments to ensure the smooth operation of risk management. The responsibilities of the committee are as follows:

a. Consideration of the risk management program.

b. Consideration and review of risk limits.

c. Consideration of the bill on institutionalization of risk management.

d. Report to the board of directors regularly.

Members of the risk management committee set up various risk management measurement indicators according to the nature of their business and the scope of their duties, and the risk management department should report to the risk management committee to provide a reference for senior decision-making.

1) Market risk

a) The source and definition of market risk

Market risks refer to the loss due to the changes in market price, such as the changes of the market interest rate, the exchange rate, the share price and the product price.

b) Market risk management policy

The objective of the Bank market risk management is to develop a sound and effective market risk management mechanism that is consistent with the size, nature and complexity of the Bank's business to ensure that the risks borne by the Bank can be properly managed and market risks are effectively identified, measured, monitored and controlled, and strike a balance between the level of risk tolerance and the expected level of compensation.

c) Market risk management process

i. Identification and measurement

The relevant market risks should be assessed through appropriate procedures to consider whether the risk is within an acceptable risk range before new products, business activities, processes and systems are rolled out or operated. The relevant units should use the methods of business analysis or product analysis to identify the sources of market risks, define the market risk factors of each financial commodity and make appropriate specifications.

Market risk measurement can use a variety of effective measures to properly measure risk, including but not limited to the following methods: Statistical basis measures, sensitivity analysis and situational analysis. The risk management department should measure the risk of the site on a daily basis and conduct regular stress tests to measure the amount of abnormal losses that may occur in the current extremes or historical extremes.

ii. Monitoring and reporting

The risk management department should report to the risk management committee and the board of directors regularly on the implementation of the Bank's market risk management, including the Bank's market risk location, risk level, profit and loss status, quota usage and compliance with relevant market risk management regulations and suggestions. The authorities also set up relevant limit management, stop loss mechanism, overrun treatment and exception management methods to effectively monitor market risks. In the event of an overrun or exception, it should be notified immediately to facilitate the immediate response.

d) Interest rate risk

i. Definition of interest rate risk

Interest rate risk refers to the change in interest rate, which causes the Bank to bear the risk of changes in the fair value of the interest rate risk or the loss of surplus liquidity. The main sources of risk include deposits and interest rate-related securities.

ii. Measurement methods and management procedures

The Bank monitors the interest rate risk system, sets the scope of the indicators to regularly monitor and report the results to the asset and liability management committee, the risk management committee and the board of directors, and adjusts according to the overall operating conditions of the Bank. In addition, the Bank measures the interest rate risk by DV01, assuming that the interest rate curve has a parallel shift of 100 basis points, the degree of impact on earnings and equity is used to control the interest rate risk.

iii. The effect of interest rate benchmark reform

For the financial instruments of the Bank affected by changes in interest rate benchmark, the linked indicator interest rates include USD LIBOR. It is expected that the US Secured Overnight Financing Rate (SOFR) will replace the USD LIBOR. However, there is a fundamental difference between the replacement interest rate and LIBOR. LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes inter-bank credit discounts. Each alternative interest rate is a retrospective interest rate indicator calculated with reference to actual transaction data, and does not include a credit discount. Therefore, when an existing contract is modified from a linked LIBOR to a linked alternative interest rate, additional adjustments must be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

The Bank has formulated a LIBOR conversion plan to deal with risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues that are required to meet the changes in interest rate benchmark.

As of December 31, 2023, the Bank no longer has any the financial instruments that have been affected by the change in interest rate benchmark and have not yet converted (do not have the conversion clause) to alternative interest rate benchmark.

e) Exchange rate risk

i. Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from the conversion of two different currencies at different times. The Bank’s exchange rate risk is mainly due to the changes in spot and forward foreign exchange of the business. Since the foreign exchange transactions are mostly based on the principle of flattening the customer’s position for the day, the exchange rate risk is relatively small.

ii. Measurement methods and management procedures

The Bank adopts the quota management mechanism for the exchange rate risk system, sets the business quota and overnight limit for each currency, controls the maximum net foreign exchange position that can be held by all levels of personnel, and sets the maximum transaction amount according to the counterparty, and monitors it regularly. The results will be reported to the risk management committee and the board of directors for discussion.

In addition, the Bank assumes that the exchange rate of USD/NTD, CNY/NTD, and AUD/NTD is relatively revaluated/depreciated by 3%, and the degree of impact on earnings and equity controls the exchange rate risk.

f) Equity securities price risk

i. Definition of equity securities price risk

The market risk of the Bank's equity securities is the individual risk arising from changes in the market price of individual equity securities and the general market risk arising from changes in the overall market price. The main risks include listed shares and beneficiary certificates.

ii. Measurement methods and management procedures

The Bank adopts a quota management mechanism for the equity securities price risk, ensuring that all levels are traded within the authorized amount, and sets up relevant mechanisms for stop loss control, and regularly reports the monitoring results to the risk management committee and the board of directors for discussion.

In addition, the Bank assumes that when the price of equity securities rises/falls by 15%, the degree of impact on earnings and equity controls the risk of equity securities.

g) Market risk sensitivity analysis

<u>Interest risk</u>

The Bank assumed that when other change factors remain unchanged, if the yield curve increased/decreased by 100 basis points, the income before income tax of the Bank as of December 31, 2023 and 2022 would have increased/decreased by $598,835 thousand and $709,181 thousand, respectively, and other equity would have decreased/increased by $3,244,759 thousand and $1,621,370 thousand, respectively.

<u>Exchange rate risk</u>

The Bank assumed that when other change factors remain unchanged, if the exchange rate of USD/NTD, CNY/NTD, and AUD/NTD appreciated/depreciated by 3%, the income before income tax as of December 31, 2023 and 2022 would have increased/decreased by $117,501 thousand and $98,017 thousand, respectively, and other equity would have increased/decreased by $380,469 thousand and $108,835 thousand, respectively.

<u>Equity securities price risk</u>

The Bank assumed that when other change factors remain unchanged, if the price of equity securities increased/decreased by 15%, the income before income tax as of December 31, 2023 and 2022 would have increased/decreased by $197,251 thousand and $91,362 thousand, respectively, and other equity would have increased/decreased by $804,996 thousand and $676,907 thousand, respectively.

The summary of sensitivity analysis was as follows:

December 31, 2023			
Main Risk	**Range of Change**	**Influence Amount**	
		Other Equity	**Income**
Interest risk	Interest rate curve rises 100BPS	$ (3,244,759)	$ 598,835
	Interest rate curve falls 100BPS	3,244,759	(598,835)
Exchange rate risk	USD/NTD, CNY/NTD, AUD/NTD increase by 3% respectively	380,469	117,501
	USD/NTD, CNY/NTD, AUD/NTD decrease by 3% respectively	(380,469)	(117,501)
Equity securities price risk	Equity securities prices rise by 15%	804,996	197,251
	Equity securities prices fall by 15%	(804,996)	(197,251)

December 31, 2022			
Main Risk	**Range of Change**	**Influence Amount**	
		Other Equity	**Income**
Interest risk	Interest rate curve rises 100BPS	$ (1,621,370)	$ 709,181
	Interest rate curve falls 100BPS	1,621,370	(709,181)
Exchange rate risk	USD/NTD, CNY/NTD, AUD/NTD increase by 3% respectively	108,835	98,017
	USD/NTD, CNY/NTD, AUD/NTD decrease by 3% respectively	(108,835)	(98,017)
Equity securities price risk	Equity securities prices rise by 15%	676,907	91,362
	Equity securities prices fall by 15%	(676,907)	(91,362)

2) Credit risk

a) The source and definition of credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Bank. Credit risk exists in both on and off-balance sheet items. The on-balance sheet exposures to credit risks are mainly from notes discounted and loans, the credit card business, due from other banks and call loans to other banks, acceptance, investment in debt instrument and derivatives. The off-balance sheet exposures to credit risks are mainly from financial guarantees, letter of credits and loan commitments.

b) Credit risk management policy

Before launching new products or businesses, the Bank ensures compliance with all applicable rules and regulations and identifies relevant credit risks. On December 31, 2023, the ratio of loans with collateral to the total amount of loans was approximately 74%. The ratio of financing guarantees to commercial letters of collateral holdings was approximately 24%, and the collateral required for loans, loan commitments or guarantees is usually in the forms of cash, inventories, liquid securities or other property in circulation. If the customers default, the Bank will execute its rights on collateral in accordance with the terms of contracts.

c) Credit risk management program

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

i. Loans business (including loan commitment and guarantees)

i) Determination that credit risk has increased significantly since the initial recognition.

The Bank 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 Bank considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information). The main considerations include:

<u>Quantitative indicators</u>

- Changes in external credit ratings of Taiwan Corporate Credit Rating Index (TCRI)

  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 been significantly increased since the initial recognition.

- Information on overdue status

  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 the initial recognition.

<u>Qualitative indicators</u>

- Unfavorable changes in the current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform debt obligations.

- Significant changes in actual or expected results of the debtor's operations.

- The credit risk of other financial instruments from the same debtor has increased significantly.

ii) 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 Bank determines that the financial asset has defaulted and becomes credit impaired:

<u>Quantitative indicators</u>

- Changes in external TCRI credit ratings

  The TCRI rating of the listed cabinet company is default grade, which means that the credit has been deducted since the initial recognition.

- Information on overdue status

  When the contract amount is overdue for more than three months, it is determined that the credit of the financial asset has been impaired since the initial recognition.

<u>Qualitative indicators</u>

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:

- The debtor has gone bankrupt or may have called for bankruptcy or financial restructuring.

- Other debt instrument contracts of the debtor have defaulted.

- 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.

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

iii) Measurement of expected credit losses

In order to assess the expected credit losses, the Bank divides the credit assets into the following combinations according to the credit risk characteristics such as the use of borrowing, industrial nature, collateral type and borrowing status.

Product Portfolio	
Corporation loans	Corporation loans - secured
	Corporation loans - unsecured
Consumer loans	House mortgage
	Consumer loans - secured
	Consumer loans - unsecured
	Credit loans
	Debit card
	Credit card

The Bank evaluates loss allowance of financial assets, which credit risk does not significantly increase after initial recognition based on 12 months expected credit losses. The Bank evaluates loss allowance of financial assets, which credit risk significantly increases after initial recognition based on lifetime expected credit losses.

In order to evaluate expected credit losses, the Bank takes into consideration the debtor's probability of default ("PD") within the next 12 months and lifetime, which includes the loss given default ("LGD"), the results are then multiplied by the exposure at default ("EAD"), while also considering the effect of time value of money to calculate the expected credit losses during the duration of 12 months and lifetime separately.

PD is the default percentage of a borrower. LGD is the loss ratio once a borrower defaults. The Bank applied PD and LGD to evaluate loan business impairment based on each portfolio's historical information calculated internally (i.e., credit loss experience), and adjusted historical data based on current observable information and forward-looking macroeconomic information calculated by using packet direct estimation method.

The Bank evaluates the loan default risk by using packet direct estimation method. The Bank calculates 12 months and lifetime ECLs of financing commitment based on packet direct estimation method. The Bank uses credit conversion factor to calculate the portion of financing commitment expected to be used in 12 months after record date and the credit duration to calculate the default exposure amount of ECLs.

Consideration of forward-looking estimation

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

ii. Debt instrument investment

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

The securities held by the Bank recognize the expected credit losses according to the expected credit losses during 12 months or lifetime of financing commitment. The credit quality of the Bank's judgment securities was as follows:

i) The determination that the credit risk has increased significantly since the initial recognition

The Bank assesses the change in the probability of default of debt instrument investment 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 Bank considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition. The main considerations include:

Quantitative indicators

- At the time of initial recognition, the issuer's credit rating is above the investment grade, but at the financial reporting date, the issuer's credit rating is reduced to a non-investment grade.

- For debt instrument investments on the initial recognition date, the issuer's credit rating is below the non-investment grade and the credit rating on the reporting day has not changed.

- When the issuer's credit rating is a non-investment grade, the reported daily credit rating is reduced to a certain extent.

<u>Qualitative indicators</u>

- The credit rating of the issuer indicates that its credit risk has increased significantly.

- The fair value of the debt instrument investment is significantly and adversely changed on the reporting date.

ii) 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 impaired.

<u>Quantitative indicators</u>

- Debt instrument investment is the credit impairment bond when it is purchased.

- The default rate for credit rating of the issuer or debt instrument investment will be adjusted on the reporting day.

<u>Qualitative indicators</u>

- 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.

- The issuer or the guarantee institution has ceased operations or has applied for reorganization, bankruptcy, dissolution, and sale of major assets that have a significant impact on the Bank's continued operations.

<u>Measurement of expected credit losses</u>

- In order to evaluate expected credit losses, the Bank takes into consideration the debtor's probability of default ("PD") within the next 12 months, which includes the loss given default ("LGD"), the results are then multiplied by the exposure at default ("EAD"), while also considering the effect of time value of money to calculate the expected credit losses during the duration of 12 months.

- 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 for a significant increase in credit risk since the initial recognition, to determine whether the financial instrument's credit risk has increased significantly since the initial recognition.

  - Those who meet the normal credit risk status will estimate the expected loss amount based on the one-year probability of default (PD).

- Those who meet the significant increase in credit risk status must consider the duration of the asset project and calculate the probability of default (PD) for each duration. 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 amount of credit loss, and if the cash flow of each period cannot be assessed, and the current risk calculation method is used it.

- Those who meet the abnormal credit risk status are considered to be 100%, and will not consider the probability of default in each duration. Only consider the relevant recoverable amount and evaluate the overall expected credit loss amount.

- Debt instrument investment probability of default is the value released by external credit rating agencies, which implies the possibility of future market fluctuations.

d) Credit risk hedging or mitigation policies

i. Collaterals

The Bank implements a series of policies and measures to reduce credit risks when granting of credit. One of the commonly used methods is to require borrowers to provide collaterals. To enforce the rights to collaterals, the Bank manages and assesses the collaterals according to the procedures adopted in determining the scope of collateralization and valuation of collaterals.

The main types of collateral for granting credit are as follows:

i) Real estate.

ii) Chattels and rights of pledge.

iii) Guarantee from external agency.

To enhance guarantee of transaction risk, the Bank’s demand for collaterals depends on the nature of derivative transactions as follows:

i) Guarantee of amount invested: Asking different ratio of guarantee based on the credit rating scale of clients.

ii) Guarantee of high-risk transactions: Asking for collaterals when option contracts are under resale agreement.

iii) Performance bond (loss on investment position): Asking for collaterals when loss on investment position exceeds the limit of approved market value.

The Bank closely observed the value of pledged financial assets and evaluated which financial assets had been impaired in order to recognize allowance for impairment. Credit-impaired financial assets and its pledged values which eliminate potential loss, are as follows:

December 31, 2023

	Total Carrying Amount	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Financial assets that were impaired				
Notes discounted and loans	$ 7,473,198	$ (1,464,248)	$ 6,008,950	$ 6,008,950
Receivables	475,084	(113,453)	361,631	339,314
Guarantees and letters of credit	106,609	(37,095)	69,514	46,927
Debt instrument	8,378	(8,378)	-	-
Others	53,019	(10,239)	42,780	-
Total financial assets that were impaired	$ 8,116,288	$ (1,633,413)	$ 6,482,875	$ 6,395,191

December 31, 2022

	Total Carrying Amount	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Financial assets that were impaired				
Notes discounted and loans	$ 7,187,918	$ (1,634,126)	$ 5,553,792	$ 5,553,792
Receivables	530,083	(108,998)	421,085	418,272
Guarantees and letters of credit	90,196	(34,996)	55,200	37,864
Debt instrument	8,380	(8,380)	-	-
Others	79,019	(11,897)	67,122	-
Total financial assets that were impaired	$ 7,895,596	$ (1,798,397)	$ 6,097,199	$ 6,009,928

ii. Credit risk concentration limits and control

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

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

In addition, to manage the concentration risk of the financial assets, the Bank has set credit limits by industry, conglomerate, country and transactions collateralized by shares, and integrated within one system to supervise the concentration of credit risk in these categories. The Bank monitors concentration of each asset and controls various types of credit risk concentration in a single transaction involving counterparties, Banks, related-party corporations, industries and nations.

iii. Other credit enhancements

To reduce its credit risks, the Bank stipulates in its credit contracts the term for offsetting which clearly stated that the Bank reserves the right to offset the borrowers' debt against their deposits in the Bank.

e) Maximum exposure to credit risk

The maximum exposures of assets on the balance sheets to credit risks without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument were as follows:

	December 31	
	2023	**2022**
Irrevocable loan commitments	$ 17,858,544	$ 11,709,253
Credit card commitments	14,759,255	14,958,648
Guarantee receivables	30,437,196	27,269,501
Letters of credit	3,813,732	3,350,494

The management of the Bank believes their abilities to minimize the credit risk exposures of the off-balance sheet items are mainly attributed to their rigorous evaluation of extended credit and the periodic reviews of these credits.

f) Credit risk concentration of the Bank

When the counterparty of financial product transactions is concentrated on one person, or when there are several counterparties but they are mostly engaged in similar economic activities and have similar economic characteristics, causing their abilities to fulfill contract obligations to be similarly affected by economic or other situations, credit risk concentration is deemed to have occurred. The characteristics of significant credit risk concentration include the nature of the debtor's activities. The Bank's transactions are not concentrated on a single customer or counterparty but spread among counterparties with similar industry types and operating regions. The contract amounts of significant credit risk concentration were as follows:

	December 31	
Object	**2023**	**2022**
Private enterprise	$ 285,849,351	$ 274,998,423
Natural person	286,604,555	269,785,201
Government agencies	1,473,625	1,262,000
Others	5,928,101	2,605,667
	$ 579,855,632	$ 548,651,291

Credit Risk Profile by Bank or Industry	December 31 2023	December 31 2022
Natural person	$ 286,604,555	$ 269,785,201
Manufacturing	76,390,073	78,116,549
Commercial	50,436,069	51,134,648
Real estate and leasing	82,310,998	71,796,188
Construction industry	29,423,541	25,125,501
Servicing	10,541,350	10,369,423
Finance and insurance	20,842,262	23,778,072
Transportation warehousing and information communication	9,078,361	8,579,916
Others	14,228,423	9,965,793
	$ 579,855,632	$ 548,651,291

Credit Risk Profile by Region	December 31 2023	December 31 2022
Domestic	$ 546,960,831	$ 517,474,408
Asia	20,515,868	19,080,562
North America	7,053,277	9,297,320
Others	5,325,656	2,799,001
	$ 579,855,632	$ 548,651,291

Credit Risk Profile by Collateral	December 31 2023	December 31 2022
Unsecured	$ 99,428,830	$ 91,415,488
Secured		
Real estate	427,303,667	405,658,238
Letter of bank guarantee	17,705,647	17,280,784
Debenture	17,769,006	18,955,531
Chattel	4,402,668	3,389,279
Notes receivable	2,484,120	1,661,919
Shares	6,514,245	5,932,129
Others	4,247,449	4,357,923
	$ 579,855,632	$ 548,651,291

g) Write-off policy

If one of the following events have occurred, overdue loans and delinquent receivables should have the estimated recoverable amount deducted and should then be written off as bad debt:

- The debtor may not recover all or part of the obligatory claim due to dissolution, disappearance, settlement, bankruptcy or other reasons.

- The appraisal value of collateral and asset of the main and subordinate debtors are very low, or the compensation is not available after deducting the amount of the first mortgage, or it is not beneficial that execution fee is close to or may exceed the Bank’s reimbursable amount.

- The collateral and the assets of the main and subordinate debtors are auctioned off at multiple auctions, of which the Bank did not receive any benefit.

- Overdue loans and delinquent receivables which have been overdue for more than 2 years have been collected but not yet received.

- The minimum payable amount of credit card which is overdue for six months that should be written off in three months.

h) Information of credit quality

i. Notes discounted, loans and receivables

December 31, 2023

	Notes Discounted and Loans				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 253,364,538	$ 3,554,650	$ 4,765,071	$ -	$ 261,684,259
Consumer loans	271,608,203	11,592,785	2,708,025	-	285,909,013
Others	10,373	278	102	-	10,753
Total carrying amount	524,983,114	15,147,713	7,473,198	-	547,604,025
Allowance for doubtful accounts	(2,144,409)	(963,707)	(1,464,248)	-	(4,572,364)
Difference of impairment loss under regulations	-	-	-	(2,708,150)	(2,708,150)
	$ 522,838,705	$ 14,184,006	$ 6,008,950	$ (2,708,150)	$ 540,323,511

	Receivables				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 1,310,528	$ 21,807	$ 412,130	$ -	$ 1,744,465
Consumer loans	1,044,346	36,471	34,858	-	1,115,675
Others	76,229,428	1	28,096	-	76,257,525
Total carrying amount	78,584,302	58,279	475,084	-	79,117,665
Allowance for doubtful accounts	(20,491)	(4,583)	(113,453)	-	(138,527)
Difference of impairment loss under regulations	-	-	-	(97,865)	(97,865)
	$ 78,563,811	$ 53,696	$ 361,631	$ (97,865)	$ 78,881,273

	Irrevocable Loan Commitments				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 16,573,981	$ -	$ 53,019	$ -	$ 16,627,000
Consumer loans	1,231,544	-	-	-	1,231,544
Total carrying amount	17,805,525	-	53,019	-	17,858,544
Allowance for doubtful accounts	(109,854)	-	(10,239)	-	(120,093)
Difference of impairment loss under regulations	-	-	-	(8,567)	(8,567)
	$ 17,695,671	$ -	$ 42,780	$ (8,567)	$ 17,729,884

	Credit Card Commitments				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Consumer loans	$ 14,673,946	$ 85,309	$ -	$ -	$ 14,759,255
Total carrying amount	14,673,946	85,309	-	-	14,759,255
Allowance for doubtful accounts	(4,852)	(1,902)	-	-	(6,754)
Difference of impairment loss under regulations	-	-	-	(628)	(628)
	$ 14,669,094	$ 83,407	$ -	$ (628)	$ 14,751,873

	Guarantee Receivables				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 30,237,516	$ 88,071	$ 106,609	$ -	$ 30,432,196
Consumer loans	5,000	-	-	-	5,000
Total carrying amount	30,242,516	88,071	106,609	-	30,437,196
Allowance for doubtful accounts	(217,243)	(5,638)	(37,095)	-	(259,976)
Difference of impairment loss under regulations	-	-	-	(47,287)	(47,287)
	$ 30,025,273	$ 82,433	$ 69,514	$ (47,287)	$ 30,129,933

	Letters of Credit				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 3,813,732	$ -	$ -	$ -	$ 3,813,732
Total carrying amount	3,813,732	-	-	-	3,813,732
Allowance for doubtful accounts	(9,815)	-	-	-	(9,815)
Difference of impairment loss under regulations	-	-	-	(3,208)	(3,208)
	$ 3,803,917	$ -	$ -	$ (3,208)	$ 3,800,709

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	Notes Discounted and Loans				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 241,988,675	$ 3,782,198	$ 4,754,053	$ -	$ 250,524,926
Consumer loans	256,289,860	10,261,353	2,433,710	-	268,984,923
Others	23,037	498	155	-	23,690
Total carrying amount	498,301,572	14,044,049	7,187,918	-	519,533,539
Allowance for doubtful accounts	(2,055,379)	(1,156,156)	(1,634,126)	-	(4,845,661)
Difference of impairment loss under regulations	-	-	-	(1,808,648)	(1,808,648)
	$ 496,246,193	$ 12,887,893	$ 5,553,792	$ (1,808,648)	$ 512,879,230

	Receivables				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 1,161,296	$ 36,027	$ 462,625	$ -	$ 1,659,948
Consumer loans	995,326	29,526	39,680	-	1,064,532
Others	68,089,517	4	27,778	-	68,117,299
Total carrying amount	70,246,139	65,557	530,083	-	70,841,779
Allowance for doubtful accounts	(18,474)	(5,321)	(108,998)	-	(132,793)
Difference of impairment loss under regulations	-	-	-	(91,034)	(91,034)
	$ 70,227,665	$ 60,236	$ 421,085	$ (91,034)	$ 70,617,952

	Irrevocable Loan Commitments				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 10,318,566	$ -	$ 79,019	$ -	$ 10,397,585
Consumer loans	1,311,668	-	-	-	1,311,668
Total carrying amount	11,630,234	-	79,019	-	11,709,253
Allowance for doubtful accounts	(72,492)	-	(11,897)	-	(84,389)
Difference of impairment loss under regulations	-	-	-	(1,617)	(1,617)
	$ 11,557,742	$ -	$ 67,122	$ (1,617)	$ 11,623,247

	Credit Card Commitments				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Consumer loans	$ 14,888,343	$ 70,305	$ -	$ -	$ 14,958,648
Total carrying amount	14,888,343	70,305	-	-	14,958,648
Allowance for doubtful accounts	(5,295)	(1,648)	-	-	(6,943)
Difference of impairment loss under regulations	-	-	-	(439)	(439)
	$ 14,883,048	$ 68,657	$ -	$ (439)	$ 14,951,266

	Guarantee Receivables				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 27,052,806	$ 126,499	$ 90,196	$ -	$ 27,269,501
Total carrying amount	27,052,806	126,499	90,196	-	27,269,501
Allowance for doubtful accounts	(193,788)	(20,588)	(34,996)	-	(249,372)
Difference of impairment loss under regulations	-	-	-	(26,591)	(26,591)
	$ 26,859,018	$ 105,911	$ 55,200	$ (26,591)	$ 26,993,538

	Letters of Credit				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 3,150,494	$ 200,000	$ -	$ -	$ 3,350,494
Total carrying amount	3,150,494	200,000	-	-	3,350,494
Allowance for doubtful accounts	(8,267)	(9,214)	-	-	(17,481)
Difference of impairment loss under regulations	-	-	-	(343)	(343)
	$ 3,142,227	$ 190,786	$ -	$ (343)	$ 3,332,670

ii. Debt instrument investments

December 31, 2023

	Financial Assets at FVTOCI			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Product category (Note)				
Investment grade bond	$ 59,355,080	$ -	$ -	$ 59,355,080
Non-investment grade bond	-	-	-	-
Total carrying amount	59,355,080	-	-	59,355,080
Allowance for impairment	(33,941)	-	-	(33,941)
Difference of impairment loss under regulations	-	-	-	-
	$ 59,321,139	$ -	$ -	$ 59,321,139

	Investments in Debt Instruments at Amortized Cost			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Product category (Note)				
Investment grade bond	$ 63,327,503	$ -	$ -	$ 63,327,503
Non-investment grade bond	-	-	8,378	8,378
Others (NCDs issued by the CBC)	49,249,411	-	-	49,249,411
Total carrying amount	112,576,914	-	8,378	112,585,292
Allowance for impairment	(31,548)	-	(8,378)	(39,926)
Difference of impairment loss under regulations	-	-	-	-
	$ 112,545,366	$ -	$ -	$ 112,545,366

Note: The bond rating is based on the original credit rating of Moody's, Fitch (Fitch), Standard & Poor's (S&P) and China Credit Rating.

The breakdown below shows the Bank's investments in debt instruments classified as financial assets at FVTOCI and financial assets at amortized cost:

December 31, 2023

	Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Total carrying amount	$ 59,590,634	$ 112,585,292
Loss allowance	(33,941)	(39,926)
Amortized cost	59,556,693	112,545,366
Fair value adjustment	(235,554)	-
	$ 59,321,139	$ 112,545,366

The Bank's current credit risk rating mechanism and the total carrying amount of the investments in debt instruments of each credit rating are as follows:

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Carrying Amount At December 31, 2023	
				Financial Assets at FVTOCI	Financial Assets at Amortized Cost
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%-0.53%	$ 59,590,634	$ 112,576,914
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 losses (credit impaired)	100%	-	8,378
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off		-	-

With respect to the Bank's investments in debt instruments at FVTOCI and at amortized cost information on the changes in their loss allowance summarized by credit risk rating is as follows:

	Credit Rating		
	Normal (12-Month Expected credit Losses)	**Abnormal (Lifetime ECL and not Credit Impaired)**	**Default (Lifetime ECL and Credit Impaired)**
Financial assets at FVTOCI			
Balance at January 1, 2023	$ 27,120	$ -	$ -
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	18,918	-	-
Disposal	(7,743)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(4,354)	-	-
Loss allowance at December 31, 2023	$ 33,941	$ -	$ -
Financial assets at amortized cost			
Balance at January 1, 2023	$ 22,742	$ 15,100	$ 8,380
Change in credit rating			
Normal turned to abnormal	15,100	(15,100)	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	15,345	-	-
Disposal	(7,982)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(13,657)	-	(2)
Loss allowance at December 31, 2023	$ 31,548	$ -	$ 8,378

December 31, 2022

	Financial Assets at FVTOCI			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Product category (Note)				
Investment grade bond	$ 40,103,103	$ -	$ -	$ 40,103,103
Non-investment grade bond	-	-	-	-
Total carrying amount	40,103,103	-	-	40,103,103
Allowance for impairment	(27,120)	-	-	(27,120)
Difference of impairment loss under regulations	-	-	-	-
	$ 40,075,983	$ -	$ -	$ 40,075,983

	Investments in Debt Instruments at Amortized Cost			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Product category (Note)				
Investment grade bond	$ 54,515,788	$ 1,402,240	$ -	$ 55,918,028
Non-investment grade bond	-	-	8,380	8,380
Others (NCDs issued by the CBC)	49,498,280	-	-	49,498,280
Total carrying amount	104,014,068	1,402,240	8,380	105,424,688
Allowance for impairment	(22,742)	(15,100)	(8,380)	(46,222)
Difference of impairment loss under regulations	-	-	-	-
	$ 103,991,326	$ 1,387,140	$ -	$ 105,378,466

Note: The bond rating is based on the original credit rating of Moody's, Fitch (Fitch), Standard & Poor's (S&P) and China Credit Rating.

The breakdown below shows the Bank's investments in debt instruments classified as financial assets at FVTOCI and financial assets at amortized cost:

December 31, 2022

	Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Total carrying amount	$ 41,327,887	$ 105,424,688
Loss allowance	(27,120)	(46,222)
Amortized cost	41,300,767	105,378,466
Fair value adjustment	(1,224,784)	-
	$ 40,075,983	$ 105,378,466

The Bank's current credit risk rating mechanism and the carrying amount value of the investments in debt instruments of each credit rating are as follows:

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Carrying Amount At December 31, 2022	
				Financial Assets at FVTOCI	Financial Assets at Amortized Cost
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%-0.06%	$ 41,327,887	$ 104,014,068
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition.	Lifetime expected credit losses (no credit impaired)	0.83%-1.32%	-	1,402,240
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit losses (credit impaired)	100%	-	8,380
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off		-	-

With respect to the Bank's investments in debt instruments at FVTOCI and at amortized cost information on the changes in their loss allowance summarized by credit risk rating is as follows:

	Credit Rating		
	Normal (12-Month Expected credit Losses)	**Abnormal (Lifetime ECL and not Credit Impaired)**	**Default (Lifetime ECL and Credit Impaired)**
Financial assets at FVTOCI			
Balance at January 1, 2022	$ 29,891	$ -	$ -
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	639	-	-
Disposal	(1,657)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(1,753)	-	-
Loss allowance at December 31, 2022	$ 27,120	$ -	$ -
Financial assets at amortized cost			
Balance at January 1, 2022	$ 23,109	$ -	$ 7,554
Change in credit rating			
Normal turned to abnormal	(15,100)	15,100	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	7,336	-	-
Disposal	(7,078)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	14,475	-	826
Loss allowance at December 31, 2022	$ 22,742	$ 15,100	$ 8,380

3) Liquidity risk

a) The source and definition of liquidity risk:

Liquidity risk refers to the potential loss resulting from the shortage of funds in acquiring assets or repaying debts on maturity, such as the cash outflow arising from the depositors' withdrawal of deposits, loan drawdown, other interest, expenses, or off-balance sheet transactions. To ensure sufficient capital liquidity, measures that can be taken include enough cash buffer in shares or readily realizable marketable securities, allocation of the period, absorbing deposits or financing borrowing, etc.

b) The Bank's liquidity risk policies

The Bank establishes a strategy based on the conservatism principle to diversify the source and duration of funds, participates in the fund's lending market and maintains strong relationship with fund providers to ensure the stability and reliability of funding sources.

The Bank formulates relevant standards including risk identification, measurement, monitoring and reporting in order to control and grasp the potential adverse effects, regularly performs stress tests and analyzes the crisis situation to mitigate the impact of excessive capital flows, establishes a limit monitoring mechanism, and sets management indicators such as liquidity ratios, cash flow gaps, etc.

The Bank's liquidity risk management unit is the Asset and Liability Management Committee (hereinafter referred to as the "Committee"). The Committee must adopt necessary monitoring steps to maintain adequate liquidity and ensure that certain committees should regularly report to the board of directors for effective management of liquidity risks.

Maturity analysis of non-derivative financial liabilities

The Bank disclosed the analysis of cash outflows from non-derivative financial liabilities by the residual maturities as of the balance sheet date. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown on the balance sheets.

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 11,602,768	$ -	$ 730	$ 11,970	$ -	$ 11,615,468
Securities sold under repurchase agreements	5,206,532	620,716	-	-	-	5,827,248
Payables	8,593,088	1,615,251	107,285	621,350	331,695	11,268,669
Deposits and remittances	76,314,414	91,733,110	91,858,923	172,016,956	300,445,050	732,368,453
Bank debentures	-	-	-	77,820	16,500,000	16,577,820
Lease liabilities	14,818	29,637	43,905	86,874	886,242	1,061,476
Other items of cash outflow on maturity	6,664	6,958	27,532	316,054	3,899,185	4,256,393

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 8,702,273	$ -	$ 730	$ 737	$ -	$ 8,703,740
Payables	7,994,187	528,686	517,087	204,253	249,877	9,494,090
Deposits and remittances	59,293,151	93,958,189	122,852,717	124,174,789	285,517,592	685,796,438
Bank debentures	-	-	-	71,967	16,500,000	16,571,967
Lease liabilities	12,458	25,012	35,033	68,869	666,457	807,829
Other items of cash outflow on maturity	18,722	43,214	784,029	124,773	3,448,972	4,419,710

Maturity analysis of derivative financial liabilities

a) Derivative instruments settled at net amount

Derivative instruments settled at net amount include:

Foreign exchange derivative instruments: Foreign exchange forward contracts.

The Bank assesses the maturity dates of derivative contracts to understand the basic elements of all derivative financial instruments shown on the balance sheets. The amounts used in the balance sheets are based on contractual cash flows. Therefore, some amounts may not correspond to the amounts shown on the balance sheets. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivative	$ 71,178	$ 74,330	$ 104,523	$ 51,317	$ -	$ 301,348

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivative	$ 58,272	$ 125,454	$ 116,544	$ 85,040	$ -	$ 385,310

b) Derivative instruments settled at gross amount

The derivative instruments settled at gross amount include:

Foreign exchange derivatives instruments: Foreign exchange forward contracts and cross-currency swap contracts.

The Bank disclosed the analysis of derivative instruments to be settled at gross amount by the residual maturities as of the balance sheet date. The Bank assesses the maturity dates of derivative contracts to understand the basic elements of all derivative financial instruments shown in the balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown on the balance sheets. The maturity analysis of derivative financial liabilities to be settled at gross amount was as follows:

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivative						
Outflows	$ 41,435,207	$ 31,075,829	$ 3,583,548	$ 12,246,113	$ -	$ 88,340,697
Inflows	40,557,512	30,359,075	3,448,072	11,864,271	-	86,228,930
Total outflows	41,435,207	31,075,829	3,583,548	12,246,113	-	88,340,697
Total inflows	40,557,512	30,359,075	3,448,072	11,864,271	-	86,228,930
Net flows	$ (877,695)	$ (716,754)	$ (135,476)	$ (381,842)	$ -	$ (2,111,767)

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivative						
Outflows	$ 17,935,625	$ 7,870,492	$ 2,694,326	$ 910,033	$ -	$ 29,410,476
Inflows	17,720,731	7,598,820	2,595,045	863,855	-	28,778,451
Total outflows	17,935,625	7,870,492	2,694,326	910,033	-	29,410,476
Total inflows	17,720,731	7,598,820	2,595,045	863,855	-	28,778,451
Net flows	$ (214,894)	$ (271,672)	$ (99,281)	$ (46,178)	$ -	$ (632,025)

4) Maturity analysis of off-balance-sheet items

The following table shows the Bank's maturity analysis of off-balance sheet items based on the residual maturities from the balance sheets. For the financial guarantee contract issued, the maximum amount of guarantee is included in the earliest period that may be required to perform the guarantee. The amounts in the table below were prepared on contractual cash flow basis; therefore, some disclosed amounts would not match with the balance sheets.

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitment	$ 9,929,270	$ 21,454,892	$ 37,547,101	$ 70,202,205	$ 68,784,295	$ 207,917,763
Letters of credit	1,681,152	1,744,003	382,161	6,416	-	3,813,732
Guarantee receivables	6,982,654	4,169,771	2,259,268	3,866,828	13,158,675	30,437,196
Total	$ 18,593,076	$ 27,368,666	$ 40,188,530	$ 74,075,449	$ 81,942,970	$ 242,168,691

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitment	$ 9,837,095	$ 19,810,438	$ 31,619,264	$ 70,681,639	$ 54,419,920	$ 186,368,356
Letters of credit	966,386	2,083,566	288,243	12,299	-	3,350,494
Guarantee receivables	4,810,563	6,111,423	1,167,508	3,306,319	11,873,688	27,269,501
Total	$ 15,614,044	$ 28,005,427	$ 33,075,015	$ 74,000,257	$ 66,293,608	$ 216,988,351

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

The floating-rate assets/liabilities held by the Bank may be exposed to risks of future cash inflow/outflow. Since the risk is considered substantial, it is therefore hedged by the Bank.

38. TRANSFERS OF FINANCIAL ASSETS

The Transferred Financial Assets That Do not Qualify for Derecognition

Most of the transferred financial assets of the Bank that are not derecognized in their entirety are securities sold under repurchase agreements. According to these transactions, the right of receiving cash flows from the transferred financial assets would be transferred to other entities and the associated liabilities of the Bank's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Bank is restricted to use, sell or pledge the transferred financial assets throughout the term of transaction, and is still exposed to interest rate risks and credit risks on these instruments, the transferred financial assets are not derecognized in their entirety. The details of financial assets that were not derecognized in their entirety and the associated financial liabilities were as follows:

December 31, 2023					
Category of Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Associated Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Associated Financial Liabilities**	**Fair Value of Net Position**
Financial assets at FVTOCI					
Securities sold under repurchase agreements	$ 182,810	$ 147,284	$ 162,089	$ 147,284	$ 14,805
Investments in debt instruments at amortized cost					
Securities sold under repurchase agreements	6,043,264	5,609,271	5,903,831	5,609,271	294,560

39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Bank 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 sheets.

The Bank 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 Bank and its counterparties to opt for the net settlement of financial assets and financial liabilities. If one party defaults, the other party may choose net settlement.

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

December 31, 2023

				Related Amounts Not Offset in the Balance Sheets		
Financial Assets	**Gross Amounts of Recognized Financial Assets**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets**	**Net Amounts of Financial Assets Presented in the Balance Sheets**	**Financial Instruments**	**Cash Collateral Received**	**Net Amount**
Securities purchased under resale agreements	$ 10,696,795	$ -	$ 10,696,795	$ 10,696,795	$ -	$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received	
Securities sold under repurchase agreements	$ 5,756,555	$ -	$ 5,756,555	$ 5,756,555	$ -	$ -

December 31, 2022

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received	
Securities purchased under resale agreements	$ 11,643,340	$ -	$ 11,643,340	$ 11,643,340	$ -	$ -

40. INFORMATION ABOUT THE BANK

a. Asset quality

Category (Items)			December 31, 2023 Non-performing Loan (Note 1)	Total Loan	NPL Ratio (Note 2)	Allowance For Loan Losses	Coverage Ratio (Note 3)	December 31, 2022 Non-performing Loan (Note 1)	Total Loan	NPL Ratio (Note 2)	Allowance For Loan Losses	Coverage Ratio (Note 3)
Corporate loans	Secured		$ 262,155	$ 155,084,145	0.17%	$ 2,148,434	819.53%	$ 356,934	$ 151,757,965	0.24%	$ 1,742,917	488.30%
	Unsecured		40,748	106,600,114	0.04%	1,612,376	3,956.95%	26,809	98,766,960	0.03%	1,618,539	6,037.30%
Consumer loans	Mortgage (Note 4)		221,953	82,297,524	0.27%	1,241,832	559.50%	135,497	72,455,523	0.19%	1,086,696	802.01%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Microcredit (Note 5)		1,361	673,649	0.20%	8,690	638.50%	2,086	928,828	0.22%	12,337	591.42%
	Other (Note 6)	Secured	219,602	166,961,744	0.13%	1,848,250	841.64%	229,450	161,245,185	0.14%	1,706,989	743.95%
		Unsecured	32,567	35,976,096	0.09%	420,932	1,292.51%	31,468	34,355,388	0.09%	486,831	1,547.07%
Loans			778,386	547,593,272	0.14%	7,280,514	935.33%	782,244	519,509,849	0.15%	6,654,309	850.67%

Category (Items)	December 31, 2023 Overdue Receivable	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	December 31, 2022 Overdue Receivable	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card	$ 1,113	$ 770,844	0.14%	$ 20,188	1,813.84%	$ 1,196	$ 792,342	0.15%	$ 27,284	2,281.27%
Accounts receivable without recourse (Note 7)	-	144,660	-	7,905	-	-	148,925	-	7,906	-

Non-reportable overdue loans and receivables

	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)	$ 412	$ 255	$ 682	$ 502
Amount received from performance of debt negotiation program (Note 9)	8,019	12,128	9,284	13,990
Total	8,431	12,383	9,966	14,492

Note 1: The amount recognized as non-performing loans (NPL) is in compliance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". Non-performing credit loans represent the amounts of non-performing loans reported to the FSC, as required by the FSC in its letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Non-performing loan ratio = Non-performing loans ÷ Outstanding loan balance; Non-performing credit loan ratio = Non-performing 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 refers 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: Microcredit 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, microcredit, and credit cards.

Note 7: As required by the FSC in its letter dated July 19, 2005 (Ref No. 094000494), a provision for bad debts 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), the FSC pronouncement dated September 20, 2016 (Ref No. 10500134790).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Year	December 31, 2023		
Top 10 Rank (Note 1)	**Bank (Note 2)**	**Total Credit (Note 3)**	**Percentage of Net Worth (%)**
1	Bank A 016700 real estate development activities	$ 4,464,568	5.83
2	Bank B 016700 real estate development activities	4,052,468	5.30
3	Bank C 016700 real estate development activities	2,854,700	3.73
4	Bank D 016499 other financial intermediation	2,462,170	3.22
5	Bank E 012411 smelting and refining of iron and steel	2,429,343	3.17
6	Bank F 016700 real estate development activities	1,764,986	2.31
7	Bank G 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	1,707,194	2.23
8	Bank H 016700 real estate development activities	1,648,140	2.15
9	Bank I 014100 construction industry	1,497,104	1.96
10	Bank J 013822 hazardous waste treatment industry	1,462,326	1.91

Year	December 31, 2022		
Top 10 Rank (Note 1)	**Bank (Note 2)**	**Total Credit (Note 3)**	**Percentage of Net Worth (%)**
1	Bank A 016700 real estate development activities	$ 5,021,523	7.25
2	Bank K 016700 real estate development activities	3,790,746	5.48
3	Bank C 016700 real estate development activities	2,619,968	3.78
4	Bank L 014290 civil engineering constructions	2,145,417	3.10
5	Bank E 012411 smelting and refining of iron and steel	1,935,822	2.80
6	Bank H 016700 real estate development activities	1,828,917	2.64
7	Bank G 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	1,806,030	2.61
8	Bank I 014100 construction industry	1,800,380	2.60
9	Bank M 016499 manufacture of other electronic parts and components not elsewhere classified	1,694,364	2.45
10	Bank N 012630 printed circuit board manufacturing	1,677,686	2.42

Note 1: The ranking is arranged in descending order of the outstanding loan balance, excluding all the government entities and nation-owned enterprises. If the borrower is a member company of a Bank, then the disclosed amount will be the total granted loan amount for that entire Bank. (i.e., Bank A real estate development activities).

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

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

c. Interest rate sensitivity information

Interest Rate Sensitivity
December 31, 2023

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 561,918,709	$ 5,722,640	$ 7,699,476	$ 124,846,576	$ 700,187,401
Interest-sensitive liabilities	181,288,145	377,626,703	86,850,531	9,169,678	654,935,057
Interest sensitivity gap	380,630,564	(371,904,063)	(79,151,055)	115,676,898	45,252,344
Net equity					76,514,984
Ratio of interest-sensitive assets to liabilities					106.91%
Ratio of interest sensitivity gap to net equity					59.14%

December 31, 2022

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 533,316,870	$ 13,603,764	$ 13,332,755	$ 97,341,828	$ 657,595,217
Interest-sensitive liabilities	186,729,333	354,942,588	68,228,832	8,934,801	618,835,554
Interest sensitivity gap	346,587,537	(341,338,824)	(54,896,077)	88,407,027	38,759,663
Net equity					69,229,626
Ratio of interest-sensitive assets to liabilities					106.26%
Ratio of interest sensitivity gap to net equity					55.99%

Note 1: The above amounts included only the 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, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 1,563,571	$ 115,543	$ 54,594	$ 676,100	$ 2,409,808
Interest-sensitive liabilities	1,596,783	1,066,377	289,586	-	2,952,746
Interest sensitivity gap	(33,212)	(950,834)	(234,992)	676,100	(542,938)
Net equity					2,492,345
Ratio of interest-sensitive assets to liabilities					81.61%
Ratio of interest sensitivity gap to net equity					(21.78%)

December 31, 2022

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 1,580,836	$ 119,596	$ 29,367	$ 430,111	$ 2,159,910
Interest-sensitive liabilities	994,087	1,111,779	290,778	9,590	2,406,234
Interest sensitivity gap	586,749	(992,183)	(261,411)	420,521	(246,324)
Net equity					2,254,302
Ratio of interest-sensitive assets to liabilities					89.76%
Ratio of interest sensitivity gap to net equity					(10.93%)

Note 1: The above amounts included only the 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).

d. Profitability

Unit: %

Items		December 31, 2023	December 31, 2022
Return on total assets	Pretax	0.97	0.83
	After tax	0.82	0.69
Return on net equity	Pretax	11.06	9.76
	After tax	9.36	8.06
Profit margin		41.93	38.15

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.

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

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2023

(In Thousands of New Taiwan Dollars)

	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
Major capital inflow on maturity	$ 768,051,330	$ 82,704,794	$ 56,523,371	$ 45,533,005	$ 55,359,383	$ 117,023,970	$ 410,906,807
Major capital outflow on maturity	938,552,036	42,528,422	42,719,282	108,070,504	132,594,108	224,681,146	387,958,574
Gap	(170,500,706)	40,176,372	13,804,089	(62,537,499)	(77,234,725)	(107,657,176)	22,948,233

December 31, 2022

(In Thousands of New Taiwan Dollars)

	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
Major capital inflow on maturity	$ 719,581,681	$ 87,869,117	$ 46,318,450	$ 39,703,466	$ 67,850,512	$ 119,682,541	$ 358,157,595
Major capital outflow on maturity	869,931,286	35,110,040	41,863,762	102,458,862	163,273,569	162,255,702	364,969,351
Gap	(150,349,605)	52,759,077	4,454,688	(62,755,396)	(95,423,057)	(42,573,161)	(6,811,756)

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

Maturity Analysis of Assets and Liabilities
December 31, 2023

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Major capital inflow on maturity	$ 4,418,319	$ 1,285,574	$ 645,249	$ 257,721	$ 456,567	$ 1,773,208
Major capital outflow on maturity	5,118,011	1,848,710	1,086,478	668,124	1,052,599	462,100
Gap	(699,692)	(563,136)	(441,229)	(410,403)	(596,032)	1,311,108

December 31, 2022

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Major capital inflow on maturity	$ 3,331,509	$ 930,995	$ 647,289	$ 313,817	$ 190,396	$ 1,249,012
Major capital outflow on maturity	3,952,581	1,007,088	1,124,128	547,858	907,992	365,515
Gap	(621,072)	(76,093)	(476,839)	(234,041)	(717,596)	883,497

Note 1: The above amounts included only the 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.

41. CAPITAL MANAGEMENT

a. The purpose of capital management is to meet the criteria set by administration which is the basic goal of the Bank's capital management. The calculation method of the relevant qualified eligible capital and legal capital should be handled in accordance with the regulations of the competent authority.

   To maintain the ratio of eligible capital to risk-weighted assets above the target level, the capital management structure of the Bank should be properly planned depending on the conditions of capital market, the characteristics of various capital instruments, the efficiency of capital utilization and the impact of operational performance.

b. The Bank follows the relevant regulations of the competent authority and the internal operating procedures of the Bank, to regularly disclose relevant information on capital adequacy and report to the competent authority on a quarterly basis.

   Self-owned capital of the Bank is divided into Tier 1 capital and Tier 2 capital according to principles of capital adequacy management.

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

      a) The common equity Tier 1 capital consists of the common shares and additional paid-in capital in excess of par - common shares, 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 other items of interest.

      b) Additional Tier 1 capital consists of non-cumulative perpetual preferred shares and its capital share premium, the non-cumulative perpetual subordinated debts, the non-cumulative perpetual preferred shares and its capital share premium, and the non-cumulative perpetual subordinated debts which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

   2) Tier 2 capital

      The Tier 2 capital consists of cumulative perpetual preferred shares and its capital share premium, the cumulative perpetual subordinated debts, the convertible subordinated debts, the long-term subordinated debts, the non-perpetual preferred shares and its capital share premium, when applying International Financial Reporting Standards in real estate and using the fair value method or the re-estimated value method as the deemed cost for the first time, the difference in amount between the deemed cost and the carrying amount recognized in retained earnings, the 45% of unrealized gains on changes in the fair value of investment properties using the fair value method, as well as the 45% of unrealized gains on available-for-sale financial assets, the operational reserves and loan-loss provisions and the cumulative perpetual preferred shares and its capital share premium, the cumulative perpetual subordinated debts, the convertible subordinated debts, the long-term subordinated debts, and the non-perpetual preferred shares and its capital share premiums, which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

c. Capital adequacy ratio (CAR)

(Unit: In Thousands of New Taiwan Dollars, %)

<table>
<tr><th colspan="3">Year
Items</th><th>December 31, 2023</th><th>December 31, 2022</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Common equity</td><td>$ 74,594,605</td><td>$ 68,534,211</td></tr>
<tr><td colspan="2">Other Tier 1 capital</td><td>11,500,000</td><td>11,500,000</td></tr>
<tr><td colspan="2">Tier 2 capital</td><td>11,353,296</td><td>10,939,123</td></tr>
<tr><td colspan="2">Eligible capital</td><td>97,447,901</td><td>90,973,334</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standardized approach</td><td>586,497,168</td><td>536,222,128</td></tr>
<tr><td>Internal ratings - based approach</td><td>-</td><td>-</td></tr>
<tr><td>Securitization</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>26,724,513</td><td>23,273,750</td></tr>
<tr><td>Standardized approach/alternative standardized approach</td><td>-</td><td>-</td></tr>
<tr><td>Advanced measurement approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standardized approach</td><td>16,519,900</td><td>10,992,988</td></tr>
<tr><td>Internal model approach</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Risk-weighted assets</td><td>629,741,581</td><td>570,488,866</td></tr>
<tr><td colspan="3">Capital adequacy ratio (%)</td><td>15.47%</td><td>15.95%</td></tr>
<tr><td colspan="3">Ratio of common equity to risk-weighted assets (%)</td><td>11.85%</td><td>12.01%</td></tr>
<tr><td colspan="3">Ratio of Tier 1 capital to risk-weighted assets (%)</td><td>13.67%</td><td>14.03%</td></tr>
<tr><td colspan="3">Leverage ratio (%)</td><td>9.44%</td><td>9.53%</td></tr>
</table>

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

Note 2: Annual financial statements should include capital adequacy ratio of the current and prior year. Semi-annual financial statements in addition to exposing the current and prior year’s financial status, should also include the capital adequacy ratio at the end of prior year.

Note 3: Formulas used were as follows:

1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

Note 4: Exempt from disclosure in the preparation of the first and third quarters of the financial reports.

42. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Details of significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2023						
	USD	CNY	JPY	AUD	EUR	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 11,916,587	$ 1,691,092	$ 1,163,143	$ 161,960	$ 578,842	$ 552,090	$ 16,063,714
Due from the Central Bank and call loans to other banks	1,240,280	86,520	-	-	-	439,105	1,765,905
Financial assets at fair value through profit or loss	1,595,572	-	-	-	-	54,356	1,649,928
Financial assets at fair value through other comprehensive income	7,655,047	1,122,688	-	7,785,503	711,874	767,171	18,042,283
Notes discounted and loans	30,609,277	2,250,650	597,442	1,374,190	555,224	214,619	35,601,402
Receivables	1,066,418	105,488	209,269	93,911	17,965	201,898	1,694,949
Financial assets at amortized cost	21,611,093	3,697,430	-	1,834,870	-	1,125,762	28,269,155
Other assets	1,209,664	-	-	-	-	228	1,209,892
Financial liabilities in foreign currencies							
Deposits and remittances	83,083,684	3,700,225	2,520,261	2,033,479	575,265	1,808,485	93,721,399
Financial liabilities at fair value through profit or loss	732,882	-	-	-	-	54,356	787,238
Other financial liabilities	2,796,770	-	-	-	-	1,043,181	3,839,951
Payables	659,250	5,761	208,267	5,507	4,718	134,171	1,017,674
Lease liabilities	-	-	-	-	-	16,301	16,301
Securities sold under repurchase agreements	4,886,555	-	-	-	-	-	4,886,555
Provisions	27,383	-	-	-	-	-	27,383
Other liabilities	60,044	-	5,549	-	553	82	66,228
New Taiwan dollars exchange rate	30.70	4.33	0.22	20.98	33.98		

	December 31, 2022						
	USD	CNY	JPY	AUD	EUR	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 9,482,126	$ 453,968	$ 803,424	$ 197,957	$ 486,569	$ 546,629	$ 11,970,673
Due from the Central Bank and call loans to other banks	832,241	88,160	-	-	-	1,126,794	2,047,195
Financial assets at fair value through profit or loss	1,792,730	-	-	-	-	138,956	1,931,686
Financial assets at fair value through other comprehensive income	1,927,861	1,648,980	-	113,502	-	-	3,690,343
Notes discounted and loans	30,917,527	1,024,811	1,474,882	78,487	1,234,882	599,686	35,330,275
Receivables	815,095	108,825	241,772	17,466	10,231	103,348	1,296,737
Financial assets at amortized cost	22,068,806	4,053,954	-	1,419,170	-	868,909	28,410,839
Other assets	967,647	-	-	-	-	-	967,647
Financial liabilities in foreign currencies							
Deposits and remittances	71,104,311	3,121,409	1,775,063	1,784,323	681,192	1,708,120	80,174,418
Financial liabilities at fair value through profit or loss	828,637	-	-	-	-	138,956	967,593
Other financial liabilities	2,844,053	-	-	-	-	1,145,435	3,989,488
Payables	469,660	7,258	239,674	1,014	3,756	21,489	742,851
Lease liabilities	-	-	-	-	-	7,039	7,039
Provisions	27,730	-	-	-	-	-	27,730
Other liabilities	135,641	238	2,439	-	55,379	-	193,697
New Taiwan dollars exchange rate	30.71	4.41	0.23	20.82	32.71		

43. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2023

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes: New Leases	Non-cash Changes: End of Lease Term	Non-cash Changes: Other (Note)	Closing Balance
Bank debentures	$ 16,500,000	$ -	$ -	$ -	$ -	$ 16,500,000
Lease liabilities	725,609	(139,423)	551,072	(149,028)	(104)	988,126
	$ 17,225,609	$ (139,423)	$ 551,072	$ (149,028)	$ (104)	$ 17,488,126

For the year ended December 31, 2022

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes: New Leases	Non-cash Changes: End of Lease Term	Non-cash Changes: Other (Note)	Closing Balance
Funds borrowed from the Central Bank and other banks	$ 3,489,540	$ (3,489,540)	$ -	$ -	$ -	$ -
Bank debentures	16,500,000	-	-	-	-	16,500,000
Lease liabilities	713,902	(119,428)	192,727	(63,073)	1,481	725,609
	$ 20,703,442	$ (3,608,968)	$ 192,727	$ (63,073)	$ 1,481	$ 17,225,609

Note: The effects of foreign currency.

44. OTHER SIGNIFICANT EVENT

In order to obtain a platform for the development of banking business in the western United States and improve international competitiveness to enhance the economic benefits of the overall scale, on October 1, 2022, the Bank’s board of directors resolved to acquire American Continental Bancorp, headquartered in Industrial City, California, for an estimated consideration of $41.4834 per share. The amount of consolidated net value of American Continental Bancorp on the settlement date, after verification by an accountant, is based on the multiplier of 1.83 to determine the purchase price. The case is subject for approval by the competent authorities of both parties before the subsequent transactions can be completed. Upon completion of the transaction, American Continental Bancorp will become a 100% owned subsidiary of the Bank.

Considering the rapid and unpredictable changes in the global political and economic environment, as well as the fact that the commitments and conditions stated in the merger agreement and plan had not been fulfilled completely as of the termination date, the Bank announced on October 14, 2023 the cease of acquisition with American Continental Bancorp along with a payment of US$500 thousand.

45. SIGNIFICANT EVENTS AFTER REPORTING PERIODS

In order to investigate violations of the Securities and Exchange Act, the prosecution went to the Bank, Taichung Bank Insurance Broker Co., Ltd. and Taichung Bank Leasing Corporation Limited to conduct searches on January 30, 2024. The chairmen of Taichung Bank Corporation and Taichung Bank Insurance Broker Co., Ltd. were released on bail on February 1, 2024, as ordered by the Taiwan New Taipei District Court.

According to the sanction No. 11302700994 issued by the Financial Supervisory Commission, Wang Gui-feng was suspended from performing his duties as the chairman for three months. The board of directors of the Bank elected Liao Hsueh-Hsuan as the proxy, effective from the day after the aforementioned letter was delivered (February 2, 2024) for three months, to exercise the authority of the chairman.

Wang Gui-feng, who was suspended from duty at the Bank, was remanded in custody by the Taiwan New Taipei District Court on February 25, 2024. The Bank has already elected Liao Hsueh-Hsuan, the executive director, to act as the acting chairman, and the daily business and operations are stable, with no material impact on financial operations of the Bank.

46. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

Disclosures of relevant information in accordance with Article 18 of Regulations Governing the Preparation of Financial Reports by Public Banks are as follows:

No.	Item	Note
1	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital.	None
2	Acquisition of individual real estate at costs of at least NT$300 million or 10% of the paid-in capital.	Table 1
3	Disposal of individual real estate at prices of at least NT$300 million or 10% of the paid-in capital.	None
4	Allowance of service fees to Related party amounting to at least NT$5 million.	None
5	Receivables from Related party amounting to at least NT$300 million or 10% of the paid-in capital.	None
6	Sale of nonperforming loans.	None
7	Financial asset securitization and real estate securitization.	None
8	Other significant transactions which may affect the decisions of users of financial reports.	None

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

No.	Item	Note
1	Related information and proportionate share in investees.	Table 2
2	Financing provided.	Table 3
3	Endorsement/guarantee provided.	Table 4
4	Marketable securities held.	Table 5
5	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital.	Table 6
6	Derivative transactions.	Note 8
7	Other significant transactions which may affect the decisions of users of financial reports.	None

Note: Subsidiaries are exempt from disclosure if they belong to the financial, insurance, and securities industries, and the main business items of business registration include fund loans to others, endorsements, and trading of securities.

c. Investment in mainland China: Table 7 (attached).

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8).

TAICHUNG COMMERCIAL BANK CO., LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Taichung Bank Leasing Corporation Limited	Land and buildings	July 25, 2023	$ 641,890	All paid	Orient Europharma Co., Ltd., He Ciang Co., Ltd., Ai Sih Jia Investment Co., Ltd.	-	-	-	-	$ -	According to market review and valuation report	Self-use and for rent	According to contract

Note 1: If the acquired assets should be valued in accordance with the regulations, the valuation results should be indicated in the reference column for price determination.

Note 2: The paid-in capital refers to the paid-in capital of the parent. If the issuer’s shares have no par value or each share has a non-NT$10 nominal value, the transaction rate of 10% of the paid-in capital is calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

Note 3: The date of occurrence of the fact refers to the date of signing the transaction, the date of payment, the date of entrustment transaction, the date of transfer, the date of the resolution of the board of directors or other dates on which the transaction item and transaction amount are fully determined.

TABLE 2

TAICHUNG COMMERCIAL BANK CO., LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Affiliates in Investees (Note 1)				Note
							Shares (In Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (In Thousands)	Percentage of Ownership	
Taichung Commercial Bank Co., Ltd.	Taichung Bank Insurance Brokers Co.	Taichung City	Insurance broker industry	100.00	$ 2,074,740	$ 309,910	128,600	-	128,600	100.00	
	Taichung Bank Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust industry	38.46	172,446	(1,373)	19,783	-	19,783	63.41	
	Taichung Commercial Bank Securities Co., Ltd.	Taichung City	Securities industry	100.00	1,924,376	222,823	162,450	-	162,450	100.00	
	Taichung Bank Leasing Corporation Limited	Taipei City	Leasing business	100.00	2,369,513	194,473	220,631	-	220,631	100.00	
Taichung Bank Leasing Corporation Limited	TCCBL Co., Ltd. (B.V.I.)	British Virgin Islands	Financial leasing and investment business	100.00	962,838	77,345	30,000	-	30,000	100.00	
TCCBL Co., Ltd. (B.V.I.)	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Suzhou	Financial leasing business	100.00	909,258	74,646	-	-	-	100.00	
Taichung Commercial Bank Securities Co., Ltd.	Taichung Bank Venture Capital Co., Ltd.	Taipei City	Venture capital business	100.00	214,565	11,495	21,000	-	21,000	100.00	

Note 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates have all been included in accordance with the Company Act.

Note 2: a. Pro forma shares are shares assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of the Banking Law.
b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of “Securities and Exchange Law Enforcement Rules.”
c. Derivative contracts, such as share options, are those conforming to the definition of derivatives in International Financial Reporting Standard 9.

Note 3: This table of “information of investees’ names, locations, etc.” can only be seen in the second and fourth quarter’s financial statements.

TABLE 3

TAICHUNG COMMERCIAL BANK CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Highest Balance for the Period (Note 3)	Ending Balance (Note 8)	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 4)	Business Transaction Amount (Note 5)	Reasons for Short-term Financing (Note 6)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 7)	Aggregate Financing Limit (Note 7)	Note
													Item	Value			
1	Taichung Bank Leasing Corporation Limited	Qiyi Intergrated Marketing Co., Ltd.	Other receivables	Not related	$ 117,528	$ -	$ -	4-10	Necessary for short-term financing	$ -	Business turnover	$ -	Real estate	$ -	$ 236,951	$ 947,805	Note 9
		Shihlien International Investment Corp.	Other receivables	Not related	100,000	-	-	4-10	Necessary for short-term financing	-	Business turnover	-	None	-	236,951	947,805	Note 9
		Zong Hui Construction	Other receivables	Not related	200,000	186,000	186,000	4-10	Necessary for short-term financing	-	Business turnover	1,860	Real estate	70,040	236,951	947,805	Note 9
		Shanyue Development Co., Ltd.	Other receivables - related party	Not related	150,000	147,006	147,006	4-10	Necessary for short-term financing	-	Business turnover	1,470	Real estate	125,805	236,951	947,805	Note 9
		Song Ying Consultant Ltd.	Other receivables	Not related	50,000	49,700	49,700	4-10	Necessary for short-term financing	-	Business turnover	497	Real estate	32,510	236,951	947,805	Note 9
		Quan Fu Development Co., Ltd.	Other receivables	Not related	126,150	125,640	125,640	4-10	Necessary for short-term financing	-	Business turnover	1,256	Real estate	100,920	236,951	947,805	Note 9
		Da Fang Skill Color Marketing Consultant Co., Ltd.	Other receivables	Not related	100,000	95,855	95,855	4-10	Necessary for short-term financing	-	Business turnover	959	Real estate	573,977	236,951	947,805	Note 9
		Hong Shu Building Co., Ltd.	Other receivables	Not related	46,000	45,816	45,816	4-10	Necessary for short-term financing	-	Business turnover	458	Real estate	15,248	236,951	947,805	Note 9
		TCCBL Co., Ltd. (B.V.I.)	Other receivables - related party	Related	10,273	-	-	-	Necessary for short-term financing	-	Business turnover	-	None	-	236,951	947,805	Note 9

Note 1: The description of the number column is as follows:

a. Issuer: 0.
b. The invested company is numbered sequentially by the Arabic number 1 according to the Company.

Note 2: Items such as accounts receivable, corporate receivables, shareholder transactions, prepayments, provisional payments, etc., which are provided by financing are required to be filled in this field.

Note 3: The annual fund is provided to others to the highest balance.

Note 4: Nature of financing should be filled with business contracts or those who have short-term financing.

Note 5: Nature of the loan of the business contracts should be filled with the amount of business transactions. The amount of business transactions refers to the amount of business transactions between the Company that lends the funds and the target of last year’s loan.

Note 6: Nature of the loan required for short-term financing should specify the reasons for the loans and the use of funds for the loan, such as repayment of loans, purchase of equipment, business turnover, etc.

Note 7: The Company shall fill in the borrowing limit and total limit for individual objects according to the operating procedures and explains the calculation method of the total limit in the column Note.

Note 8: If the board of directors of the public offering company according to Article 14(1) of the Public Offering Company’s Financing and Endorsement Guarantee Processing Guidelines will make a resolution, the amount of the resolution of the board of directors shall be included in the announcement balance to disclose its risk; however, if the funds are repaid, the balance after repayment should be disclosed to reflect the adjustment of risk. If the public offering company authorizes the chairman of the board to allocate or repay the loan in a certain amount and within one year according to the resolution of the board of directors in accordance with Article 14(2) of the handling criteria, the fund’s loan and the amount approved by the board of directors shall be the declared balance. Although the funds will be repaid afterwards, the consideration may still be re-loaned. Therefore, the fund loan and the amount approved by the board of directors should still be used as the announced balance.

Note 9: Taichung Bank Leasing Corporation Limited should not exceed 10% of its own net value for a single enterprise. The total amount of financing provided to others is limited to 40% of the net value of Taichung Bank Leasing Corporation Limited.

TABLE 4

TAICHUNG COMMERCIAL BANK CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 3)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 3)
		Name	Relationship										
1	Taichung Bank Leasing Corporation Limited	TCCBL Co., Ltd. (B.V.I.)	Direct shareholding of 100% of subsidiary	$ 14,217,078	$ 92,220	$ -	$ -	$ -	-	$ 23,695,130	-	-	-
		Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Indirect shareholding of 100% of subsidiary	14,217,078	6,507,280	6,214,740	3,534,924	-	262.28	23,695,130	-	-	Y

Note 1: According to Taichung Bank Leasing Corporation Limited's "Operating Procedures to Fund Endorsement and Guarantee", the endorsement limit to single company cannot surpass six times of Taichung Bank Leasing Corporation Limited's audited net worth. The endorsement limits to all subsidiaries cannot surpass 10 times of Taichung Bank Leasing Corporation Limited's audited net worth.

Note 2: The maximum balance guaranteed for endorsement of others during the year.

Note 3: It is a guarantor of the listed parent company to the endorsement of the subsidiary, the subsidiary company's endorsement to the listed parent company and the endorsement of the mainland area must be filled with Y.

Note 4: The balance of Taichung Bank Leasing Corporation Limited's endorsement guarantee for a single enterprise (Taichung Bank Financial Leasing (Suzhou) Co., Ltd.) has reached the amount based on the announcement standard of the parent company China Man-Made Fiber Corporation mainly due to exchange rate changes.

TAICHUNG COMMERCIAL BANK CO., LTD.

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars or Shares)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statements Account	December 31, 2023				Note
				Shares	Carrying Amount (Note)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note)	
Taichung Commercial Bank Co., Ltd.	Domestic unlisted shares							
	Taichung Bank Leasing Corporation Limited	Subsidiary	Investment accounted for using the equity method	220,631	$ 2,369,513	100	$ 2,369,513	
	Taichung Bank Insurance Brokers Co., Ltd.	Subsidiary	Investment accounted for using the equity method	128,600	2,074,740	100	2,074,740	
	Taichung Bank Securities Co., Ltd.	Subsidiary	Investment accounted for using the equity method	162,450	1,924,376	100	1,924,376	
	Taichung Bank Securities Investment Trust Co., Ltd.	Association	Investment accounted for using the equity method	12,000	172,446	38	172,446	
Taichung Bank Leasing Corporation Limited	Foreign unlisted shares							
	TCCBL Co., Ltd. (B.V.I.)	Sub-subsidiary	Investment accounted for using the equity method	30,000	962,838	100	962,838	
TCCBL Co., Ltd. (B.V.I.)	Foreign unlisted shares							
	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Sub-subsidiary	Investment accounted for using the equity method	-	909,258	100	909,258	
Taichung Bank Securities Co., Ltd.	Domestic unlisted shares							
	Taichung Bank Venture Capital Co., Ltd.	Sub-subsidiary	Investment accounted for using the equity method	21,000	214,565	100	214,565	

Note: The financial industry, the insurance industry and the securities industry are exempt from disclosure.

TABLE 6

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars or Shares)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Taichung Bank Insurance Brokers Co., Ltd.	TAIWAN TEA CORPORATION	Financial assets at FVTOCI	-	-	27,578	$ 447,786	-	$ -	27,578	$ 633,097	$ 447,786	$ 185,311	-	$ -

TAICHUNG COMMERCIAL BANK CO., LTD.

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow					
Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Financial leasing business	$ 893,373 (CNY 186,329 thousand)	Investment in mainland China companies through an existing company established in a third region.	$ 893,373 (CNY 186,329 thousand)	$ -	$ -	$ 893,373 (CNY 186,329 thousand)	100	$ 74,646 (CNY 16,998 thousand)	$ 909,258 (CNY 210,185 thousand)	$ -

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$893,373	$893,373	$1,421,708

Note 1: Recognition of investment gains and losses based on the financial statements audited by the parent company's accountant.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China", investments are limited to the regulation of Taichung Bank Leasing Corporation Limited's calculation.

Note 3: Foreign currency involved translation into the New Taiwan dollar at the spot rate and average exchange rate on the date of the financial statements (CNY1=NT$4.33, CNY1=NT$4.39).

TABLE 8

TAICHUNG COMMERCIAL BANK CO., LTD.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Man-Made Fiber Corporation	1,123,052,504	21.49
Pan Asia Chemical Corporation	287,994,872	5.51

Note 1: According to Article 25 of the Banking Act of the Republic of China, the same person or same related party who individually, jointly or collectively acquires more than 5% of a bank's outstanding voting shares shall report such fact to the authorities within 10 days from the date of acquisition.

Note 2: If the shares of the major shareholders in the above table are held by trustees, the shareholdings should be separately disclosed by the trust accounts opened by the trustee. As for shareholders' handling of insider shareholding declarations with more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include their own shareholdings plus those shares held under trust accounts with the right to utilize the trust assets, etc. For more information on insider shareholding declarations, please refer to the market observation post system website of the TWSE.

TAICHUNG COMMERCIAL BANK CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount
Cash on hand	$ 3,449,560
Cash on hand - foreign currencies (Note)	1,034,344
Checks for clearing	4,215,282
Due from banks	17,598,900
	$ 26,298,086

Note: The cash on hand - foreign currencies include: US$14,507 thousand, US$1=NT$30.70; EUR1,972 thousand, EUR1=NT$33.98; JPY1,417,667 thousand, JPY1=NT$0.22; HK$16,761 thousand, HK$1=NT$3.93; AUD646 thousand, AUD1=NT$20.98; CAD454 thousand, CAD1=NT$23.19; CNY28,720 thousand, CNY1=NT$4.33.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Description	Shares	Amount	Total Amount	Cost	Fair Value Unit Price (NT$)	Fair Value Total Amount
Financial assets at FVTPL							
1. Domestic listed shares and emerging market shares							
Taiwan Fire & Marine Insurance Co., Ltd.		10,662	10	$ 106,620	$ 295,771	$ 26.60	$ 283,609
Taiwan Semiconductor Manufacturing Co., Ltd.		195	10	1,950	53,743	593.00	115,635
Others (Note)		910	10	9,105	4,843		12,474
				117,675	354,357		411,718
2. Cross-currency swap contracts	Note 8	-		-	-		1,104,265
3. Beneficiary certificate							
Allianz Global Investors Taiwan Fund		799		-	29,564	79.61	63,601
Nomura Global Equity Fund		2,865		-	60,000	26.45	75,774
Cathay MSCI Taiwan ESG Sustainability High Dividend Yield		3,453		-	64,853	21.80	75,275
Capital India Medium And Small Cap Equity Fund		2,497		-	50,000	28.70	71,673
CTBC U.S. Government Bond Fund with a maturity of more than 20 years		5,926		-	187,393	31.14	184,536
Cathay Pacific 20-Year (Above) U.S. Treasury Index Fund		4,316		-	142,475	31.81	137,292
Fubon U.S. Government Bond Fund with a maturity of more than 20 years		3,637		-	120,029	32.58	118,493
JPMorgan US Technology Fund (USD)		29		-	61,607	90.96	80,437
Others (Note)		2,847		-	85,700		96,210
				-	801,621		903,291
4. Commercial paper							
Chailease Finance Co., Ltd.		-		2,250,000	2,245,234		2,248,157
Fina Finance & Trading Co., Ltd		-		1,280,000	1,275,893		1,278,554
Hotai Finance Co., Ltd.		-		5,730,000	5,723,055		5,727,335
Fubon Securities		-		2,070,000	2,067,437		2,068,122
Others (Note)		-		7,500,000	7,479,707		7,491,918
				18,830,000	18,791,326		18,814,086
5. Foreign exchange forward contracts	Note 8	-		-	-		66,320

(Continued)

Name	Description	Shares	Amount	Total Amount	Cost	Fair Value Unit Price (NT$)	Fair Value Total Amount
6. Asset swap contract							
Chailease Holding 1		3,922	100	$ 392,200	$ 392,200	$ 100.14	$ 392,714
E&R 3		4,886	100	488,600	488,600	101.09	493,908
YL 3		5,000	100	500,000	500,000	100.55	502,736
Shin Kong Financial Holding 6		7,970	100	797,000	797,000	100.66	802,252
YL 2		5,000	100	500,000	500,000	100.63	503,129
Others (Note)		47,210	100	4,721,000	4,721,000		4,749,694
				7,398,800	7,398,800		7,444,433
7. Cross-currency option contracts	Note 8	-		-	-		452,643
8. PEM group policy assets		-		-	-		746,351
9. Corporate bonds							
PTTC. 1		-		2,000	2,020	99.50	1,990
CSBC 1		-		9,000	9,180	107.00	9,630
				11,000	11,200		11,620
10. Interest rate-linked structured instrument contracts	Note 8	-		-	-		403,202
				$ 26,357,475	$ 27,357,304		$ 30,357,929

Note: The amount of each item in others does not exceed 5% of the account balance.

(Concluded)

STATEMENT 3

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF SECURITIES PURCHASED UNDER RESELL AGREEMENTS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Type	Period	Carrying Value	Amount	Interest
Commercial paper	2023.12.21-2024.01.25	$ 10,715,000	$ 10,696,795	1.38%-1.40%

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF RECEIVABLES, NET
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Amount
Receivables on credit cards	$ 770,595
Accounts receivable factored without recourse	144,660
Acceptances	602,675
Interest receivables	2,413,080
Receivables on foreign currency settlement	4,137
Receivables from related parties	241,086
Others receivables	229,823
	4,406,056
Less: Allowance for doubtful accounts	(120,037)
	$ 4,286,019

STATEMENT 5

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF NOTES DISCOUNTED AND LOANS, NET
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Amount
Bills negotiated	$ 182,898
Secured overdrafts	9,090
Accounts receivable financing	20,503
Short-term unsecured loans	42,172,142
Short-term secured loans	98,193,946
Medium-term unsecured loans	90,661,279
Medium-term secured loans	136,756,767
Long-term unsecured loans	13,168,766
Long-term secured loans	166,068,185
Delinquent loans	359,696
	547,593,272
Add: Adjustment of premium or discount	10,753
Less: Allowance for doubtful accounts	(7,280,514)
	$ 540,323,511

STATEMENT 6

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Name	Description	Interest Payment Date	Due Date	Units/Shares (In Thousands)	Amount	Interest %	Carrying Value	Accumulated Impairment Loss	Allowance for Doubtful Accounts	Fair Value
Domestic unlisted shares										
Taiwan Stock Exchange Corporation				2,660	$ -		$ 52,700	$ -	$ 230,178	$ 282,878
Financial Information Service Co., Ltd.				5,938	-		45,500	-	208,458	253,958
Taiwan Futures Exchange				2,455	-		9,000	-	215,820	224,820
Taiwan Depository & Clearing Corporation				1,026	-		5,445	-	112,524	117,969
Others (Note)				3,821	-		33,039	-	(8,685)	24,354
					-		145,684	-	758,295	903,979
Domestic listed shares										
Uni-President Enterprises Corporation				3,873	-		261,847	-	26,692	288,539
Far Eastern New Century Corporation				8,331	-		238,396	-	21,531	259,927
Chunghwa Telecom Co., Ltd.				4,327	-		485,480	-	33,760	519,240
Far EasTone Telecommunications Co., Ltd.				4,481	-		315,737	-	41,847	357,584
Quanta Computer Inc.				1,453	-		123,835	-	202,364	326,199
ASE Technology Holding Co., Ltd.				1,620	-		158,932	-	59,768	218,700
Others (Note)				28,349	-		1,603,869	-	481,900	2,085,769
					-		3,188,096	-	867,862	4,055,958
Corporate bonds										
Others (Note)					30,750,000		30,776,115	(29,053)	(440,895)	30,306,167
Government bonds										
101 Central government bond A7	Par value 700,000	2024/08/10	2032/08/10	-	700,000	1.50	715,552	(187)	1,326	716,691
Central government bond 95-7	Par value 2,300,000	2024/11/10	2026/11/10	-	2,300,000	2.12	2,378,853	(622)	(14,604)	2,363,627
99 Central government bond A7	Par value 500,000	2024/08/12	2030/08/12	-	500,000	1.75	521,392	(136)	(3,059)	518,197
107 Central government bond A9	Par value 550,000	2024/10/17	2028/10/17	-	550,000	0.87	553,465	(145)	(11,628)	541,692
100 Central government bond A8	Par value 1,050,000	2024/08/22	2041/08/22	-	1,050,000	1.87	1,128,749	(295)	2,261	1,130,715
112 Central government bond A4	Par value 1,350,000	2024/03/03	2043/03/03	-	1,350,000	1.37	1,344,615	(352)	(8,896)	1,335,367
102 Central government bond A5	Par value 450,000	2024/02/26	2043/02/26	-	450,000	1.75	478,732	(125)	(1,604)	477,003
Others (Note)				-	2,350,000		2,446,632	(641)	(29,961)	2,416,030
					9,250,000		9,567,990	(2,503)	(66,165)	9,499,322
Bank debentures										
P08 SCS 1B	Par value 700,000	2024/09/25	2024/09/25	-	700,000	0.69	700,218	(218)	(4,304)	695,696
P08 SGS 2B	Par value 500,000	2024/11/29	2024/11/29	-	500,000	0.79	500,128	(128)	(2,534)	497,466
P09 HSBC 2	Par value 300,000	2024/03/30	2027/03/30	-	300,000	0.57	300,110	(110)	(8,862)	291,138
P10 Taipei Fubon Bank 1	Par value 200,000	2024/01/28	2026/01/28	-	200,000	0.40	200,051	(51)	(4,232)	195,768
P12 SCS 1	Par value 200,000	2024/12/12	2026/12/12	-	200,000	1.60	200,062	(62)	(1)	199,999
					1,900,000		1,900,569	(569)	(19,933)	1,880,067
Foreign listed shares										
Visa International				29	-		18,997	-	209,575	228,572
Master Card International				14	-		12,940	-	165,188	178,128
					-		31,937	-	374,763	406,700
Foreign bonds										
Others (Note)					18,650,090		17,345,960	(1,816)	291,439	17,635,583
					$ 60,550,090		$ 62,956,351	$ (33,941)	$ 1,765,366	$ 64,687,776

Note: The amount of each item in others does not exceed 5% of the account balance.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF INVESTMENT IN DEBT INSTRUMENTS AT AMORTIZED COST
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Type	Description	Interest Payment Date	Maturity Date	Carrying Value (NT$)	Interest %	Allowance for Doubtful Accounts	Unamortized Price	Fair Value
1. Government bonds								
100 Central government bond A7	Guaranteed par value $130,500 thousand	2024/08/02	2031/08/02	$ 600,000	1.875	$ (164)	$ 27,990	$ 627,826
103 Central government bond A6		2024/03/03	2024/03/03	1,000,000	1.500	(262)	716	1,000,454
104 Central government bond A12		2024/09/11	2025/09/11	600,000	1.125	(158)	2,106	601,948
106 Central government bond A4		2024/03/01	2027/03/01	1,200,000	1.125	(315)	3,358	1,203,043
106 Central government bond A9		2024/09/20	2027/09/20	1,650,000	1.000	(431)	(1,571)	1,647,998
98 Central government bond A5		2024/08/13	2029/08/13	525,000	2.125	(145)	27,448	552,303
99 Central government bond A4		2024/02/22	2030/02/22	1,050,000	1.875	(288)	49,679	1,099,391
Others (Note)	Guaranteed par value $500,000 thousand			4,445,000		(1,191)	110,039	4,553,848
Less: Deposit reserves for trust compensation				(80,000)		-	-	(80,000)
Refundable deposits				(550,500)		-	-	(550,500)
				10,439,500		(2,954)	219,765	10,656,311
2. Foreign bonds (Note)				28,421,318	0.875-10.00	(16,384)	(135,779)	28,269,155
3. Commercial paper								
NCDs				49,200,000	0.700-1.230	-	-	49,200,000
4. Corporate bonds (Note)				23,730,000	0.410-2.150	(20,557)	(69,424)	23,640,019
5. Bank debentures				100,000	1.600	(31)	-	99,969
6. Treasury bills				50,000	1.194	-	(588)	49,412
				$ 111,940,818		$ (39,926)	$ 13,974	$ 111,914,866

Note: The amount of each item in others does not exceed 5% of the account balance.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2023		Additions in Investment		Decrease in Investment		Balance, December 31, 2023			Market Value or Net Assets Value
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	
Taichung Bank Insurance Brokers Co. (Note 1)	128,600	$ 1,977,256	-	$ 352,005	-	$ 254,521	128,600	100.00	$ 2,074,740	$ 2,074,740
Taichung Bank Securities Investment Trust Co., Ltd. (Note 2)	12,000	172,301	-	1,597	-	1,452	12,000	38.46	172,446	172,446
Taichung Bank Leasing Corporation Limited (Note 3)	207,983	2,192,053	12,648	194,473	-	17,013	220,631	100.00	2,369,513	2,369,513
Taichung Bank Securities Co., Ltd. (Note 4)	162,450	1,701,553	-	222,823	-	-	162,450	100.00	1,924,376	1,924,376
		$ 6,043,163		$ 770,898		$ 272,986			$ 6,541,075	$ 6,541,075

Note 1: The increase in the current year was based on investment income recognized under equity method of $309,910 thousand and the recognition of unrealized gain on financial instruments amounted to $42,095 thousand. The decrease in the current year was based on cash dividends of $254,521 thousand. The net assets value was calculated based on financial statements which have been audited.

Note 2: The increase in the current year was based on the recognition of unrealized gain on financial instruments amounted to $1,597 thousand. The decrease in the current year was investment loss of $1,373 thousand and the defined benefit plans recognized under equity method of $79 thousand. The net assets value was calculated based on financial statements which have been audited.

Note 3: The increase in the current year was based on investment income recognized under equity method of $194,473 thousand, and the share dividends were 12,648 thousand shares. The decrease in the current year was based on the cumulative translation adjustment of $17,013 thousand. The net assets value was calculated based on financial statements which have been audited.

Note 4: The increase in the current year was based on the recognition of gain on investment amounted to $222,823 thousand. The net assets value was calculated based on financial statements which have been audited.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF OTHER FINANCIAL ASSETS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Amount
Other delinquent receivables, net	
Delinquent receivables not from loans	$ 307,233
Less: Allowance for doubtful accounts	(116,355)
	$ 190,878

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Balance, Beginning of Year	Addition	Less	Exchange Rate	Balance, End of Year	Remark
Land and buildings	$ 977,092	$ 512,183	$ 306,129	$ (595)	$ 1,182,551	
Transportation equipment	45,785	38,889	21,868	-	62,806	
	$ 1,022,877	$ 551,072	$ 327,997	$ (595)	$ 1,245,357	

Note: The above statement is listed in order of asset categories.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF CHANGE IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Balance, Beginning of Year	Addition	Less	Exchange Rate	Balance, End of Year	Remark
Land and buildings	$ 313,103	$ 132,439	$ 175,676	$ (475)	$ 269,391	
Transportation equipment	16,842	14,184	14,755	-	16,271	
	$ 329,945	$ 146,623	$ 190,431	$ (475)	$ 285,662	

Note: The above statement is listed in order of asset categories.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

							Fair Value	
Item	**Description (Note)**	**Shares**	**Carrying Value**	**Total Amount**	**Rate**	**Cost**	**Unit Price (NT$)**	**Total Amount**
Financial liability at FVTPL								
Cross-currency swap contracts	Note 8	-	$ -	$ -	-	$ -	$ -	$ 2,071,989
Foreign exchange forward contracts	Note 8	-	-	-	-	-	-	39,715
Cross-currency option contracts	Note 8	-	-	-	-	301,348	-	456,584
Interest rate-linked structured instrument contracts	Note 8	-	-	-	-	-	-	403,202
						$ 301,348		$ 2,971,490

Note: The amount of each item in others does not exceed 5% of the account balance.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF SECURITIES SOLD UNDER REPURCHASE AGREEMENTS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Type	Date	Carrying Value	Amount	Interest
Government bonds				
106 Central Bond A9	2023.12.25-2024.02.02	$ 620,000	$ 620,000	1.22%
Others (Note)	2023.12.22-2024.01.25	250,000	250,000	1.20%
			870,000	
Foreign bonds				
Commonwealth Bank of Australia	2023.10.20-2024.01.19	307,000	333,562	5.85%
AICORP	2023.10.20-2024.01.19	307,000	284,700	5.85%
Woori Bank	2023.10.20-2024.01.19	307,000	259,860	5.85%
The Norinchukin Bank	2023.10.20-2024.01.19	307,000	280,567	5.85%
BCIE	2023.10.25-2024.01.25	460,500	420,236	5.77%
ADCB	2023.10.26-2024.01.26	307,000	291,358	5.78%
SMTB	2023.10.27-2024.01.26	307,000	259,643	5.79%
FOXCONN (FAR EAST) LIMITED	2023.10.27-2024.01.26	307,000	263,571	5.79%
TSMC	2023.10.30-2024.01.30	614,000	495,863	5.79%
TSMC	2023.10.30-2024.01.30	491,200	392,757	5.79%
National debt of the United States	2023.10.30-2024.01.30	614,000	594,499	5.65%
FAB	2023.11.09-2024.01.09	307,000	293,983	5.76%
Others (Note)	2023.10.20-2024.01.26	792,020	715,956	5.76%-5.85%
			4,886,555	
			$ 5,756,555	

Note: The amount of each item in others does not exceed 5% of the account balance.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF ACCOUNTS PAYABLES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Amount
Notes and checks in clearing	$ 4,215,282
Accrued expenses	1,986,062
Interest payable	995,344
Acceptances	603,967
Collections payable	47,881
Factored accounts payable	33,345
Foreign currency settlement payable	3,747
Other payables	678,494
	$ 8,564,122

STATEMENT 15

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF DEPOSITS AND REMITTANCES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount
Checking deposits	
Checking	$ 8,767,732
Bank checking	3,160,520
Certified check	65,610
	11,993,862
Demand deposits	
Demand	178,139,970
Public treasury	795,854
Foreign exchange demand	27,325,641
	206,261,465
Demand savings deposits	
Demand savings	164,018,403
Staff demand savings	3,263,063
	167,281,466
Time deposits	
Time	79,411,444
Foreign exchange time	66,368,732
	145,780,176
Time savings deposits	
Withdrawals of interest savings	177,821,108
Round-amount savings	22,360,620
Regular deposits	139,127
	200,320,855
Remittances	27,027
	$ 731,664,851

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF BANK DEBENTURES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Bonds Name	Detail of the Subordinated Financial Debenture Issuance			Bonds		Book Value
	Issuance Date	Maturity Date	Interest Rate	Category	Carrying Value	
First no due date non-cumulative subordinated financial debenture in 2015	2015.12.28	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	$ 10,000	$ 1,500,000
First no due date non-cumulative subordinated financial debenture in 2016	2016.12.28	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,500,000
First no due date non-cumulative subordinated financial debenture in 2017	2017.03.28	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,000,000
Second no due date non-cumulative subordinated financial debenture in 2017	2017.05.18	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	500,000
Third no due date non-cumulative subordinated financial debenture in 2017	2017.08.28	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	500,000
Fourth no due date non-cumulative subordinated financial debenture in 2017	2017.12.05	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,350,000
Fifth no due date non-cumulative subordinated financial debenture in 2017	2017.12.27	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	2,650,000
First no due date non-cumulative subordinated financial debenture in 2018	2018.04.25	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,000,000
Second no due date non-cumulative subordinated financial debenture in 2018	2018.12.18	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,500,000
First subordinated financial debenture in 2021	2021.12.27	2028.12.27	Fixed annual interest rate of 1.2%	Subordinated	10,000	5,000,000
						$ 16,500,000

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Description	Lease Terms	Discount Rate	Balance, End of Year	Remark
Land and buildings		1-15 years	1.20%-4.14%	$ 941,299	
Transportation equipment		1-5 years	1.20%-4.14%	46,827	
				$ 988,126	

STATEMENT 18

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF EMPLOYEE BENEFITS EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	Employee Benefit Expense	Non-interest Gains	Other Selling and Administrative Expenses	Total	Remark
Employee benefits expense					
Salaries	$ 3,248,788	$ -	$ -	$ 3,248,788	
Labor and health insurance	235,503	-	-	235,503	
Pension expense	121,644	-	-	121,644	
Remuneration of directors	238,717	-	11,224	249,941	
Other employee expenses	197,634	-	6,333	203,967	
	$ 4,042,286	$ -	$ 17,557	$ 4,059,843	

Note 1: As of December 31, 2023 and 2022, the Bank had 2,796 and 2,775 employees, and there were 9 and 11 non-employee directors, respectively.

Note 2: The average employee benefits expense amounted to $1,367 thousand in 2023 and amounted to $1,369 thousand in 2022.

Note 3: The average employee salaries amounted to $1,166 thousand in 2023 and amounted to $1,173 thousand in 2022.

Note 4 The change in average employee salaries rate was -0.60% in 2023.

Note 5: The Bank has been established audit committee, and no compensation to the supervisor.

Note 6: The Bank’s salary and remuneration policy:

Director of the Board

a. Directors’ compensation

The 25th directors’ compensation according to Article 27 of the Bank’s salary and remuneration policy, the remuneration of the chairman, vice-chairman, managing director and independent director must be authorized by the board of directors and must be determined negotiated based on the industry’s usual standards, and links to the results of the 2022 performance evaluation of the Board of Directors of the Bank.

(Continued)

b. Directors' remuneration

According to Article 35 of Bank's Articles of Incorporation, if the Bank has a net profit at the end of the year, the Bank shall accrue amounts for compensation of employees and remuneration of directors at rates of 0.5%-3% and upon approval by the Bank's board of directors shall be distributed in stock or cash. The Bank's board of directors can decide no higher than 2.5% of net profit before income tax as remuneration of directors. The remuneration committee makes a proposal for the distribution of remuneration of directors, submits the proposal to the board of directors for resolution and approval, and then submits the report to the general meeting of shareholders. According to Article 27 of the Bank's Articles of Incorporation, an independent director shall not participate in the Bank's surplus distribution.

Managers and employees

a. The Bank's salary system is divided into recurring salary (principal salary, various allowances) and non-recurring salary (e.g., overtime pay); the salary and remuneration of new recruits are not different due to gender, race, religion, politics, marital status or whether they belong to a trade union; the department approves salary based on academic record, work experience, job performance, professional skills and other standards, and refers to the salary survey results of corporate management consulting companies, compares the salary packages of comparable positions in the industry, and designs a fair, competitive and incentive compensation system.

b. The employee's annual salary is equal to one month salary multiplied by 13 months, i.e., 12 calendar months and 1 month salary as Spring Festival bonus; in addition, depending on the Bank's operating performance and employee's personal performance in the current year, operating performance bonuses will be paid.

c. The manager's salary and remuneration are handled in accordance with the regulations on the salary grade table, the position differential table, and the manager and employee appraisal shall be approved by the board of directors. The remuneration committee reviews manager's salary and remuneration regularly every year, and considers the relevant regulations on personal performance appraisal, performance and remuneration in order to link performance bonus and risk to prevent managers from undertaking high-risk business due to the pursuit of high remuneration; some operating performance bonuses may be issued or deferred.

(Concluded)