

# **KGI Bank Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2024 and 2023 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

KGI Bank Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of KGI Bank Co., Ltd. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheets as of June 30, 2024, December 31, 2023 and June 30, 2023, the related consolidated statements of comprehensive income for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the consolidated statements of changes in equity and cash flows for the six months then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of June 30, 2024, December 31, 2023 and June 30, 2023, their consolidated financial performance for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023 and their consolidated cash flows for the six months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

### **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 ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters for the consolidated financial statements of the Bank and its subsidiaries for the six months ended June 30, 2024 are stated as follows:

#### Impairment of Discounts and Loans

The management assesses the impairment of discounts and loans according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans (the “Procedures”) issued by the FSC of the ROC and IFRS 9, respectively, and then recognizes the higher estimated amount as a reserve for asset impairment. Under the Procedures, impairment is based on the length of time overdue and the status of the collateral, and under IFRS 9, impairment is assessed by considering the probability of default and loss given default, estimated based on historical experience, the present market situation and forward-looking information. Since the important assumptions and input values used in revisions and adjustments involve critical judgments and estimates, the impairment of discounts and loans is deemed to be a key audit matter for the six months ended June 30, 2024.

Refer to Notes 4, 5 and 46 for the material accounting policy information, critical judgment, estimation uncertainty and related disclosure of the impairment of discounts and loans.

Our key audit procedures performed with respect to the above matter included the following:

We obtained an understanding of the accounting policies and internal controls related to the recognition of impairment. We verified that the impairment assessment procedures including the classification of the credit assets, the length of time overdue and the status of the collaterals complied with the Procedures. We understood the methodology, main assumptions and parameters adopted by the management in accordance with the IFRS9 impairment model, as well as the important assumptions and input values considered in its revision and adjustment. We selected samples of discounts and loans and evaluated the reasonableness of measuring expected credit losses.

#### **Other Matter**

We have also audited the parent company only financial statements of the Bank as of and for the six months ended June 30, 2024 and 2023 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC of the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Bank and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries 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 financial reporting process of the Bank and its subsidiaries.

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2024 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 Yi-Chun Wu and Jr-Shian Ke.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 15, 2024

Notice to Readers

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

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

# KGI BANK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2024		December 31, 2023		June 30, 2023	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 6 and 41)	\$ 14,957,057	2	\$ 20,073,593	3	\$ 8,840,166	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	29,379,341	4	29,682,480	4	60,569,163	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 41)	44,148,768	5	42,955,118	5	43,431,618	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 16 and 42)	144,032,653	17	133,347,230	17	144,730,242	18
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 10 and 42)	73,215,637	9	68,412,429	9	60,476,765	8
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11)	707,797	-	598,459	-	1,268,660	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	43,653,988	5	42,097,729	5	37,214,932	5
RECEIVABLES, NET (Notes 4, 13, 41 and 42)	27,049,163	3	27,964,091	3	28,389,989	3
ASSETS HELD FOR SALE, NET (Note 18)	117,825	-	286,530	-	-	-
DISCOUNTS AND LOANS, NET (Notes 14 and 41)	440,184,537	52	396,926,437	50	390,847,529	49
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 15)	9,303,557	1	8,618,704	1	5,395,753	1
OTHER FINANCIAL ASSETS, NET (Notes 17 and 42)	3,569,800	-	8,746,140	1	2,569,860	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 42)	5,212,460	1	5,309,179	1	5,737,401	1
RIGHT-OF-USE ASSETS, NET (Note 19)	2,781,924	-	2,966,664	-	3,155,350	-
INVESTMENT PROPERTY, NET (Notes 20 and 42)	1,636,352	-	1,644,478	-	1,490,148	-
INTANGIBLE ASSETS, NET	1,095,132	-	1,155,953	-	1,139,242	-
DEFERRED TAX ASSETS (Notes 4 and 39)	546,968	-	514,773	-	531,009	-
OTHER ASSETS, NET (Notes 21, 41 and 42)	<u>8,131,334</u>	<u>1</u>	<u>4,190,738</u>	<u>1</u>	<u>5,938,440</u>	<u>1</u>
<b>TOTAL</b>	<b>\$ 849,724,293</b>	<b>100</b>	<b>\$ 795,490,725</b>	<b>100</b>	<b>\$ 801,726,267</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
Deposits from the Central Bank and banks (Note 22)	\$ 5,340,106	1	\$ 7,027,312	1	\$ 1,091,906	-
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 41)	27,895,500	3	29,320,808	4	26,743,558	3
Financial liabilities for hedging (Notes 4 and 11)	973,786	-	610,323	-	620,998	-
Notes and bonds issued under repurchase agreements (Notes 8, 9, 10 and 23)	67,516,424	8	42,580,979	5	43,050,930	6
Payables (Notes 24 and 41)	6,140,110	1	7,807,633	1	6,670,584	1
Current tax liabilities (Notes 4, 39 and 41)	1,232,049	-	928,340	-	844,757	-
Deposits and remittances (Notes 25 and 41)	595,250,221	70	558,443,269	70	580,029,962	72
Bank debentures payable (Notes 11 and 26)	23,612,784	3	24,747,803	3	24,629,260	3
Principal received on structured notes	41,066,350	5	40,405,562	5	40,000,515	5
Other financial liabilities (Note 27)	7,467,641	1	6,933,027	1	6,982,024	1
Provisions (Note 28)	403,517	-	367,586	-	392,718	-
Lease liabilities (Notes 19 and 41)	2,961,846	-	3,131,695	-	3,317,070	1
Deferred tax liabilities (Notes 4 and 39)	237,711	-	238,817	-	63,515	-
Other liabilities (Notes 30 and 41)	<u>914,797</u>	<u>-</u>	<u>3,728,413</u>	<u>1</u>	<u>1,964,169</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>781,012,842</u></b>	<b><u>92</u></b>	<b><u>726,271,567</u></b>	<b><u>91</u></b>	<b><u>736,401,966</u></b>	<b><u>92</u></b>
<b>EQUITY (Note 31)</b>						
Capital						
Common stock	<u>46,061,623</u>	<u>5</u>	<u>46,061,623</u>	<u>6</u>	<u>46,061,623</u>	<u>6</u>
Capital surplus						
Additional paid-in capital	7,245,723	1	7,245,723	1	7,245,723	1
Other capital surplus	185,906	-	186,355	-	118,203	-
Total capital surplus	<u>7,431,629</u>	<u>1</u>	<u>7,432,078</u>	<u>1</u>	<u>7,363,926</u>	<u>1</u>
Retained earnings						
Legal reserve	12,022,954	2	10,373,364	1	10,373,364	1
Special reserve	3,416,448	-	3,417,873	-	3,417,873	1
Unappropriated earnings	3,384,434	-	5,498,633	1	3,076,496	-
Total retained earnings	<u>18,823,836</u>	<u>2</u>	<u>19,289,870</u>	<u>2</u>	<u>16,867,733</u>	<u>2</u>
Other equity	<u>(3,605,637)</u>	<u>-</u>	<u>(3,564,413)</u>	<u>-</u>	<u>(4,968,981)</u>	<u>(1)</u>
<b>Total equity</b>	<b><u>68,711,451</u></b>	<b><u>8</u></b>	<b><u>69,219,158</u></b>	<b><u>9</u></b>	<b><u>65,324,301</u></b>	<b><u>8</u></b>
<b>TOTAL</b>	<b>\$ 849,724,293</b>	<b>100</b>	<b>\$ 795,490,725</b>	<b>100</b>	<b>\$ 801,726,267</b>	<b>100</b>

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

## KGI BANK CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 41)	\$ 6,518,202	167	\$ 5,721,215	165	\$ 12,685,217	162	\$ 10,993,430	160
INTEREST EXPENSE (Notes 19, 32 and 41)	<u>(4,806,045)</u>	<u>(123)</u>	<u>(3,690,108)</u>	<u>(106)</u>	<u>(9,264,240)</u>	<u>(118)</u>	<u>(6,977,387)</u>	<u>(102)</u>
NET INTEREST	<u>1,712,157</u>	<u>44</u>	<u>2,031,107</u>	<u>59</u>	<u>3,420,977</u>	<u>44</u>	<u>4,016,043</u>	<u>58</u>
NET REVENUE OTHER THAN INTEREST								
Service fee income, net (Notes 33 and 41)	658,638	17	486,741	14	1,346,116	17	940,190	14
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Note 34)	947,593	24	628,274	18	2,331,303	30	1,179,374	17
Realized gain on financial assets measured at fair value through other comprehensive income (Note 35)	142,539	4	120,835	4	262,852	3	129,901	2
Foreign exchange gain (loss), net	110,533	3	(53,224)	(2)	(46,943)	(1)	148,679	2
Reversal of impairment loss (impairment loss) on assets, net (Note 36)	(3,570)	-	(3,549)	-	(4,569)	-	(11,307)	-
Share of the profit of associates accounted for using equity method	244,443	6	223,581	6	433,252	6	382,170	6
Other non-interest gain, net	<u>89,568</u>	<u>2</u>	<u>30,165</u>	<u>1</u>	<u>113,013</u>	<u>1</u>	<u>87,696</u>	<u>1</u>
Total net revenue other than interest	<u>2,189,744</u>	<u>56</u>	<u>1,432,823</u>	<u>41</u>	<u>4,435,024</u>	<u>56</u>	<u>2,856,703</u>	<u>42</u>
TOTAL NET REVENUE	<u>3,901,901</u>	<u>100</u>	<u>3,463,930</u>	<u>100</u>	<u>7,856,001</u>	<u>100</u>	<u>6,872,746</u>	<u>100</u>
REVERSAL (PROVISION) OF ALLOWANCE FOR BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	<u>(443,147)</u>	<u>(12)</u>	<u>(26,989)</u>	<u>(1)</u>	<u>(837,701)</u>	<u>(11)</u>	<u>66,282</u>	<u>1</u>
OPERATING EXPENSES (Notes 19, 29, 37, 38 and 41)								
Employee benefits expense	(1,109,934)	(28)	(1,038,423)	(30)	(2,227,952)	(28)	(2,110,261)	(31)
Depreciation and amortization expense	(229,091)	(6)	(225,931)	(6)	(467,130)	(6)	(451,688)	(6)
Other general and administrative expenses	<u>(571,365)</u>	<u>(15)</u>	<u>(473,340)</u>	<u>(14)</u>	<u>(1,082,571)</u>	<u>(14)</u>	<u>(908,838)</u>	<u>(13)</u>
Total operating expenses	<u>(1,910,390)</u>	<u>(49)</u>	<u>(1,737,694)</u>	<u>(50)</u>	<u>(3,777,653)</u>	<u>(48)</u>	<u>(3,470,787)</u>	<u>(50)</u>
INCOME BEFORE INCOME TAX	1,548,364	39	1,699,247	49	3,240,647	41	3,468,241	51
INCOME TAX EXPENSE (Notes 4 and 39)	<u>(203,070)</u>	<u>(5)</u>	<u>(224,446)</u>	<u>(7)</u>	<u>(426,482)</u>	<u>(5)</u>	<u>(458,810)</u>	<u>(7)</u>
NET INCOME	<u>1,345,294</u>	<u>34</u>	<u>1,474,801</u>	<u>42</u>	<u>2,814,165</u>	<u>36</u>	<u>3,009,431</u>	<u>44</u>

(Continued)

## KGI BANK CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Note 39)								
Items that will not be reclassified subsequently to profit or loss, net of tax								
Gain on equity instruments measured at fair value through other comprehensive income	\$ 311,602	8	\$ 187,143	5	\$ 959,845	12	\$ 253,830	4
Share of other comprehensive income (loss) of associates accounted for using equity method	3,984	-	(6,177)	-	4,403	-	29,762	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	83,331	2	(10,219)	-	-	-	(9,906)	-
Items that will be reclassified subsequently to profit or loss, net of tax								
Exchange differences on translation of foreign financial statements	74,243	2	(139,827)	(4)	235,273	3	(213,295)	(3)
Share of other comprehensive income of associates accounted for using equity method	14,403	1	17,550	-	50,754	1	11,766	-
Gain (loss) on debt instruments measured at fair value through other comprehensive income	(623,143)	(16)	(48,938)	(1)	(751,926)	(9)	814,943	12
Impairment loss (reversal of impairment loss) on debt instruments measured at fair value through other comprehensive income	3,422	-	3,634	-	5,330	-	11,049	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>13,429</u>	<u>-</u>	<u>(9,437)</u>	<u>-</u>	<u>25,366</u>	<u>-</u>	<u>(38,125)</u>	<u>(1)</u>
Other comprehensive income (loss), net of tax	<u>(118,729)</u>	<u>(3)</u>	<u>(6,271)</u>	<u>-</u>	<u>529,045</u>	<u>7</u>	<u>860,024</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>\$ 1,226,565</u>	<u>31</u>	<u>\$ 1,468,530</u>	<u>42</u>	<u>\$ 3,343,210</u>	<u>43</u>	<u>\$ 3,869,455</u>	<u>56</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 40)								
Basic	<u>\$ 0.29</u>		<u>\$ 0.32</u>		<u>\$ 0.61</u>		<u>\$ 0.65</u>	

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

(Concluded)



**KGI BANK CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent					Other Equity		Total Equity
	Common Stock	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	
			Legal Reserve	Special Reserve				
BALANCE AT JANUARY 1, 2023	\$ 46,061,623	\$ 7,374,531	\$ 8,998,877	\$ 210,736	\$ 4,581,624	\$ 155,393	\$ (5,917,333)	\$ 61,465,451
Appropriation of earnings								
Legal reserve	-	-	1,374,487	-	(1,374,487)	-	-	-
Special reserve	-	-	-	3,207,137	(3,207,137)	-	-	-
Change in equity of associates accounted for using equity method	-	(32,447)	-	-	-	-	-	(32,447)
Net income for the six months ended June 30, 2023	-	-	-	-	3,009,431	-	-	3,009,431
Other comprehensive income (loss) for the six months ended June 30, 2023, net of income tax	-	-	-	-	-	(201,529)	1,061,553	860,024
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	3,009,431	(201,529)	1,061,553	3,869,455
Share-based payments	-	21,842	-	-	-	-	-	21,842
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	67,065	-	(67,065)	-
<b>BALANCE AT JUNE 30, 2023</b>	<b>\$ 46,061,623</b>	<b>\$ 7,363,926</b>	<b>\$ 10,373,364</b>	<b>\$ 3,417,873</b>	<b>\$ 3,076,496</b>	<b>\$ (46,136)</b>	<b>\$ (4,922,845)</b>	<b>\$ 65,324,301</b>
BALANCE AT JANUARY 1, 2024	\$ 46,061,623	\$ 7,432,078	\$ 10,373,364	\$ 3,417,873	\$ 5,498,633	\$ (88,810)	\$ (3,475,603)	\$ 69,219,158
Appropriation of earnings								
Legal reserve	-	-	1,649,590	-	(1,649,590)	-	-	-
Reversal of special reserve	-	-	-	(1,425)	1,425	-	-	-
Cash dividends - common stock	-	-	-	-	(3,850,468)	-	-	(3,850,468)
Net income for the six months ended June 30, 2024	-	-	-	-	2,814,165	-	-	2,814,165
Other comprehensive income for the six months ended June 30, 2024, net of income tax	-	-	-	-	-	286,027	243,018	529,045
Total comprehensive income for the six months ended June 30, 2024	-	-	-	-	2,814,165	286,027	243,018	3,343,210
Share-based payments	-	(449)	-	-	-	-	-	(449)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	570,269	-	(570,269)	-
<b>BALANCE AT JUNE 30, 2024</b>	<b>\$ 46,061,623</b>	<b>\$ 7,431,629</b>	<b>\$ 12,022,954</b>	<b>\$ 3,416,448</b>	<b>\$ 3,384,434</b>	<b>\$ 197,217</b>	<b>\$ (3,802,854)</b>	<b>\$ 68,711,451</b>

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

# KGI BANK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,240,647	\$ 3,468,241
Adjustments for:		
Depreciation expense	317,571	325,478
Amortization expense	149,559	126,210
Provision (reversal) of allowance for bad debts expense, commitments and guarantee liability provisions	837,701	(66,282)
Net gain on financial assets and liabilities measured at fair value through profit or loss	(2,324,530)	(1,178,970)
Interest expense	9,264,240	6,977,387
Interest income	(12,685,217)	(10,993,430)
Dividend income	(121,469)	(55,096)
Share-based payments	(449)	21,842
Share of profit of associates accounted for using equity method	(433,252)	(382,170)
Gain on disposal of assets held for sale	(20,409)	-
Impairment loss on financial assets	4,569	11,307
Others	(37)	(2,200)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(228,057)	514,356
Financial assets at fair value through profit or loss	22,104,501	12,119,640
Financial assets at fair value through other comprehensive income	(10,657,082)	(2,248,458)
Debt investments measured at amortized cost	(4,803,721)	(1,491,911)
Securities purchased under resell agreements	(1,279,915)	(2,885,161)
Receivables	1,607,658	2,452,459
Discounts and loans	(44,018,548)	3,857,785
Other financial assets	4,995,024	(1,467,610)
Other assets	(4,263,179)	1,362,096
Deposits from the Central Bank and banks	(1,687,206)	(10,880,522)
Financial liabilities at fair value through profit or loss	(22,398,929)	(29,090,587)
Notes and bonds issued under repurchase agreements	24,935,445	14,689,946
Payables	(1,635,283)	(1,136,291)
Deposits and remittances	36,806,952	36,344,759
Other financial liabilities	1,667,454	1,664,372
Other liabilities	(2,466,816)	(1,179,913)
Cash flows generated from (used in) operations	(3,092,778)	20,877,277
Interest received	12,231,368	10,603,786
Dividends received	32,872	7,949
Interest paid	(9,296,363)	(9,173,932)
Income taxes paid	(131,536)	(494,569)
Net cash flows generated from (used in) operating activities	(256,437)	21,820,511

(Continued)

# KGI BANK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2024	2023
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of assets held for sale	\$ 189,114	\$ -
Acquisition of property and equipment	(26,415)	(46,592)
Acquisition of intangible assets	(88,738)	(192,921)
Other investment activities	<u>667</u>	<u>11,261</u>
Net cash flows generated from (used in) investing activities	<u>74,628</u>	<u>(228,252)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bank debentures payable	(700,000)	-
Payments of lease liabilities	(171,154)	(178,184)
Decrease in other financial liabilities	(472,052)	(202,614)
Cash dividends paid	<u>(3,850,468)</u>	<u>-</u>
Net cash flows used in financing activities	<u>(5,193,674)</u>	<u>(380,798)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>4,095</u>	<u>(4,474)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,371,388)	21,206,987
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>72,644,973</u>	<u>64,496,856</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 67,273,585</u>	<u>\$ 85,703,843</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2024 and 2023:

	June 30	
	2024	2023
Cash and cash equivalents in the consolidated balance sheets	\$ 14,957,057	\$ 8,840,166
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	11,800,559	43,048,420
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	<u>40,515,969</u>	<u>33,815,257</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 67,273,585</u>	<u>\$ 85,703,843</u>

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

(Concluded)

# **KGI BANK CO., LTD. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

KGI Bank Co., Ltd. (the “Bank”) engages in banking operations regulated by the Banking Act of the Republic of China (the “Banking Act”).

As of June 30, 2024, the Bank had an international banking department, a trust department, an insurance department, various major departments, an offshore banking unit (OBU), and 51 domestic branches.

On April 8, 2014, the Bank’s extraordinary shareholders’ meeting resolved to the exchange 0.2 share of KGI Financial Holding Co., Ltd. (KGIFH, formerly China Development Financial Holding Corporation) and NT\$13.4 for one share of the Bank. On August 11, 2014, the Bank’s board of directors approved September 15, 2014 as the date of the share swap after this transaction was approved by the Financial Supervisory Commission (FSC). Upon completion of the share swap, the Bank became KGIFH’s wholly owned subsidiary and the trading of the Bank’s shares on the Taiwan Stock Exchange was terminated.

On October 9, 2014, under the approval of the board of directors, who were authorized to exercise the functions of the shareholders’ meeting, Cosmos Bank’s name became KGI Bank Co., Ltd since January 2015. The FSC approved the name change on November 10, 2014.

On March 2, 2015 and April 13, 2015, the Bank’s board of directors again exercised the functions of the shareholders’ meeting and approved the transfer to the Bank from CDIB Capital Group (formerly China Development Industrial Bank) of (a) the assets and liabilities associated with the commercial banking business of CDIB Capital Group and (b) CDIB Capital Group’s holdings of shares in leasing subsidiaries and in the Taiwan Financial Asset Service Corporation. On April 16, 2015, the transaction was approved by the FSC, and the chairman was authorized by the board of directors to approve the date of transfer of business on May 1, 2015.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Bank’s board of directors and authorized for issue on August 15, 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 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 and its subsidiaries’ accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB</b>
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Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)
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Note 1: 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 Bank and its subsidiaries use 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 consolidated financial statements were authorized for issue, the Bank and its subsidiaries are continuously assessing the possible impact of the application of the aforementioned standards and interpretations on the Bank and its subsidiaries’ financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB</b>
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Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
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 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

- 1) Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”

The amendments mainly amend the requirements for the classification of financial assets, including if a financial asset contains a contingent feature that could change the timing or amount of contractual cash flows and the contingent event itself does not relate directly to changes in basic lending risks and costs (e.g., whether the debtor achieves a contractually specified reduction in carbon emissions), the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding if, and only if:

- In all possible scenarios (before and after the occurrence of a contingent event), the contractual cash flows are solely payments of principal and interest on the principal amount outstanding; and
- In all possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.

The amendments also stipulate that, when settling a financial liability in cash using an electronic payment system, an entity can choose to derecognize the financial liability before the settlement date if, and only if, the entity has initiated a payment instruction that resulted in:

- The entity having no practical ability to withdraw, stop or cancel the payment instruction;
- The entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- The settlement risk associated with the electronic payment system being insignificant.

## 2) IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Bank and its subsidiaries shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Bank and its subsidiaries shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Bank and its subsidiaries labels items as “other” only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Bank and its subsidiaries as a whole, the Bank and its subsidiaries shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries are continuously assessing other impacts of the above amended standards and interpretations on the Bank and its subsidiaries’ financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

### Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial reports is less than that required for a full set of annual financial reports.

## Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and net defined benefit liabilities (assets) which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The operating cycle in the banking industry cannot be reasonably identified; thus, asset and liability accounts were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized in accordance with the nature of each account and sequenced according to their liquidity. Please refer to Note 46 for the maturity analysis of assets and liabilities.

## Principles for Preparing Consolidated Financial Statements

The consolidated financial statements include the financial statements of the Bank and its subsidiaries. All significant intra-group transactions, balances, income and expenses have been eliminated in full upon consolidation.

The consolidated entities were as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership (%)		
			June 30, 2024	December 31, 2023	June 30, 2023
The Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00
CDIB Management Consulting Corporation	CDC Finance & Leasing Corporation	Leasing	100.00	100.00	100.00
	CDIB International Leasing Corporation	Leasing	100.00	100.00	100.00

## Financial Instruments

Financial assets and financial liabilities are recognized when the Bank and its subsidiaries become a party to the contractual provisions of the instruments.

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

### Financial assets

All regular way transactions of financial assets are recognized and derecognized on a trade date basis. Regular way transactions 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. Classification and measurement

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

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria. A financial asset may be designated as at FVTPL upon initial recognition, if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any dividends and remeasurement gains or losses on the financial assets are recognized in net revenues other than interest. Fair value is determined in the manner described in Note 45.

2) Financial assets at amortized cost

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

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

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

Except for interest income of financial assets have subsequently become credit-impaired is calculated by multiplying the effective interest rate to the amortized cost of a financial asset, others are calculated by multiplying the effective interest rate to the gross carrying amount of the financial asset.

3) Investments in debt instruments at FVTOCI

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

- a) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and
- b) 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.

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

4) Investments in equity instruments at FVTOCI

On initial recognition, the Bank and its subsidiaries 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 and its subsidiaries' 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 and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost, investments in debt instruments at FVTOCI, installment accounts and lease receivables.

For the financial assets, the Bank and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank and its subsidiaries measure 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.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance or accumulated impairment account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of the financial assets are not reduced.

In addition to the analysis of impairment mentioned above, based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual loans, credit assets classified as normal (this balance should be net of the balance of borrowings by ROC government agencies from the Bank), special mention, substandard, with doubtful collectability and uncollectable or loss incurring are evaluated on the basis of the borrowers'/clients' financial condition and delinquency record on interest and principal payments, and these assets have allowances at 1%, 2%, 10%, 50% and 100%, respectively, of outstanding credit. The doubtful accounts of credit cards receivables are evaluated on the basis of the Regulations Governing Institutions Engaging In Credit Card Business. The above is listed the minimum allowance for credit assets on or off balance sheet.

Based on Order No. 10300329440 issued by the FSC, for the Bank to have an enhanced risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets, excluding policy-based loan, effective from January 1, 2011. Based on Order No. 10410001840 issued by the FSC, for the Bank to have an enhanced control on the exposure to the risk in mainland China, the minimum provision for credit loss reserve is 1.5% of the credit, which includes short-term trade financing that were granted to companies based in mainland China and classified as normal assets.

Writing off bad debts involves assessing the possibility of recovering overdue credit and evaluating the value of collateral. After approval by the board of directors, they are written off.

c. Derecognition of financial assets

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 cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

Debt and equity instruments issued by the Bank and its subsidiaries 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 and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Bank's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Bank's own equity instruments.

Financial liabilities

a. Subsequent measurement

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

- Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or are designated as at FVTPL.

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

- 1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 2) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Bank and its subsidiaries' documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 3) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and remeasurement gains or losses on such financial liabilities are recognized in net revenue other than interest. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

b. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

Derivative financial instruments

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

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

Modification of financial instruments

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

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the 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.

**Other Material Accounting Policy Information**

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2023.

## **Retirement Benefits**

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

## **Income Tax Expense**

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

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

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

The estimates and underlying assumptions are reviewed by the management 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.

### **Impairment of Discounts and Loans**

The Bank and its subsidiaries review loans portfolios in accordance with IFRS 9 to assess impairment periodically. To determine whether an impairment loss should be recognized, the management exercises its judgments on whether there has been a significant increase in credit risk or there is any indication of credit impairment. For the purpose of impairment assessment, the management determines the expected future cash flows based on past events, present conditions and future economic circumstances of the assets with similar credit risks. The management also reviews periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment. Also, the management should consider the specifications of the Procedures to make sure that it is in compliance with the minimum eligibility criteria. Furthermore, interest rate fluctuations impacted on financial assets credit risk, lead the uncertainty of estimating default probability and default loss rate to increase.

## 6. CASH AND CASH EQUIVALENTS

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Due from banks	\$ 12,470,281	\$ 17,657,401	\$ 6,040,568
Cash on hand	1,545,443	1,477,316	1,671,982
Excess margin from futures	380,609	371,599	720,045
Checks for clearing	374,486	386,363	244,245
Cash in banks	<u>186,238</u>	<u>180,914</u>	<u>163,326</u>
	<u>\$ 14,957,057</u>	<u>\$ 20,073,593</u>	<u>\$ 8,840,166</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2023 as follows; please refer to the consolidated statements of cash flows for the reconciliation information as of June 30, 2024 and 2023:

	<b>December 31, 2023</b>
Cash and cash equivalents in the consolidated balance sheets	\$ 20,073,593
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	12,331,755
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	<u>40,239,625</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 72,644,973</u>

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

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Call loans to banks	\$ 5,435,262	\$ 9,485,620	\$ 39,438,449
Deposit reserve - demand accounts	13,387,717	12,306,162	12,782,416
Deposit reserve - checking accounts	6,610,464	4,068,943	4,422,046
Due from the Central Bank - interbank settlement funds	3,718,748	3,606,610	3,708,307
Deposit reserve - foreign currencies	<u>227,150</u>	<u>215,145</u>	<u>217,945</u>
	<u>\$ 29,379,341</u>	<u>\$ 29,682,480</u>	<u>\$ 60,569,163</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar - denominated deposit reserves are determined monthly at prescribed rates based on average balance of the Bank's deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve monthly.

In addition, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime at no interest.

The Bank and its subsidiaries had not pledged any of the due from the Central Bank and call loans to banks as collateral.

## 8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial assets mandatorily classified as at FVTPL</u>			
Derivative instruments			
Currency swap contracts	\$ 22,257,760	\$ 24,230,089	\$ 22,581,221
Interest rate swap contracts	5,361,691	3,156,153	3,634,731
Option contracts	1,576,424	1,605,803	1,180,428
Others	<u>404,633</u>	<u>421,209</u>	<u>559,950</u>
	<u>29,600,508</u>	<u>29,413,254</u>	<u>27,956,330</u>
Non-derivative financial assets			
Commercial papers	13,206,235	11,909,838	14,677,681
Bonds	248,841	231,795	382,830
Stocks	35,425	724,873	-
Others	<u>1,057,759</u>	<u>675,358</u>	<u>414,777</u>
	<u>14,548,260</u>	<u>13,541,864</u>	<u>15,475,288</u>
Financial assets at FVTPL	<u>\$ 44,148,768</u>	<u>\$ 42,955,118</u>	<u>\$ 43,431,618</u>
<u>Financial liabilities held for trading</u>			
Derivative instruments			
Currency swap contracts	\$ 20,171,786	\$ 23,700,220	\$ 21,369,433
Interest rate swap contracts	5,140,336	3,063,430	3,481,397
Option contracts	2,042,181	1,830,732	1,413,427
Others	<u>541,197</u>	<u>726,426</u>	<u>479,301</u>
Financial liabilities at FVTPL	<u>\$ 27,895,500</u>	<u>\$ 29,320,808</u>	<u>\$ 26,743,558</u>

The contract (notional) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments as of June 30, 2024, December 31, 2023 and June 30, 2023 were summarized as follows:

	<u>Contract Amount</u>		
	June 30, 2024	December 31, 2023	June 30, 2023
Currency swap contracts	\$ 1,876,042,504	\$ 1,806,692,674	\$ 1,708,340,015
Interest rate swap contracts	376,599,250	365,909,808	356,990,790
Option contracts	167,407,359	196,673,586	133,721,416
Non-deliverable forward contracts	9,511,525	25,768,136	9,627,780
Forward exchange contracts	8,758,397	26,584,064	11,057,060
Cross-currency swap contracts	7,773,311	4,417,470	5,959,286
Futures contracts	2,027,520	6,596,349	1,732,357
Commodity swap contracts	306,386	208,051	256,029

As of June 30, 2024, December 31, 2023 and June 30, 2023, financial assets at FVTPL with aggregate carrying values of \$3,400,951 thousand, \$1,510,123 thousand and \$1,639,799 thousand, respectively, were sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Bank and its subsidiaries had not pledged any of financial assets at FVTPL as collateral.

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2024	December 31, 2023	June 30, 2023
Investments in debt instruments at FVTOCI	\$ 136,460,463	\$ 128,589,501	\$ 140,868,072
Investments in equity instruments at FVTOCI	<u>7,572,190</u>	<u>4,757,729</u>	<u>3,862,170</u>
	<u>\$ 144,032,653</u>	<u>\$ 133,347,230</u>	<u>\$ 144,730,242</u>

### a. Investments in debt instruments at FVTOCI

	June 30, 2024	December 31, 2023	June 30, 2023
Corporate bonds	\$ 57,546,839	\$ 54,089,488	\$ 53,401,360
Government bonds	56,242,009	53,215,841	50,489,510
Bank debentures	19,027,167	16,997,557	16,065,617
Negotiable certificates of deposit	-	2,433,259	18,623,894
Others	<u>3,644,448</u>	<u>1,853,356</u>	<u>2,287,691</u>
	<u>\$ 136,460,463</u>	<u>\$ 128,589,501</u>	<u>\$ 140,868,072</u>

As of June 30, 2024, December 31, 2023 and June 30, 2023, investments in debt instruments at FVTOCI, with aggregate carrying values of \$61,325,083 thousand, \$40,142,911 thousand and \$38,926,656 thousand, respectively, were sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

There was no significant increase in the credit risk of investments in debt instruments at FVTOCI of the Bank and its subsidiaries; therefore, the impairment loss was assessed based on 12 months expected credit losses. An adjustment in the investment portfolio resulted in the recognition of impairment loss of \$46,963 thousand, \$41,633 thousand and \$44,289 thousand on June 30, 2024, December 31, 2023 and June 30, 2023, respectively.

### b. Investments in equity instruments at FVTOCI

	June 30, 2024	December 31, 2023	June 30, 2023
Listed and OTC stocks	\$ 6,629,741	\$ 3,833,897	\$ 2,925,566
Unlisted stocks	<u>942,449</u>	<u>923,832</u>	<u>936,604</u>
	<u>\$ 7,572,190</u>	<u>\$ 4,757,729</u>	<u>\$ 3,862,170</u>

For the six months ended June 30, 2024 and 2023, the Bank and its subsidiaries sold its shares in order to manage its investment portfolio. The sold shares had a fair value of \$7,673,452 thousand and \$986,960 thousand and the Bank and its subsidiaries transferred gain of \$570,269 thousand and \$72,642 thousand from other equity related-unrealized gain on financial assets at FVTOCI to retained earnings.

For the three months ended June 30, 2024 and 2023, dividend income were \$94,547 thousand and \$52,196 thousand, respectively, and for the six months ended June 30, 2024 and 2023, dividend income were \$114,696 thousand and \$54,692 thousand, respectively, and those related to investments held as of June 30, 2024 and 2023 were \$28,616 thousand and \$46,234 thousand, and those related to investments derecognized as of June 30, 2024 and 2023 were \$86,080 thousand and \$8,458 thousand, respectively.

For the information on financial assets at FVTOCI pledged as collateral for the Bank and its subsidiaries, please refer to Note 42.

#### 10. DEBT INVESTMENTS MEASURED AT AMORTIZED COST

	June 30, 2024	December 31, 2023	June 30, 2023
Negotiable certificates of deposit	\$ 51,330,000	\$ 47,930,000	\$ 39,815,000
Bank debentures	15,489,152	14,447,380	14,575,416
Corporate bonds	5,387,422	5,094,908	5,151,650
Others	<u>1,015,170</u>	<u>945,630</u>	<u>940,500</u>
	73,221,744	68,417,918	60,482,566
Accumulated impairment	<u>(6,107)</u>	<u>(5,489)</u>	<u>(5,801)</u>
Net amount	<u>\$ 73,215,637</u>	<u>\$ 68,412,429</u>	<u>\$ 60,476,765</u>

As of June 30, 2024, December 31, 2023 and June 30, 2023, debt investments measured at amortized cost, with aggregate carrying values of \$2,790,390 thousand, \$927,945 thousand and \$2,484,475 thousand were sold, respectively, under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on the debt investments measured at amortized cost pledged as collateral for the Bank and its subsidiaries, please refer to Note 42.

There was no significant increase in the credit risk of debt investments measured at amortized cost of the Bank and its subsidiaries; therefore, the impairment loss was assessed based on 12 months expected credit losses. The recognition of impairment loss of \$6,107 thousand, \$5,489 thousand and \$5,801 thousand on June 30, 2024, December 31, 2023 and June 30, 2023, respectively.

#### 11. FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2024	December 31, 2023	June 30, 2023
<u>Financial assets for hedging</u>			
Fair value hedge - interest rate swap	<u>\$ 707,797</u>	<u>\$ 598,459</u>	<u>\$ 1,268,660</u>
<u>Financial liabilities for hedging</u>			
Fair value hedge - interest rate swap	<u>\$ 973,786</u>	<u>\$ 610,323</u>	<u>\$ 620,998</u>

#### Fair Value Hedges

The Bank and its subsidiaries are exposed to the risk of adverse fair value fluctuations due to changes in interest rates for the debt instruments and bank debentures issued. Since the risk is considered material, the Bank and its subsidiaries enter into interest rate swap contracts to hedge against this risk.



The following tables summarize the information relating to the hedges for interest rate risk.

June 30, 2024

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount		
				Asset	Liability	
Fair value hedge						
Interest rate swap contracts	\$ 35,624,625	2027.03.05-2038.03.25	Financial assets and liabilities for hedging	\$ 707,797	\$ 973,786	
Hedged Items			Carrying Amount		Accumulated Amount of Fair Value Adjustments	
			Asset	Liability	Asset	Liability
Fair value hedge						
Financial assets at FVTOCI			\$ 18,805,338	\$ -	\$ (671,198)	\$ -
Bank debentures payable			-	14,162,784	-	(937,216)

December 31, 2023

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount		
				Asset	Liability	
Fair value hedge						
Interest rate swap contracts	\$ 36,284,878	2024.05.18-2033.09.21	Financial assets and liabilities for hedging	\$ 598,459	\$ 610,323	
Hedged Items			Carrying Amount		Accumulated Amount of Fair Value Adjustments	
			Asset	Liability	Asset	Liability
Fair value hedge						
Financial assets at FVTOCI			\$ 18,915,262	\$ -	\$ (490,346)	\$ -
Bank debentures payable			-	15,297,803	-	(502,197)

June 30, 2023

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount		
				Asset	Liability	
Fair value hedge						
Interest rate swap contracts	\$ 38,553,458	2024.05.18-2032.08.15	Financial assets and liabilities for hedging	\$ 1,268,660	\$ 620,998	
Hedged Items			Carrying Amount		Accumulated Amount of Fair Value Adjustments	
			Asset	Liability	Asset	Liability
Fair value hedge						
Financial assets at FVTOCI			\$ 20,358,996	\$ -	\$ (1,268,607)	\$ -
Bank debentures payable			-	15,179,260	-	(620,740)

## 12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2024	December 31, 2023	June 30, 2023
Commercial papers	\$ 15,235,063	\$ 16,916,433	\$ 24,518,549
Corporate bonds	13,816,592	14,036,162	9,526,628
Negotiable certificates of deposit	12,827,500	9,380,121	1,457,574
Bank debentures	1,288,047	873,764	549,444
Government bonds	<u>486,786</u>	<u>891,249</u>	<u>1,162,737</u>
	<u>\$ 43,653,988</u>	<u>\$ 42,097,729</u>	<u>\$ 37,214,932</u>
Agreed-upon resell amounts	<u>\$ 43,717,788</u>	<u>\$ 42,163,925</u>	<u>\$ 37,269,274</u>
Last maturity date	September 2024	March 2024	September 2023

## 13. RECEIVABLES, NET

	June 30, 2024	December 31, 2023	June 30, 2023
Accounts receivable factoring without recourse	\$ 8,604,323	\$ 10,262,998	\$ 8,216,332
Interest receivable	5,917,113	5,463,397	4,726,909
Installment accounts and lease receivables	5,581,629	6,177,528	6,481,706
Credit card	3,982,240	3,603,911	3,775,195
Accounts receivable - forfaiting	1,689,185	1,617,130	3,858,994
PEM receivable	832,017	856,575	936,734
Rental deposits	467,748	467,748	467,748
Others	<u>1,722,321</u>	<u>1,262,869</u>	<u>1,695,585</u>
	28,796,576	29,712,156	30,159,203
Less: Unrealized interest	(318,259)	(350,298)	(369,006)
Allowance for bad debts	<u>(1,429,154)</u>	<u>(1,397,767)</u>	<u>(1,400,208)</u>
Net amount	<u>\$ 27,049,163</u>	<u>\$ 27,964,091</u>	<u>\$ 28,389,989</u>

As of June 30, 2024, December 31, 2023 and June 30, 2023, the rental deposits receivable amounting to \$467,748 thousand and the allowance for bad debts was \$409,848 thousand, resulted from the relocation to Bank-owned property, of which, deposits from Prince Motors and Cosmos Construction Management Corporation amounted to \$101,901 thousand, and the allowance for bad debts on these deposits was \$44,001 thousand.

The lawsuit against the third party who claimed that the Bank had fraudulently infringed the rights of the creditors regarding property rights of Dun Nun Building. Please refer to Note 43 for details.

From May 2007 to February 2008, the Bank sold structured notes, which were issued by GVEC Resource Inc. (GVEC), amounting to US\$48,920 thousand through a specific trust fund. PEM Group, which GVEC was subordinate to, was found to have committed fraud by the U.S. Securities and Exchange Commission (SEC). In view of its social responsibility, the Bank's board of directors decided to buy back the structured notes before March 31, 2010 and ask for compensation from PEM Group.

PEM Group had invested in life insurance policy products, etc. In order to recover its creditor's rights effectively and to protect shareholders' equity, the Bank's board of directors adopted a resolution on December 21, 2010, to take over all the insurance policies and hold these policies in the form of trust. The Bank completed the transfer of the life insurance policies from PEM Group on March 7, 2011. The Bank measured the policies' cost based on an actuarial report less administration fees, and then recognized the cost amounting to \$218,386 thousand (US\$7,423 thousand). At the same time, the Bank wrote off the initial cost and provision for life insurance policies amounting to \$433,061 thousand (US\$14,721 thousand).

The abovementioned PEM receivable plus premiums paid thereon less any recovery amount, after assessing the possibility of recovery based on the latest information provided by the trust entity, the balance of the PEM receivable and its allowance for bad debts were as follows:

	<b>(In Thousands of USD/NTD)</b>	
	<b>June 30, 2024</b>	
	<b>USD</b>	<b>NTD</b>
Life insurance policies	\$ 10,079	\$ 327,085
Non-life insurance policies	<u>15,561</u>	<u>504,932</u>
	25,640	832,017
Less: Allowance for bad debts	<u>(16,724)</u>	<u>(542,669)</u>
Net amount	<u>\$ 8,916</u>	<u>\$ 289,348</u>
	<b>December 31, 2023</b>	
	<b>USD</b>	<b>NTD</b>
Life insurance policies	\$ 12,309	\$ 378,329
Non-life insurance policies	<u>15,561</u>	<u>478,246</u>
	27,870	856,575
Less: Allowance for bad debts	<u>(16,724)</u>	<u>(513,989)</u>
Net amount	<u>\$ 11,146</u>	<u>\$ 342,586</u>
	<b>June 30, 2023</b>	
	<b>USD</b>	<b>NTD</b>
Life insurance policies	\$ 14,525	\$ 452,264
Non-life insurance policies	<u>15,561</u>	<u>484,470</u>
	30,086	936,734
Less: Allowance for bad debts	<u>(17,008)</u>	<u>(529,543)</u>
Net amount	<u>\$ 13,078</u>	<u>\$ 407,191</u>

## Changes in Loss Allowance on Receivables

The reconciliation statements of loss allowance for receivables of the Bank and its subsidiaries were as follows:

For the six months ended June 30, 2024

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance at January 1	\$ 50,531	\$ 28,486	\$ -	\$ 1,142,044	\$ -	\$ 1,221,061	\$ 176,706	\$ 1,397,767
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(756)	1,277	-	(521)	-	-	-	-
Transferred to credit - impaired financial assets	(474)	(1,607)	-	2,081	-	-	-	-
Transferred to 12 months ECL	4,133	(4,073)	-	(60)	-	-	-	-
Derecognizing financial assets during the current period	(37,581)	(11,462)	-	(2,484)	-	(51,527)	-	(51,527)
Purchased or originated new financial assets	37,752	2,084	-	1,250	-	41,086	-	41,086
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	(43,586)	-	(43,586)	(21,060)	(21,060)
Write-off	-	-	-	950	-	950	-	950
Recovery of written-off	-	-	-	84,106	-	105,524	-	105,524
Effects of exchange rate changes and others	4,824	16,594	-	-	-	-	-	-
Balance at June 30	<u>\$ 58,429</u>	<u>\$ 31,299</u>	<u>\$ -</u>	<u>\$ 1,183,780</u>	<u>\$ -</u>	<u>\$ 1,273,508</u>	<u>\$ 155,646</u>	<u>\$ 1,429,154</u>

For the six months ended June 30, 2023

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance at January 1	\$ 48,035	\$ 23,846	\$ -	\$ 1,146,937	\$ -	\$ 1,218,818	\$ 222,504	\$ 1,441,322
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(6,937)	7,321	1	(385)	-	-	-	-
Transferred to credit - impaired financial assets	(214)	(3,487)	-	3,701	-	-	-	-
Transferred to 12 months ECL	1,178	(1,072)	-	(106)	-	-	-	-
Derecognizing financial assets during the current period	(34,774)	(7,131)	(2,121)	(10,338)	-	(54,364)	-	(54,364)
Purchased or originated new financial assets	39,304	825	3,033	836	-	43,998	-	43,998
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	(25,478)	-	(25,478)	(55,238)	(55,238)
Write-off	-	-	-	3,812	-	3,812	-	3,812
Recovery of written-off	-	-	-	20,704	-	46,156	-	46,156
Effects of exchange rate changes and others	13,471	10,492	1,489	-	-	-	-	-
Balance at June 30	<u>\$ 60,063</u>	<u>\$ 30,794</u>	<u>\$ 2,402</u>	<u>\$ 1,139,683</u>	<u>\$ -</u>	<u>\$ 1,232,942</u>	<u>\$ 167,266</u>	<u>\$ 1,400,208</u>

Changes in total carrying amount of receivables of the Bank and its subsidiaries were as follows:

For the six months ended June 30, 2024

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	\$ 27,338,310	\$ 283,579	\$ -	\$ 1,739,969	\$ -	\$ 29,361,858
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(199,291)	102,668	-	96,623	-	-
Purchased or originated new receivables	11,829,318	20,687	-	4,456	-	11,854,461
Write-off	-	-	-	(43,586)	-	(43,586)
Derecognition	(12,884,047)	(97,921)	-	(107,769)	-	(13,089,737)
Effects of exchange rate changes and others	347,685	33	-	47,603	-	395,321
Balance at June 30	<u>\$ 26,431,975</u>	<u>\$ 309,046</u>	<u>\$ -</u>	<u>\$ 1,737,296</u>	<u>\$ -</u>	<u>\$ 28,478,317</u>

For the six months ended June 30, 2023

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	\$ 29,763,221	\$ 281,421	\$ -	\$ 1,752,835	\$ -	\$ 31,797,477
Conversion from individual financial instruments to lifetime ECL	(4,449)	-	4,449	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(133,833)	90,764	-	43,069	-	-
Purchased or originated new receivables	9,960,606	13,976	7,429	4,348	-	9,986,359
Write-off	-	-	-	(25,478)	-	(25,478)
Derecognition	(11,918,646)	(71,635)	(6,550)	(42,985)	-	(12,039,816)
Effects of exchange rate changes and others	55,024	-	311	16,320	-	71,655
Balance at June 30	<u>\$ 27,721,923</u>	<u>\$ 314,526</u>	<u>\$ 5,639</u>	<u>\$ 1,748,109</u>	<u>\$ -</u>	<u>\$ 29,790,197</u>

For the impairment loss analysis of receivables, please refer to Note 46.

For the information on receivables pledged as collateral for the Bank and its subsidiaries, please refer to Note 42.

#### 14. DISCOUNTS AND LOANS, NET

	June 30, 2024	December 31, 2023	June 30, 2023
Short-term loans	\$ 76,879,923	\$ 61,520,084	\$ 61,273,565
Medium-term loans	251,461,437	234,899,351	235,045,840
Long-term loans	116,665,905	104,738,023	99,237,343
Overdue loans	1,047,753	974,615	480,906
Export negotiations	<u>21,990</u>	<u>5,449</u>	<u>16,290</u>
	446,077,008	402,137,522	396,053,944
Less: Allowance for bad debts	(5,827,778)	(5,155,174)	(5,152,778)
Less: Discounts on discounts and loans	<u>(64,693)</u>	<u>(55,911)</u>	<u>(53,637)</u>
Net amount	<u>\$ 440,184,537</u>	<u>\$ 396,926,437</u>	<u>\$ 390,847,529</u>

#### Changes in Loss Allowance on Discounts and Loans

The reconciliation statements of loss allowance for discounts and loans of the Bank and its subsidiaries were as follows:

For the six months ended June 30, 2024

	Stage 1		Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)				
Balance at January 1	\$ 789,010	\$ 168,283	\$ -	\$ 791,094	\$ -	\$ 1,748,387	\$ 3,406,787	\$ 5,155,174	
Changes due to financial instruments that have been identified at the beginning of the period:									
Transferred to lifetime ECL	(4,488)	10,457	-	(5,969)	-	-	-	-	
Transferred to credit - impaired financial assets	(4,981)	(36,133)	-	41,114	-	-	-	-	
Transferred to 12 months ECL	3,910	(2,744)	-	(1,166)	-	-	-	-	
Derecognizing financial assets during the current period	(553,273)	(17,254)	-	(30,324)	-	(600,851)	-	(600,851)	
Purchased or originated new financial assets	572,877	1,179	-	7	-	574,063	-	574,063	
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							422,583	422,583	
Write-off	-	-	-	(482,436)	-	(482,436)	-	(482,436)	
Recovery of written-off	-	-	-	346,664	-	346,664	-	346,664	
Effects of exchange rate changes and others	<u>97,960</u>	<u>140,403</u>	<u>-</u>	<u>174,218</u>	<u>-</u>	<u>412,581</u>	<u>-</u>	<u>412,581</u>	
Balance at June 30	<u>\$ 901,015</u>	<u>\$ 264,191</u>	<u>\$ -</u>	<u>\$ 833,202</u>	<u>\$ -</u>	<u>\$ 1,998,408</u>	<u>\$ 3,829,370</u>	<u>\$ 5,827,778</u>	

For the six months ended June 30, 2023

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance at January 1	\$ 702,059	\$ 99,224	\$ -	\$ 617,242	\$ -	\$ 1,418,525	\$ 3,762,082	\$ 5,180,607
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(1,702)	7,020	106	(5,424)	-	-	-	-
Transferred to credit - impaired financial assets	(3,149)	(22,782)	-	25,931	-	-	-	-
Transferred to 12 months ECL	5,115	(3,046)	-	(2,069)	-	-	-	-
Derecognizing financial assets during the current period	(481,958)	(10,436)	(2)	(28,811)	-	(521,207)	-	(521,207)
Purchased or originated new financial assets	460,853	336	-	28	-	461,217	-	461,217
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	(386,672)	-	(386,672)	(301,622)	(301,622)
Write-off	-	-	-	473,259	-	473,259	-	473,259
Recovery of written-off	-	-	-	(118,596)	-	247,196	-	247,196
Effects of exchange rate changes and others	83,366	50,155	232,271	(118,596)	-	247,196	-	247,196
Balance at June 30	<u>\$ 764,584</u>	<u>\$ 120,471</u>	<u>\$ 232,375</u>	<u>\$ 574,888</u>	<u>\$ -</u>	<u>\$ 1,692,318</u>	<u>\$ 3,460,460</u>	<u>\$ 5,152,778</u>

Changes in total carrying amount of discounts and loans of the Bank and its subsidiaries were as follows:

For the six months ended June 30, 2024

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	\$ 397,443,558	\$ 1,765,817	\$ -	\$ 2,928,147	\$ -	\$ 402,137,522
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(1,099,449)	351,999	-	747,450	-	-
Purchased or originated new discounts and loans	315,651,146	9,050	-	80	-	315,660,276
Write-off	-	-	-	(482,436)	-	(482,436)
Derecognition	(274,483,692)	(149,512)	-	(112,584)	-	(274,745,788)
Effects of exchange rate changes and others	3,481,220	4,462	-	21,752	-	3,507,434
Balance at June 30	<u>\$ 440,992,783</u>	<u>\$ 1,981,816</u>	<u>\$ -</u>	<u>\$ 3,102,409</u>	<u>\$ -</u>	<u>\$ 446,077,008</u>

For the six months ended June 30, 2023

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	\$ 395,967,373	\$ 1,533,963	\$ -	\$ 2,304,303	\$ -	\$ 399,805,639
Conversion from individual financial instruments to lifetime ECL	(516,704)	-	516,704	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(711,660)	151,535	-	560,125	-	-
Purchased or originated new discounts and loans	254,917,706	3,368	-	281	-	254,921,355
Write-off	-	-	-	(386,672)	-	(386,672)
Derecognition	(258,805,059)	(146,146)	(8,509)	(112,824)	-	(259,072,538)
Effects of exchange rate changes and others	749,882	-	37,428	(1,150)	-	786,160
Balance at June 30	<u>\$ 391,601,538</u>	<u>\$ 1,542,720</u>	<u>\$ 545,623</u>	<u>\$ 2,364,063</u>	<u>\$ -</u>	<u>\$ 396,053,944</u>

For the impairment loss analysis of discounts and loans, please refer to Note 46.

## 15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET

Immaterial associates:

	<u>June 30, 2024</u>		<u>December 31, 2023</u>		<u>June 30, 2023</u>	
	<b>Carrying Amount</b>	<b>%</b>	<b>Carrying Amount</b>	<b>%</b>	<b>Carrying Amount</b>	<b>%</b>
Suyin KGI Consumer Finance Co., Ltd.	\$ 8,356,169	37.63	\$ 7,768,118	37.63	\$ 4,614,726	36.17
CDIB & Partners Investment Holding Corporation	<u>947,388</u>	4.95	<u>850,586</u>	4.95	<u>781,027</u>	4.95
	<u>\$ 9,303,557</u>		<u>\$ 8,618,704</u>		<u>\$ 5,395,753</u>	

The above investments accounted for using the equity method and the Bank and its subsidiaries' share of earnings and other comprehensive income have been calculated on the basis of the audited financial statements.

The Bank and its subsidiaries had not pledged any of the investments accounted for using equity method as collateral.

## 16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

- The Bank and its subsidiaries have asset securitization products in which the Bank and its subsidiaries do not have significant influence but rights and obligations in accordance with the contract. The funds of unconsolidated structured entities are from the Bank and its subsidiaries and external third parties.



- b. The carrying amounts of the Bank and its subsidiaries' involvement with the structured entities, which were recognized in the consolidated balance sheet were as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
<u>Asset securitization</u>			
Financial assets at FVTOCI	<u>\$ 327,002</u>	<u>\$ 310,961</u>	<u>\$ 314,529</u>

The amount of the maximum exposure to loss is the carrying amount of the assets held by the Bank and its subsidiaries.

- c. The Bank and its subsidiaries did not provide any financial support to the unconsolidated structured entities until June 30, 2024.

#### 17. OTHER FINANCIAL ASSETS, NET

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Due from banks except for cash and cash equivalents	\$ 3,569,500	\$ 8,745,840	\$ 2,569,560
Overdue receivables	37,373	29,987	21,772
Pledged time deposits	<u>300</u>	<u>300</u>	<u>300</u>
	3,607,173	8,776,127	2,591,632
Less: Allowance for bad debts - overdue receivables	<u>(37,373)</u>	<u>(29,987)</u>	<u>(21,772)</u>
Net amount	<u>\$ 3,569,800</u>	<u>\$ 8,746,140</u>	<u>\$ 2,569,860</u>

For the information on other financial assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 42.

#### 18. PROPERTY AND EQUIPMENT, NET

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Land	\$ 3,263,551	\$ 3,263,551	\$ 3,347,375
Buildings and facilities	1,142,806	1,172,614	1,249,274
Leasehold improvements	359,128	384,270	405,595
Machinery and computer equipment	352,611	390,778	633,774
Miscellaneous equipment	79,654	88,340	94,055
Transportation equipment	63	869	1,065
Prepayments for acquisition of equipment	<u>14,647</u>	<u>8,757</u>	<u>6,263</u>
	<u>\$ 5,212,460</u>	<u>\$ 5,309,179</u>	<u>\$ 5,737,401</u>

Except for depreciation recognized, the Bank and its subsidiaries had no significant addition, disposal and impairment of property and equipment during the six months ended June 30, 2024 and 2023.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings and facilities	5-60 years
Machinery and computer equipment	4-10 years
Transportation equipment	5 years
Miscellaneous equipment	3-15 years
Leasehold improvements	Depends on the age or the durable life of the lease, whichever is shorter

The operating leases of the Bank's subsidiaries are mainly based on leased light passenger vehicles with lease terms of 1 to 5 years. The above contracts do not contain market review clauses. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases was as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Year 1	\$ -	\$ 174	\$ 522
Year 2	-	-	-
Year 3	-	-	-
Year 4	-	-	-
Year 5	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 174</u>	<u>\$ 522</u>

The Bank's subsidiary, CDC Finance & Leasing Corporation, plans to sell some of its machinery equipment and has already identified a buyer, with the expectation of completing the disposal within the next year. When it is classified as assets held for sale, no impairment loss should be recognized.

For the information on property and equipment pledged as collateral by the Bank and its subsidiaries, please refer to Note 42.

## 19. LEASE ARRANGEMENTS

### a. Right-of-use assets

	June 30, 2024	December 31, 2023	June 30, 2023
Carrying amounts			
Buildings and facilities	\$ 2,776,017	\$ 2,948,679	\$ 3,135,850
Transportation equipment	3,249	3,563	5,104
Computer equipment	2,314	14,038	13,973
Miscellaneous equipment	<u>344</u>	<u>384</u>	<u>423</u>
	<u>\$ 2,781,924</u>	<u>\$ 2,966,664</u>	<u>\$ 3,155,350</u>
		<b>For the Six Months Ended June 30</b>	
		<b>2024</b>	<b>2023</b>
Additions to right-of-use assets		<u>\$ 2,388</u>	<u>\$ 3,417</u>

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Depreciation of right-of-use assets				
Buildings and facilities	\$ 86,849	\$ 87,553	\$ 173,871	\$ 175,057
Computer equipment	258	3,978	1,377	7,955
Transportation equipment	665	797	1,343	1,665
Miscellaneous equipment	<u>20</u>	<u>20</u>	<u>40</u>	<u>40</u>
	<u>\$ 87,792</u>	<u>\$ 92,348</u>	<u>\$ 176,631</u>	<u>\$ 184,717</u>

b. Lease liabilities

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>	
Carrying amounts	<u>\$ 2,961,846</u>	<u>\$ 3,131,695</u>	<u>\$ 3,317,070</u>	
	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Interest expense (other interest expenses)	<u>\$ 6,638</u>	<u>\$ 6,982</u>	<u>\$ 13,635</u>	<u>\$ 14,333</u>

Ranges of discount rates for lease liabilities were as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Buildings and facilities	0.64%-1.82%	0.52%-1.82%	0.52%-1.82%
Computer equipment	1.50%	0.91%-1.50%	0.91%-0.92%
Transportation equipment	1.38%-1.64%	0.53%-1.64%	0.53%-1.64%
Miscellaneous equipment	1.03%	1.03%	1.03%

The maturity analysis of lease liabilities (undiscounted) was as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Less than 1 year	\$ 368,463	\$ 368,521	\$ 373,622
1 year to 5 years	1,382,465	1,418,176	1,442,018
Over 5 years	<u>1,340,096</u>	<u>1,487,816</u>	<u>1,653,435</u>
	<u>\$ 3,091,024</u>	<u>\$ 3,274,513</u>	<u>\$ 3,469,075</u>

c. Material leasing activities and terms

The Bank and its subsidiaries lease buildings and facilities, computer equipment, transportation equipment and miscellaneous equipment with lease terms of 1 to 15 years. In the contracts, the Bank and its subsidiaries have the option to lease the building at the end of the lease terms. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

d. Other lease information

For lease arrangements under operating leases for the leasing out of freehold property and equipment and investment properties for the Bank and its subsidiaries, please refer to Notes 18 and 20, respectively.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Expenses relating to short-term leases	<u>\$ 2,694</u>	<u>\$ 1,900</u>	<u>\$ 5,824</u>	<u>\$ 3,785</u>
Expenses relating to low-value asset leases	<u>\$ 1,377</u>	<u>\$ 1,272</u>	<u>\$ 2,594</u>	<u>\$ 2,448</u>
Total cash outflow for leases			<u>\$ 193,207</u>	<u>\$ 198,753</u>

Short-term lease commitments with lease terms commencing after the balance sheet dates are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Short-term lease commitments	<u>\$ 4,273</u>	<u>\$ 6,057</u>	<u>\$ 4,869</u>

**20. INVESTMENT PROPERTY, NET**

	June 30, 2024	December 31, 2023	June 30, 2023
Land	\$ 1,234,128	\$ 1,234,128	\$ 1,150,304
Buildings and facilities	<u>402,224</u>	<u>410,350</u>	<u>339,844</u>
	<u>\$ 1,636,352</u>	<u>\$ 1,644,478</u>	<u>\$ 1,490,148</u>

Except for depreciation recognized, the Bank and its subsidiaries had no significant addition, disposal and impairment of investment property during the six months ended June 30, 2024 and 2023.

Investment property is depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings and facilities	
Main building and parking spaces	30-60 years

The fair values of the Bank and its subsidiaries' investment properties were assessed by an external independent appraiser and are reviewed by the Bank and its subsidiaries' management that consider the validity of appraisal report in 2023 and 2022 and regard the fair value on June 30, 2024 and 2023 as effective. The sales comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transactions, and the income approach takes the net operating income of the rent collected and divides it by the capitalization rate. Based on these valuations, the fair values of the Bank and its subsidiaries' investment properties as of June 30, 2024, December 31, 2023 and June 30, 2023 were \$2,234,226 thousand, \$2,234,226 thousand and \$1,898,516 thousand, respectively. Investment properties were categorized into Level 3.

The lease terms of the leasing of investment properties are 1 to 10 years. Some lessees have the priority to rent the leased property under the same terms after the leases have expired. The lessees do not have bargain purchase options to acquire the investment property at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment property was as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Year 1	\$ 51,772	\$ 53,558	\$ 48,768
Year 2	42,753	48,349	47,124
Year 3	29,535	34,527	38,085
Year 4	25,000	27,089	23,427
Year 5	6,268	15,802	20,612
Over 5 years	<u>4,151</u>	<u>6,139</u>	<u>8,591</u>
	<u>\$ 159,479</u>	<u>\$ 185,464</u>	<u>\$ 186,607</u>

The above items of investment property under operating leases are depreciated on a straight-line basis over the estimated useful lives as follows:

	<b><u>Estimated Useful Lives</u></b>
Buildings and facilities	30-60 years

For the information on investment property pledged as collateral by the Bank and its subsidiaries, please refer to Note 42.

## 21. OTHER ASSETS, NET

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Guarantee deposits paid	\$ 7,252,815	\$ 3,352,211	\$ 4,967,521
Prepaid expenses	594,865	595,121	730,139
Prepaid pensions	125,228	117,839	123,275
Others	<u>158,426</u>	<u>125,567</u>	<u>117,505</u>
	<u>\$ 8,131,334</u>	<u>\$ 4,190,738</u>	<u>\$ 5,938,440</u>

For the information on other assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 42.

## 22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2024	December 31, 2023	June 30, 2023
Call loans from banks	\$ 5,159,550	\$ 6,846,756	\$ 911,350
Deposits from Chunghwa Post Co., Ltd.	<u>180,556</u>	<u>180,556</u>	<u>180,556</u>
	<u>\$ 5,340,106</u>	<u>\$ 7,027,312</u>	<u>\$ 1,091,906</u>

## 23. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2024	December 31, 2023	June 30, 2023
Corporate bonds	\$ 33,394,956	\$ 21,849,930	\$ 21,170,484
Government bonds	15,782,485	13,069,499	12,998,650
Bank debentures	14,938,032	6,151,427	7,241,997
Commercial papers	<u>3,400,951</u>	<u>1,510,123</u>	<u>1,639,799</u>
	<u>\$ 67,516,424</u>	<u>\$ 42,580,979</u>	<u>\$ 43,050,930</u>
Repurchase amounts	<u>\$ 68,553,607</u>	<u>\$ 43,147,805</u>	<u>\$ 43,443,163</u>
Last maturity date	September 2024	March 2024	September 2023

## 24. PAYABLES

	June 30, 2024	December 31, 2023	June 30, 2023
Accrued interest	\$ 2,251,743	\$ 2,274,312	\$ 1,677,646
Accounts payable factoring	1,406,721	2,556,748	1,826,636
Accrued expenses	781,715	1,128,630	689,802
Payables for checks for clearing	374,486	386,363	244,245
Payables for securities purchased	348,617	577,497	1,207,381
Others	<u>976,828</u>	<u>884,083</u>	<u>1,024,874</u>
	<u>\$ 6,140,110</u>	<u>\$ 7,807,633</u>	<u>\$ 6,670,584</u>

## 25. DEPOSITS AND REMITTANCES

	June 30, 2024	December 31, 2023	June 30, 2023
Time deposits	\$ 273,441,073	\$ 248,867,469	\$ 268,226,362
Savings deposits	186,721,554	177,602,354	170,015,346
Demand deposits	131,913,845	127,814,138	138,294,754
Checking deposits	2,932,598	3,321,552	3,282,015
Negotiable certificates of deposit	133,800	134,100	136,700
Remittances	<u>107,351</u>	<u>703,656</u>	<u>74,785</u>
	<u>\$ 595,250,221</u>	<u>\$ 558,443,269</u>	<u>\$ 580,029,962</u>

## 26. BANK DEBENTURES PAYABLE

Name	June 30, 2024	December 31, 2023	June 30, 2023	Issuance Period	Method of Paying Principle and Interests	Interest Rate
P07 KGIB 1	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	3,350,000	3,350,000	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
P08 KGIB 1	3,100,000	3,100,000	3,100,000	2019.06.26-2034.06.26	Interest payable annually; principal due on maturity	1.40%
P09 KGIB 1	1,200,000	1,200,000	1,200,000	2020.03.05-2027.03.05	Interest payable annually; principal due on maturity	0.75%
P09 KGIB 2	4,800,000	4,800,000	4,800,000	2020.03.05-2030.03.05	Interest payable annually; principal due on maturity	0.80%
P09 KGIB 3	4,800,000	4,800,000	4,800,000	2020.08.07-2030.08.07	Interest payable annually; principal due on maturity	0.71%
P10 KGIB 1	4,300,000	4,300,000	4,300,000	2021.02.04-2031.02.04	Interest payable annually; principal due on maturity	0.57%
P10 KGIB 2	<u>-</u>	<u>700,000</u>	<u>700,000</u>	2021.05.18-2024.05.18	Interest payable annually; principal due on maturity	0.40%
	24,550,000	25,250,000	25,250,000			
Valuation adjustments	<u>(937,216)</u>	<u>(502,197)</u>	<u>(620,740)</u>			
Net amount	<u>\$ 23,612,784</u>	<u>\$ 24,747,803</u>	<u>\$ 24,629,260</u>			

Note: The Bank has the right to redeem the bonds after 5 years and 1 month from the issue date if its self-owned capital adequacy ratio is still in compliance with the requirements set by the competent authority. The Bank is allowed to redeem the bonds based on the carrying value of each bond plus interest after approved by the competent authority.

## 27. OTHER FINANCIAL LIABILITIES

	June 30, 2024	December 31, 2023	June 30, 2023
Cumulative earnings on appropriated loan fund	\$ 2,720,000	\$ 1,713,333	\$ 1,320,000
Commercial paper payable	2,119,787	3,039,829	3,614,575
Short-term borrowings	1,328,000	1,080,000	747,585
Note issuance facility	<u>1,299,854</u>	<u>1,099,865</u>	<u>1,299,864</u>
	<u>\$ 7,467,641</u>	<u>\$ 6,933,027</u>	<u>\$ 6,982,024</u>
Commercial paper payable	1.89%-2.24%	1.69%-2.24%	1.65%-2.24%
Short-term borrowings	1.99%-2.27%	1.90%-2.15%	1.83%-2.23%

For the information on collateral for borrowings, please refer to Note 42.

## 28. PROVISIONS

	June 30, 2024	December 31, 2023	June 30, 2023
Provisions for guarantee liabilities	\$ 196,421	\$ 167,628	\$ 185,423
Provisions for loan commitments	80,329	73,356	81,283
Provisions for decommissioning, restoration and rehabilitation cost	51,174	50,123	48,287
Provisions for employee benefits	2,338	3,208	4,433
Others	<u>73,255</u>	<u>73,271</u>	<u>73,292</u>
	<u>\$ 403,517</u>	<u>\$ 367,586</u>	<u>\$ 392,718</u>

## 29. RETIREMENT BENEFIT PLANS

The Bank and its subsidiaries' retirement plans consist of defined contribution and defined benefit plans. For defined benefit plans, the pension expenses for the six months ended June 30, 2024 and 2023 were calculated using the actuarially determined pension cost as of December 31, 2023 and 2022, respectively.

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the Bank and its subsidiaries (a) recognized their contributions under the defined benefit plans as pension expenses (recognized as employee benefits expense) of \$(20) thousand, \$127 thousand, \$(40) thousand and \$255 thousand, respectively, and (b) recognized under the defined contribution plans pension expenses (recognized as employee benefits expense) of \$36,643 thousand, \$35,393 thousand, \$72,271 thousand and \$70,147 thousand, respectively.

## 30. OTHER LIABILITIES

	June 30, 2024	December 31, 2023	June 30, 2023
Guarantee deposits received	\$ 484,331	\$ 2,735,736	\$ 907,751
Temporary receipts and suspense accounts	269,048	824,716	863,882
Advance receipts	57,804	70,648	104,852
Others	<u>103,614</u>	<u>97,313</u>	<u>87,684</u>
	<u>\$ 914,797</u>	<u>\$ 3,728,413</u>	<u>\$ 1,964,169</u>



### 31. EQUITY

#### a. Capital

##### Common stock

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Number of shares authorized (in thousands) (Note)	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
Shares authorized	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>
Number of shares issued and fully paid (in thousands) (Note)	<u>4,606,162</u>	<u>4,606,162</u>	<u>4,606,162</u>
Shares issued	<u>\$ 46,061,623</u>	<u>\$ 46,061,623</u>	<u>\$ 46,061,623</u>

Note: Par value of shares is NT\$10.

#### b. Capital surplus

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Additional paid-in capital	\$ 7,245,723	\$ 7,245,723	\$ 7,245,723
Share-based payments	145,673	146,122	113,040
Change in capital surplus from investments in associates accounted for using equity method	35,255	35,255	185
Difference between consideration and carrying amount of subsidiaries acquired	<u>4,978</u>	<u>4,978</u>	<u>4,978</u>
	<u>\$ 7,431,629</u>	<u>\$ 7,432,078</u>	<u>\$ 7,363,926</u>

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

The capital surplus from investments under the equity method may not be used for any purpose.

#### c. Legal and special reserves

Under the Company Act, when the Bank incurs no loss, the shareholders' meeting may resolve to distribute legal reserve by issuing new shares or cash dividends, which is limited by the 25% balance of legal reserve minus capital. In addition, under the Banking Act, the Bank should retain 30% of its after-tax earnings as legal reserve before distributing these earnings. Further, if the amount of legal reserve is less than the total amount of capital, the maximum amount of earnings that may be distributed in cash should not exceed 15% of the total capital. However, this restriction will not apply if the amount of legal reserve equals or exceeds the amount of the total capital or if the Bank is in sound financial condition and is in compliance with the Company Act.

After applying IFRS Accounting Standards, the Bank recognizes and reverses special reserve according to Order No. 1010012865 and 1090150022 issued by the FSC and the rule of “Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs”.

Under Order No. 10510001510 issued by the FSC on May 25, 2016, the Public Bank shall appropriate 2016 to 2018 annual surplus which is based on 0.5% to 1% of net income for special reserve. From fiscal year of 2017, the Bank can reverse the amount of expenditure of employees’ transfer arising from financial technology development within the amount of the above special reserve. However, in response of the development of financial technology and the protection of the rights and interests of employees in the domestic banks, it is not applicable to appropriate special reserve in accordance with the Order No. 10802714560 issued by the FSC. When paying the expense of employees’ turnover or resettlement expenditures and the training in response of financial technology or business development of the bank, the Bank reverses the special reserve within the scope mentioned above.

d. Appropriation of earnings and dividends policy

In order to expand the Bank’s operations and consider the benefit of shareholders as well as comply with the Banking Act and relevant regulations, the Bank applies the residual dividends policy. In principle, the Bank pays dividends in the form of cash. The cash dividends should not be more than 15% of paid-in capital when legal reserve is less than paid-in capital.

The current year’s earnings will be first applied to offset the prior years’ losses as well as settle all taxes payable. After covering losses and settling taxes, the balance will then be used to appropriate legal reserve and special reserve and to reverse a special reserve in accordance with the Banking Act and relevant regulations. The remainder and the prior years’ adjusted unappropriated earnings are subject to the board of directors’ decision to propose a distribution plan to be submitted to the shareholders’ meeting for approval.

When the Bank’s legal reserve equals its paid-in capital, or when the Bank has complied with the FSC’s financial soundness requirements and has provided a legal reserve based on the Company Act and relevant regulations, the Bank is no longer subject to the requirement for legal reserve appropriation and to the 15% of paid-in capital limit on cash dividends distribution.

The appropriation of earnings should be presented for approval at the shareholders’ meeting in the year following and given effect to in the financial statements of the year following the year of earnings generation.

Under the Financial Holding Company Act, because the Bank has only one shareholder, KGIFH, the Company Act provisions on shareholders’ meetings do not apply to the Bank and the board of directors is thus entitled to exercise shareholders’ meeting functions.

The appropriations of the 2023 and 2022 earnings approved by Bank’s board of directors, who were authorized to execute shareholders’ meeting function on April 24, 2024 and April 24, 2023, respectively, were as follows:

	<b>2023</b>	<b>2022</b>
Legal reserve	\$ 1,649,590	\$ 1,374,487
(Reversal of) special reserve	(1,425)	3,207,137
Cash dividends	3,850,468	-

Related information can be accessed at the Market Observation Post System website of the Taiwan Stock Exchange.

### 32. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
<u>Interest revenue</u>				
Discounts and loans	\$ 4,149,917	\$ 3,707,147	\$ 8,074,252	\$ 7,251,201
Securities	1,683,517	1,431,544	3,250,464	2,635,045
Due from and call loans to banks	323,279	254,379	646,263	436,601
Others	<u>361,489</u>	<u>328,145</u>	<u>714,238</u>	<u>670,583</u>
	<u>6,518,202</u>	<u>5,721,215</u>	<u>12,685,217</u>	<u>10,993,430</u>
<u>Interest expense</u>				
Deposits	3,400,158	2,749,326	6,658,490	5,282,867
Notes and bonds issued under repurchase agreements	756,882	401,352	1,338,645	624,225
Structured notes	382,558	329,247	747,857	612,607
Others	<u>266,447</u>	<u>210,183</u>	<u>519,248</u>	<u>457,688</u>
	<u>4,806,045</u>	<u>3,690,108</u>	<u>9,264,240</u>	<u>6,977,387</u>
	<u>\$ 1,712,157</u>	<u>\$ 2,031,107</u>	<u>\$ 3,420,977</u>	<u>\$ 4,016,043</u>

### 33. SERVICE FEE INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
<u>Service fee revenue</u>				
Loans	\$ 205,712	\$ 136,975	\$ 395,583	\$ 273,518
Trust	166,990	144,659	350,723	280,132
Insurance commission	170,762	95,240	344,846	189,632
Credit card	47,961	40,006	102,098	66,002
Underwriting	28,901	37,447	63,026	82,751
Others	<u>151,848</u>	<u>137,729</u>	<u>325,176</u>	<u>255,050</u>
	<u>772,174</u>	<u>592,056</u>	<u>1,581,452</u>	<u>1,147,085</u>
<u>Service fee expense</u>				
Agency	39,492	34,308	77,082	68,088
Interbank	29,152	26,014	58,294	52,355
Others	<u>44,892</u>	<u>44,993</u>	<u>99,960</u>	<u>86,452</u>
	<u>113,536</u>	<u>105,315</u>	<u>235,336</u>	<u>206,895</u>
	<u>\$ 658,638</u>	<u>\$ 486,741</u>	<u>\$ 1,346,116</u>	<u>\$ 940,190</u>

### 34. GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
<u>Realized gain (loss)</u>				
Derivative instruments	\$ 459,101	\$ 469,340	\$ 2,103,864	\$ (416,285)
Bonds	86,622	73,117	232,841	121,327
Stocks	8,099	100,684	117,147	89,518
Others	<u>61,118</u>	<u>47,172</u>	<u>146,993</u>	<u>97,136</u>
	<u>614,940</u>	<u>690,313</u>	<u>2,600,845</u>	<u>(108,304)</u>
<u>Revaluation gain (loss)</u>				
Derivative instruments	328,643	(64,102)	(282,914)	1,328,759
Bonds	(673)	(4,671)	(70)	(58,433)
Stocks	(623)	(10,723)	968	534
Others	<u>5,306</u>	<u>17,457</u>	<u>12,474</u>	<u>16,818</u>
	<u>332,653</u>	<u>(62,039)</u>	<u>(269,542)</u>	<u>1,287,678</u>
	<u>\$ 947,593</u>	<u>\$ 628,274</u>	<u>\$ 2,331,303</u>	<u>\$ 1,179,374</u>

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the realized gain or loss on the Bank and its subsidiaries' financial assets or liabilities at FVTPL included (a) disposal gain of \$547,342 thousand, disposal gain of \$637,619 thousand, disposal gain of \$2,465,477 thousand and disposal loss of \$142,294 thousand, respectively, (b) interest revenue of \$67,290 thousand, \$52,392 thousand, \$128,595 thousand and \$99,786 thousand, respectively, (c) dividend income of \$308 thousand, \$302 thousand, \$6,773 thousand and \$404 thousand, respectively, and (d) interest expense of \$0 thousand, \$0 thousand, \$0 thousand and \$66,200 thousand, respectively.

### 35. REALIZED GAINS ON FINANCIAL ASSETS MEASURED AT FVTOCI

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Gain on disposal of bonds	\$ 47,992	\$ 68,639	\$ 148,156	\$ 75,209
Dividend income	<u>94,547</u>	<u>52,196</u>	<u>114,696</u>	<u>54,692</u>
	<u>\$ 142,539</u>	<u>\$ 120,835</u>	<u>\$ 262,852</u>	<u>\$ 129,901</u>

### 36. REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) ON ASSETS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Debt instruments at FVTOCI	\$ (3,085)	\$ (3,091)	\$ (4,056)	\$ (10,684)
Debt instruments at amortized cost	<u>(485)</u>	<u>(458)</u>	<u>(513)</u>	<u>(623)</u>
	<u>\$ (3,570)</u>	<u>\$ (3,549)</u>	<u>\$ (4,569)</u>	<u>\$ (11,307)</u>

### 37. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Employee benefit expense				
Salaries and wages	\$ 921,817	\$ 858,141	\$ 1,834,266	\$ 1,738,706
Employee insurance	66,363	64,379	148,366	145,413
Pension	36,623	35,520	72,231	70,402
Others	<u>85,131</u>	<u>80,383</u>	<u>173,089</u>	<u>155,740</u>
	<u>\$ 1,109,934</u>	<u>\$ 1,038,423</u>	<u>\$ 2,227,952</u>	<u>\$ 2,110,261</u>
Depreciation and amortization expenses	<u>\$ 229,091</u>	<u>\$ 225,931</u>	<u>\$ 467,130</u>	<u>\$ 451,688</u>

The Bank's Articles of Incorporation, which stipulates to distribute compensation of employees at the rates 0.01%-3% and remuneration of directors at the rates no higher than 1% of net profit before income tax and compensation of employees and remuneration of directors, however, if the Bank had incurred cumulative losses, the profit should be used to offset the losses first. For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the compensation of employees amounted to \$1,500 thousand, \$1,700 thousand, \$3,300 thousand and \$3,500 thousand, respectively. For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the remuneration of directors accounted to \$15,000 thousand, \$17,000 thousand, \$32,000 thousand and \$34,000 thousand, respectively.

The distribution of the compensation of employees and remuneration of directors for 2023 and 2022 approved by the board of directors on February 27, 2024 and February 16, 2023 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Compensation of employees	\$ 6,300	\$ 5,300
Remuneration of directors	62,000	52,000

There was no difference between the amounts resolved by the board of directors and the respective amounts recognized in the financial statements for the years.

If there is a change in the proposed amounts after the consolidated financial statements of the fiscal year were authorized for issue, the differences will be recorded as a change in the accounting estimate.

The information on the proposed and approved compensation of employees and remuneration of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

### 38. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Taxation	\$ 207,274	\$ 170,106	\$ 409,288	\$ 343,509
Computer information	114,829	93,766	209,141	178,208
Marketing	39,362	34,048	76,982	66,089
Insurance	36,332	30,755	70,634	58,146
Others	<u>173,568</u>	<u>144,665</u>	<u>316,526</u>	<u>262,886</u>
	<u>\$ 571,365</u>	<u>\$ 473,340</u>	<u>\$ 1,082,571</u>	<u>\$ 908,838</u>

### 39. INCOME TAX

#### a. Income tax expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Current income tax				
Current year	\$ 180,037	\$ 233,151	\$ 434,410	\$ 278,179
Prior year's adjustments	<u>6</u>	<u>148</u>	<u>6</u>	<u>148</u>
	180,043	233,299	434,416	278,327
Deferred income tax	<u>23,027</u>	<u>(8,853)</u>	<u>(7,934)</u>	<u>180,483</u>
Income tax expenses	<u>\$ 203,070</u>	<u>\$ 224,446</u>	<u>\$ 426,482</u>	<u>\$ 458,810</u>

#### b. Income tax recognized in other comprehensive income:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Current income tax				
Changes in fair value of equity instruments at FVTOCI	\$ (83,331)	\$ 10,219	\$ -	\$ 9,906
Deferred income tax				
Changes in fair value of debt instruments at FVTOCI	<u>(13,429)</u>	<u>9,437</u>	<u>(25,366)</u>	<u>38,125</u>
Income tax expense (benefit)	<u>\$ (96,760)</u>	<u>\$ 19,656</u>	<u>\$ (25,366)</u>	<u>\$ 48,031</u>

#### c. The estimated receivables/payables resulting from the use of the linked-tax system on the Bank's consolidated tax returns were as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Taxes paid to the parent company	<u>\$ 1,217,220</u>	<u>\$ 910,382</u>	<u>\$ 826,444</u>

d. Income tax assessments

Since 2015, the Bank used the linked-tax system in filing together its income tax and unappropriated earnings returns and those of its parent company and eligible subsidiaries.

The income tax returns of the Bank through 2018 have been examined by the tax authorities.

The income tax returns of CDIB Management Consulting Corporation through 2022 have been examined by the tax authorities; the income tax returns of CDC Finance & Leasing Corporation through 2021 have been examined by the tax authorities.

#### 40. EARNINGS PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Earnings used in the computation of the EPS	<u>\$ 1,345,294</u>	<u>\$ 1,474,801</u>	<u>\$ 2,814,165</u>	<u>\$ 3,009,431</u>
Weighted average number of common shares outstanding (shares in thousands)	<u>4,606,162</u>	<u>4,606,162</u>	<u>4,606,162</u>	<u>4,606,162</u>
Basic EPS (in dollars)	<u>\$0.29</u>	<u>\$0.32</u>	<u>\$0.61</u>	<u>\$0.65</u>

#### 41. RELATED-PARTY TRANSACTIONS

The significant transactions and relationship with related parties (in addition to those disclosed in other notes) are summarized below:

Name of Related Party	Relationship with the Bank and Its Subsidiaries
KGI Financial Holding Co., Ltd.	Parent company
CDIB Capital Group and its subsidiaries	Subsidiary of the parent company
KGI Securities Co., Ltd. and its subsidiaries	Subsidiary of the parent company
China Development Asset Management Corporation	Subsidiary of the parent company
KGI Life Insurance Co., Ltd.	Subsidiary of the parent company
KGI Securities Investment Trust Co., Ltd.	Subsidiary of the parent company
Others	Other related parties

a. Future contracts (recognized as cash and cash equivalents and financial assets at FVTPL)

Cash and cash equivalents

	Amount
June 30, 2024	\$ 277,424
December 31, 2023	308,517
June 30, 2023	678,474

Financial assets at FVTPL

	<b>Amount</b>	
June 30, 2024	\$ 19,817	
December 31, 2023	57,551	
June 30, 2023	21,385	
b. Service fee revenue receivables (recognized as receivables, net)		
	<b>Amount</b>	
June 30, 2024	\$ 20,834	
December 31, 2023	25,447	
June 30, 2023	13,563	
c. Credit card receivables (recognized as receivables, net)		
	<b>Amount</b>	
June 30, 2024	\$ 28,385	
December 31, 2023	14,340	
June 30, 2023	44,447	
d. Receivables on securities sold (recognized as receivables, net)		
	<b>Amount</b>	
June 30, 2024	\$ 364,800	
December 31, 2023	312,426	
June 30, 2023	111,717	
e. Discounts and loans		
	<b>Amount</b>	<b>Interest Rate (%)</b>
June 30, 2024	\$ 1,217,398	2.06-6.61
December 31, 2023	772,056	1.82-6.61
June 30, 2023	718,796	1.82-6.49

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the interest revenues from discounts and loans were \$7,319 thousand, \$3,676 thousand, \$13,669 thousand and \$7,299 thousand, respectively.

The loan information for related parties were described below:

**For the Six Months Ended June 30, 2024**

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Non-performing Loan	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	23	\$ 29,830	\$ 22,436	\$ 22,436	-	None	Yes
Residential mortgage loans	64	761,050	710,910	710,910	-	Real estate	Yes
Others	6	494,930	484,052	484,052	-	None/Real estate	Yes



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

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Non-performing Loan	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	28	\$ 25,026	\$ 18,517	\$ 18,517	\$ -	None/Credit guarantee fund	Yes
Residential mortgage loans	68	791,003	641,183	641,183	-	Real estate	Yes
Others	6	116,719	112,356	112,356	-	None/Real estate	Yes

**For the Six Months Ended June 30, 2023**

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Non-performing Loan	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	27	\$ 24,084	\$ 19,290	\$ 19,290	\$ -	None/Credit guarantee fund	Yes
Residential mortgage loans	66	755,120	690,435	690,435	-	Real estate	Yes
Others	3	13,403	9,071	9,071	-	Real estate	Yes

f. Purchase and sale of bonds

**Purchase of Bonds**

For the six months ended June 30, 2024

Subsidiary of the parent company \$ 1,682,525

g. Call loans to security brokers

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the interest revenues for call loans to security brokers were \$16,693 thousand, \$1,355 thousand, \$39,370 thousand and \$1,355 thousand, respectively.

h. Lease arrangements (as a lessee)

Lease liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
Subsidiaries of the parent company	\$ 2,107,207	\$ 2,190,739	\$ 2,273,942

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023

Interest expense

Subsidiaries of the parent company	\$ 4,302	\$ 4,634	\$ 8,688	\$ 9,352
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Lease expense

Subsidiaries of the parent company	17	17	35	33
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The above rental price is determined based on the market price and paid monthly.

i. Guarantee deposits paid (recognized as other assets, net)

	<b>Amount</b>
June 30, 2024	\$ 45,902
December 31, 2023	45,902
June 30, 2023	45,902

j. Payable to parent (recognized as current tax liabilities)

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Parent company	\$ 1,217,220	\$ 910,382	\$ 826,444

The payables resulted from KGIFH and its eligible subsidiaries adopting the linked-tax system in the filing of tax returns.

k. Payables for securities purchased (recognized as payables)

	<b>Amount</b>
December 31, 2023	\$ 512,954

l. Accrued interest (recognized as payables)

	<b>Amount</b>
June 30, 2024	\$ 41,250
December 31, 2023	27,119
June 30, 2023	21,525

m. Deposits

	<b>Amount</b>	<b>Interest Rate (%)</b>
June 30, 2024	\$ 39,982,002	0-10.00
December 31, 2023	30,244,564	0-7.00
June 30, 2023	28,042,596	0-7.00

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the interest expenses for deposits were \$124,045 thousand, \$68,159 thousand, \$227,401 thousand and \$108,456 thousand, respectively.

n. Temporary receipts and suspense accounts (recognized as other liabilities)

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Subsidiaries of the parent company	\$ 57,177	\$ 560,074	\$ 613,254

The above account is temporary receipts of Automated Clearing House (ACH).

o. Service fee revenue

	<b>For the Three Months Ended June 30</b>	<b>For the Six Months Ended June 30</b>
<u>2024</u>		
Subsidiaries of the parent company	\$ 100,501	\$ 259,285
Other related parties	477	9,293
<u>2023</u>		
Subsidiaries of the parent company	43,533	111,264
Other related parties	6	12

Service fee revenue mainly comprised sale of insurance, funds, and trust affiliated business, etc.

p. Insurance expenses (recognized as employee benefits expense)

	<b>For the Three Months Ended June 30</b>	<b>For the Six Months Ended June 30</b>
2024	\$ 5,243	\$ 10,514
2023	5,329	10,489

q. Donations (recognized as other general and administrative expenses)

	<b>For the Three Months Ended June 30</b>	<b>For the Six Months Ended June 30</b>
2023	\$ 13,500	\$ 13,500

r. Other general and administrative expenses

	<b>For the Three Months Ended June 30</b>	<b>For the Six Months Ended June 30</b>
2024	\$ 29,870	\$ 57,997
2023	24,448	48,094

s. Outstanding derivative financial instruments

June 30, 2024

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	January 17, 2024 - November 20, 2024	\$ 40,238,000	\$ 1,319,875	Financial assets at FVTPL	\$ 1,319,875
					Financial assets at FVTPL	11,331
	Cross-currency swap contracts	August 26, 2021 - May 26, 2026	793,266	(31,593)	Financial liabilities at FVTPL	76,046

**December 31, 2023**

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	May 19, 2023 - April 17, 2024	\$ 15,060,150	\$ 125,010	Financial assets at FVTPL	\$ 250,793
					Financial liabilities at FVTPL	125,783
	Foreign exchange forward contracts	November 22, 2023 - January 19, 2024	13,554,135	(300,969)	Financial liabilities at FVTPL	300,969
	Cross-currency swap contracts	August 26, 2021 - May 26, 2025	792,026	(17,808)	Financial assets at FVTPL	7,592
Financial liabilities at FVTPL					33,122	

**June 30, 2023**

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	January 13, 2023 - March 22, 2024	\$ 13,076,700	\$ 216,954	Financial assets at FVTPL	\$ 216,954
					Cross-currency swap contracts	August 26, 2021 - May 26, 2025
	Financial liabilities at FVTPL	40,825				

t. Compensation of key management personnel

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Salary and short-term employee benefits	\$ 77,984	\$ 41,147	\$ 123,210	\$ 109,658
Share-based payments	3,269	(1,861)	8,835	7,295
Post-employment benefits	<u>425</u>	<u>371</u>	<u>895</u>	<u>911</u>
	<u>\$ 81,678</u>	<u>\$ 39,657</u>	<u>\$ 132,940</u>	<u>\$ 117,864</u>

The terms of transactions with related parties were similar to those for unrelated parties, except for certain preferential interest rate on deposits for the Bank's employees with limited deposit amounts.

Based on Articles 32 and 33 of the Banking Act, except for consumer loans and government loans, credits extended by the Bank to any related party were fully secured, and the other terms for these credits were similar to those for unrelated parties.

## 42. PLEDGED ASSETS

The assets pledged as collateral of the Bank and its subsidiaries were as follows:

Assets	Object	Purpose	June 30, 2024	December 31, 2023	June 30, 2023
Installment accounts and lease receivables	Notes receivable	Commercial paper payable and short-term borrowings	\$ 1,047,614	\$ 1,216,249	\$ 955,606
Financial assets at FVTOCI	Government bonds	Guarantees, provisions and guarantees for provisional seizure	217,005	200,364	206,356
Financial assets at FVTOCI	Negotiable certificates of deposit	As collateral for day-term overdraft and U.S. dollar liquidation and other transactions of the guarantee	-	299,607	3,595,420
Debt investments measured at amortized cost	Negotiable certificates of deposit	As collateral for day-term overdraft and U.S. dollar liquidation and other transactions of the guarantee	18,930,000	18,730,000	14,500,000
Property and equipment, net	Real estate	Commercial paper payable and short-term borrowings	7,672	7,725	7,829
Investment property, net	Investment property	Commercial paper payable and short-term borrowings	30,263	30,907	31,550
Other financial assets, net	Time deposits	Short-term borrowings	300	300	300
Other assets, net	Cash in banks - impound account	Commercial paper payable and short-term borrowings	35,074	24,544	16,957

## 43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

### Major Litigation

In December 2012, a third party filed a lawsuit claiming that the Bank fraudulently infringed upon the property rights of creditors on Dun Nan building. On February 14, 2014, the Taipei District Court adjudicated that the mortgage is cancelled, and the Bank has to return the amount of \$1,786,318 thousand. The Bank has appealed against this sentence on March 10, 2014. The original adjudication in favor of the third party was revoked by the High Court on July 26, 2017. The third party filed a new appeal, and the Supreme Court ordered the High Court to conduct a new trial on November 9, 2018. The High Court issued a judgment on August 17, 2021, upholding the original Taipei District Court's decision to revoke the part of the mortgage, and dismissed the third party's request for the Bank to pay the received money. In September 2021, the Bank and the third party each filed a third-instance appeal for losing part of the lawsuit. The Supreme Court reversed the declared judgment on May 30, 2024 and remanded the case to the High Court. As of the day the board of directors adopts the consolidation financial report, the case is being heard by the High Court.

## 44. SIGNIFICANT EVENTS AFTER REPORTING

On July 19, 2024, the Bank's board of directors resolved to take China Development Asset Management Corporation (CDAMC) as a 100%-owned subsidiary through share conversion. The share exchange ratio is 0.85976612 common shares of the company for every 1 share of CDAMC common stock. With the Bank anticipating issuing 97,463,087 shares to the parent company, KGIFH, for the acquisition of all issued shares of CDAMC held by the parent company, KGIFH. This case is still pending approval from the competent authority.

## 45. FAIR VALUE AND HIERARCHY INFORMATION

a. The fair value hierarchy of financial instruments is defined as follows:

- 1) Level 1 fair values are quoted prices in active markets for financial instruments.
- 2) Level 2 fair values refer to directly or indirectly observable inputs other than Level 1 quoted prices, such as the quoted prices of similar financial instruments in active markets; in less active markets, fair values are quoted prices of the same or similar financial instruments or financial instruments that can be generated by using pricing models that use inputs such as interest rates and volatility rates, which are derived from or can be corroborated with observable market data.
- 3) Level 3 refers to inputs that are not based on observable market data.

b. Financial instruments measured at fair value

- 1) The fair value hierarchy of financial instruments measured at fair value is as follows:

June 30, 2024

	Level 1	Level 2	Level 3	Total
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 35,425	\$ -	\$ -	\$ 35,425
Bond investments	248,841	-	-	248,841
Commercial papers	-	13,206,235	-	13,206,235
Others	609,937	-	447,822	1,057,759
Financial assets at FVTOCI				
Stock investments	6,629,741	-	942,449	7,572,190
Bond investments	75,737,816	59,076,040	-	134,813,856
Others	-	1,646,607	-	1,646,607
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	28,795	27,820,191	1,751,522	29,600,508
Financial assets for hedging	-	707,797	-	707,797
Liabilities				
Financial liabilities at FVTPL	-	26,144,048	1,751,452	27,895,500
Financial liabilities for hedging	-	973,786	-	973,786

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 724,873	\$ -	\$ -	\$ 724,873
Bond investments	231,795	-	-	231,795
Commercial papers	-	11,909,838	-	11,909,838
Others	262,011	-	413,347	675,358
Financial assets at FVTOCI				
Stock investments	3,833,897	-	923,832	4,757,729
Bond investments	68,358,412	57,797,830	-	126,156,242
Negotiable certificates of deposit	-	2,433,259	-	2,433,259
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	61,507	28,191,493	1,160,254	29,413,254
Financial assets for hedging	-	598,459	-	598,459
Liabilities				
Financial liabilities at FVTPL	-	28,160,536	1,160,272	29,320,808
Financial liabilities for hedging	-	610,323	-	610,323

June 30, 2023

	Level 1	Level 2	Level 3	Total
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Bond investments	\$ 382,830	\$ -	\$ -	\$ 382,830
Commercial papers	-	14,677,681	-	14,677,681
Others	-	-	414,777	414,777
Financial assets at FVTOCI				
Stock investments	2,925,566	-	936,604	3,862,170
Bond investments	69,718,647	52,026,389	-	121,745,036
Negotiable certificates of deposit	-	18,623,894	-	18,623,894
Others	-	499,142	-	499,142
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	21,385	26,607,830	1,327,115	27,956,330
Financial assets for hedging	-	1,268,660	-	1,268,660
Liabilities				
Financial liabilities at FVTPL	-	25,416,430	1,327,128	26,743,558
Financial liabilities for hedging	-	620,998	-	620,998

## 2) Valuation technique of fair value

For financial assets and liabilities at FVTPL and financial assets at FVTOCI, fair value is determined at quoted market prices. When market prices of the Bank's various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or the counterparties' transaction prices. The information used by the Bank for fair value estimation is consistent with that generally used in the market, and the pricing models used are commonly recognized by the industry as helpful tools in determining fair value. Related framework of the methodology can be outlined as analytical solution model (such as Black-Scholes model) and numeric method model (such as Monte Carlo simulation).

## 3) Fair value adjustment

### a) The limitation of valuation techniques and uncertain inputs

Valuation techniques incorporate assumptions that depend on the financial instrument type and available market data. However, certain inputs used in valuation techniques may be less readily determinable. In these circumstances, a valuation model would use additional parameters and/or model assumptions-model risk, liquidity risk, and so on to make fair value adjustments. Thus, on the basis of its valuation management policies and relevant control procedures, the management considers valuation adjustments as necessary and appropriate. For the Bank and its subsidiaries to make appropriate valuation adjustments, all parameters and price information are evaluated thoroughly, and market conditions are taken into consideration.

### b) Credit risk valuation adjustment

Credit risk valuation adjustment consists of credit valuation adjustment and debit valuation adjustment, and definitions are the following:

The credit valuation adjustment is an adjustment to the valuation of OTC derivative financial instruments contracts to reflect within fair value the possibility that the counterparty may default and that the Bank may not receive the full market value of the transactions.

The debit valuation adjustment is an adjustment to the valuation of OTC derivative financial instruments contracts to reflect within fair value the possibility that the Bank may default, and that the Bank may not pay full market value of the transactions.

The Bank does credit valuation adjustment using probability of default (PD) multiplied by loss given default (LGD) multiplied by exposure at default (EAD). To estimate the PD to be used as basis for the allowance for doubtful accounts, the Bank refers to the ratings published by international credit rating institutions, valuation models and valuation method specified in IFRS 9.

For EAD calculation, the market values of OTC derivative financial instruments are estimated in calculating EAD. The Bank uses PD no lower than 60%.

The above parameters used in risk valuation adjustment that is based on the fair values of financial instruments reflect the credit risks of counterparties and the credit quality of the Bank.



4) Transfer between Level 1 and Level 2

There was no transfer of financial instrument between Level 1 and Level 2 for the six months ended June 30, 2024 and 2023.

5) Reconciliation of Level 3 items of financial instruments

The movements of financial assets with Level 3 fair value were as follows:

For the Six Months Ended June 30, 2024

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL	\$ 1,573,601	\$ 635,750	\$ -	\$ -	\$ -	\$ (10,007)	\$ -	\$ 2,199,344
Financial assets at FVTOCI	923,832	-	18,767	-	-	(150)	-	942,449

For the Six Months Ended June 30, 2023

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL	\$ 1,327,380	\$ 427,903	\$ -	\$ -	\$ -	\$ (13,391)	\$ -	\$ 1,741,892
Financial assets at FVTOCI	951,062	-	(14,458)	-	-	-	-	936,604

The movements of financial liabilities with Level 3 fair value were as follows:

For the Six Months Ended June 30, 2024

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Profit and Loss	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL	\$ 1,160,272	\$ 601,187	\$ -	\$ -	\$ (10,007)	\$ -	\$ 1,751,452

For the Six Months Ended June 30, 2023

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Profit and Loss	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL	\$ 936,647	\$ 400,118	\$ -	\$ -	\$ (9,637)	\$ -	\$ 1,327,128

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. As of June 30, 2024 and 2023, the gains and losses on assets and liabilities were gain of \$34,558 thousand and gain of \$24,034 thousand, respectively.

6) Quantitative information about significant unobservable inputs (Level 3) used in the fair value measurement

The table below lists quantitative unobservable inputs of financial instruments with Level 3 fair value:

	Fair Value at June 30, 2024	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
<u>Repetitive basis to fair value measurement items</u>					
<u>Non-derivative financial instruments</u>					
Financial assets at FVTPL	\$ 447,822	Quoted price of counterparties	Liquidity discount ratios	Beyond estimation	Fair value is inversely proportional to discount for liquidity discount ratios
Financial assets at FVTOCI	942,449	Market approach	P/B, Lack of liquidity discount	2.03 27.20%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity
		Net asset method	Lack of liquidity discount and control discount	11%	Fair value is inversely proportional to discount for lack of liquidity and control
<u>Derivative financial instruments</u>					
Financial assets at FVTPL	1,751,522	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information/ beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios
Financial liabilities at FVTPL	1,751,452	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information/ beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios

	<b>Fair Value at December 31, 2023</b>	<b>Valuation Technique(s)</b>	<b>Significant Unobservable Inputs</b>	<b>Range</b>	<b>The Relationship Between Inputs and Fair Value</b>
<u>Repetitive basis to fair value measurement items</u>					
<u>Non-derivative financial instruments</u>					
Financial assets at FVTPL	\$ 413,347	Quoted price of counterparties	Liquidity discount ratios	Beyond estimation	Fair value is inversely proportional to discount for liquidity discount ratios
Financial assets at FVTOCI	923,832	Market approach	P/B, Lack of liquidity discount	1.28 27.20%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity
		Net asset method	Lack of liquidity discount and control discount	11%	Fair value is inversely proportional to discount for lack of liquidity and control
<u>Derivative financial instruments</u>					
Financial assets at FVTPL	1,160,254	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information/ beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios
Financial liabilities at FVTPL	1,160,272	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information/ beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios

	Fair Value at June 30, 2023	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
<u>Repetitive basis to fair value measurement items</u>					
<u>Non-derivative financial instruments</u>					
Financial assets at FVTPL	\$ 414,777	Quoted price of counterparties	Liquidity discount ratios	Beyond estimation	Fair value is inversely proportional to discount for liquidity discount ratios
Financial assets at FVTOCI	936,604	Market approach	P/B, Lack of liquidity discount	1.24 27.20%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity
		Net asset method	Lack of liquidity discount and control discount	11%	Fair value is inversely proportional to discount for lack of liquidity and control
<u>Derivative financial instruments</u>					
Financial assets at FVTPL	1,327,115	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information/ beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios
Financial liabilities at FVTPL	1,327,128	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information/ beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios

#### 7) Pricing process of Level 3 fair value

The Bank's risk management department is responsible for the pricing process of Level 3 fair value. The pricing models and conditions assumed are conform to market practice; the basis of the theory is commonly recognized by the industry as a basis of valuation in conducting measurement of fair value. Further, the department confirms whether the sources of the information are independent or not, reasonably reflecting the prices in normal circumstances, and examines and adjusts fair value periodically to ensure results of the valuation is reasonable.

c. Fair value of financial instruments not carried at fair value

1) Except for debt investments measured at amortized cost and bank debentures payable, the carrying amounts of the financial instruments not measured at fair value are approximate to their fair value; thus, their fair values are not disclosed.

2) Information of fair value hierarchy

June 30, 2024

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>				
Debt investments measured at amortized cost	\$ -	\$ 72,650,147	\$ -	\$ 72,650,147

Financial liabilities

Bank debentures payable	-	24,550,553	-	24,550,553
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December 31, 2023

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>				
Debt investments measured at amortized cost	\$ -	\$ 67,883,488	\$ -	\$ 67,883,488

Financial liabilities

Bank debentures payable	-	25,254,807	-	25,254,807
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June 30, 2023

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>				
Debt investments measured at amortized cost	\$ -	\$ 59,678,205	\$ -	\$ 59,678,205

Financial liabilities

Bank debentures payable	-	25,270,823	-	25,270,823
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3) Valuation techniques

a) Because the maturity date is close to the balance sheet date, the fair value of the financial assets can be reasonably estimated by referring to their carrying amount in the balance sheet. The technique applies to cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, notes and bonds issued under repurchase agreements, payables, deposits and remittances, other financial liabilities and guarantee deposits received, etc.

- b) The floating rates are usually adopted as the interest of the loan, which reflects market interest; thus, it is reasonable to estimate the fair value of a loan by referring to its carrying amount together with the consideration in the collectability.
- c) The fair value of debt investments measured at amortized cost and bank debentures payables are estimated by referring to quote price from electronic bond trading system of Taipei Exchange or Bloomberg.

## 46. FINANCIAL RISK MANAGEMENT

### a. Risk management policies and framework

The Bank has an appropriate risk management system covering the main types of risks, such as market risks, credit risks, operating risks, and follows risk management procedures.

The Bank also analyzes, monitors and prepares reports on overall risk management. These reports are submitted to senior management, to committees with risk management functions and to the board of directors. Updates on actual risks encountered when there are significant changes in macroeconomic conditions or in the financial market are generated for more effective risk monitoring and handling.

The Bank's risk management focuses not only on individual departments but also the overall impact of risks on a corporate level.

The Bank identifies risks using consistent standard asset portfolio classifications, with classifications correlating with each other, and establishes a consistent measure applicable to the different types of exposure.

The Bank's risk management groupings are as follows:

#### 1) Board of directors

The Bank's board of directors supervises the operation of a risk management structure and promotes a risk management culture, ensures the efficiency of risk management, reviews important risk control reports and bears the ultimate responsibility for risk management.

#### 2) Risk management committee

The risk management committee supervises the implementation of risk management policies, inspects risk control reports and deals with related issues.

#### 3) Business and management departments

The departments are responsible for ensuring compliance with risk management regulations while conducting operations to control daily risks.

#### 4) Risk management department

The risk management department is a unit independent from business departments and is in charge of risk management planning and system operation and providing overall risk management information to senior management and the board of directors.

## 5) Audit department

The department is in charge of establishing all risk mechanisms and auditing the implementation of and compliance with these mechanisms.

Risk management is a joint duty of all the Bank's departments including business, legal, regulatory compliance, finance, accounting, administration, operating, audit department and so on, that should be done diligently through interdepartmental coordination in overall risk management.

## b. Credit risk

### 1) Definition and source of credit risk

Credit risk is the risk of financial loss to the Bank if a creditor, debtor or counterparty fails to meet its contractual obligations or has negative changes in its credit quality. Credit risk management covers all operating activities that involve credit risk, including credit business, call loans to banks, banking book securities investment, derivatives financial instruments, repurchase agreement transactions and other operating activities.

### 2) Credit risk management policy

The Bank has standard control procedures for credit risk identification, measurement, and generation of disclosures and reports to be used for a rational identification, measurement, disclosure, and effective control of credit risk. These procedures include applying standard screening criteria for target clients, credit investigations for credit approval or rejection, careful deliberation of applications for certain exceptions, credit review, management of non-performing loans and requests, and control over all related documents and information. The Bank also adjusts the credit risk structure accordingly so that credit portfolios are within the Bank's risk appetite. Further, the Bank assesses the changes in the economy to adjust risk structure and develops strategies in response to these changes to raise shareholders' value and ensure the risk is bearable.

Based on the risk management policies, the management process is carried out as follows:

#### a) Credit investigation

In screening target clients, the Bank asks for all the necessary documents from the clients in order to get an accurate understanding of their background and control credit portfolios within the acceptable range.

#### b) Credit approval

Cases that have passed the credit investigation are reviewed by the credit authority of each level, which in accordance with the Bank's credit limit structure and authorization policies. The Bank's credit approval structure and policies are based not only on the Banking Act and other government rules for credit extended to the same person, single enterprise/group, industry, mortgage loans, investments in securities and country, but also on the professionalism of the Bank's credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities occasionally.

c) Post-lending loan review

The corporate banking segment of the Bank tracks the borrowers' financial and business conditions, generates risk assessment reports on credit asset portfolios regularly, operates a risk warning system and adjusts business development strategies as needed to cope with economic conditions and changes in asset quality through the use of an account management scheme and a regular-reassessment system. For consumer banking business, they track and control the changes in asset quality through the use of regular-assessment system and handle the changes in borrowers' credit quality instantly through the use of regular-reassessment system. For delinquent loans, the Bank uses the concentration management method, together with information systems and analysis models, to enhance and expedite the collection of non-performing loans.

d) Risk report and information disclosures

The risk management department is responsible for measuring risk, preparing various risk management index, analysis of changes in asset quality, etc., and prepares quarterly risk management report for submission to the risk management committee and board of directors.

3) Credit risk hedge or mitigation policies

Considering the asset hedge market and liquidity, the Bank takes the necessary risk reduction strategies, mainly on credit objects and hedge transactions involving assets with doubtful collectability or a long period of duration, including methods for increasing appropriate collateral with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Enterprise Credit Guarantee Fund of Taiwan to maximize the collateral. For determining the value of foreclosed collateral, liquid securities will be evaluated at their market value; other collateral will regularly be inspected by the appraisal institution to assess the current situation of the collateral and reassess its value as necessary to ensure the risk offset effect, which will be used as a basis for demanding additional collateral or adjusting the credit amount.

To mitigate the Bank's risks, in addition to strengthening the review and tracking of the borrowers and guarantors, if clients are found to have bad credit features, the Bank will take corresponding measures at the appropriate time, such as early repayment or additional collateral. In addition, the Bank sets different credit limits for counterparties involved in derivative financial instruments and enters into collateral agreements with major counterparties to ensure that risks are under control.

4) Maximum exposure to credit risk

The maximum exposure to credit risk from on-balance sheet financial assets was equal to their carrying values; without taking into collateral or other credit enhancements and unused revolving credit without credit card and cash card, the maximum exposure of credit risk from irrevocable off-balance sheet financial instruments was as follows:

<b>Items</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	\$ 49,909,973	\$ 43,737,382	\$ 49,769,301

The Bank believes that stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure from their off-balance sheet items.



The Bank and its subsidiaries' carrying amount of maximum exposure credit risk for major credit assets were as follows:

<b>Discounts and Loans</b>						
<b>June 30, 2024</b>						
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>		<b>The Adjustment under the Regulation/ Discount</b>	<b>Total</b>
	<b>12 Months Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Purchased or Originated Credit-impaired Financial Asset</b>		
Short-term loans	\$ 61,497,773	\$ 631,757	\$ 682,792	\$ -		\$ 62,812,322
Short-term secured loans	14,067,601	-	-	-		14,067,601
Medium-term loans	167,389,270	221,206	229,222	-		167,839,698
Medium-term secured loans	83,302,864	278,962	39,913	-		83,621,739
Long-term loans	11,944,731	607,561	979,330	-		13,531,622
Long-term secured loans	102,768,554	242,330	123,399	-		103,134,283
Overdue loans	-	-	1,047,753	-		1,047,753
Export negotiations	21,990	-	-	-		21,990
Total carrying amount	440,992,783	1,981,816	3,102,409	-		446,077,008
Allowance for bad debts	(901,015)	(264,191)	(833,202)	-		(1,998,408)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					\$ (3,829,370)	(3,829,370)
Discounts on loans					(64,693)	(64,693)
<b>Total</b>	<b><u>\$ 440,091,768</u></b>	<b><u>\$ 1,717,625</u></b>	<b><u>\$ 2,269,207</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (3,894,063)</u></b>	<b><u>\$ 440,184,537</u></b>

<b>Receivables</b>						
<b>June 30, 2024</b>						
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>		<b>The Adjustment under the Regulation</b>	<b>Total</b>
	<b>12 Months Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Purchased or Originated Credit-impaired Financial Asset</b>		
Credit card	\$ 3,584,783	\$ 197,041	\$ 147,930	\$ -		\$ 3,929,754
Accounts receivable - forfeiting	1,689,185	-	-	-		1,689,185
Accounts receivable factoring without recourse	8,604,305	2	20	-		8,604,327
Acceptances	172,466	-	-	-		172,466
Installment accounts and lease receivables	5,076,375	88,173	98,822	-		5,263,370
Total carrying amount	19,127,114	285,216	246,772	-		19,659,102
Allowance for bad debts	(56,745)	(28,901)	(66,211)	-		(151,857)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					\$ (149,585)	(149,585)
<b>Total</b>	<b><u>\$ 19,070,369</u></b>	<b><u>\$ 256,315</u></b>	<b><u>\$ 180,561</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (149,585)</u></b>	<b><u>\$ 19,357,660</u></b>

<b>Discounts and Loans</b>						
<b>December 31, 2023</b>						
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>		<b>The Adjustment under the Regulation/Discount</b>	<b>Total</b>
			<b>12 Months Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>		
Short-term loans	\$ 46,320,134	\$ 594,896	\$ 681,759	\$ -		\$ 47,596,789
Short-term secured loans	13,923,022	273	-	-		13,923,295
Medium-term loans	152,121,832	160,635	242,629	-		152,525,096
Medium-term secured loans	82,043,284	309,349	21,622	-		82,374,255
Long-term loans	7,592,441	525,924	844,689	-		8,963,054
Long-term secured loans	95,437,396	174,740	162,833	-		95,774,969
Overdue loans	-	-	974,615	-		974,615
Export negotiations	5,449	-	-	-		5,449
Total carrying amount	397,443,558	1,765,817	2,928,147	-		402,137,522
Allowance for bad debts	(789,010)	(168,283)	(791,094)	-		(1,748,387)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					\$ (3,406,787)	(3,406,787)
Discounts on loans					(55,911)	(55,911)
<b>Total</b>	<b>\$ 396,654,548</b>	<b>\$ 1,597,534</b>	<b>\$ 2,137,053</b>	<b>\$ -</b>	<b>\$ (3,462,698)</b>	<b>\$ 396,926,437</b>

<b>Receivables</b>						
<b>December 31, 2023</b>						
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>		<b>The Adjustment under the Regulation</b>	<b>Total</b>
			<b>12 Months Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>		
Credit card	\$ 3,195,165	\$ 196,868	\$ 130,508	\$ -		\$ 3,522,541
Accounts receivable - forfeiting	1,617,130	-	-	-		1,617,130
Accounts receivable factoring without recourse	10,262,973	4	25	-		10,263,002
Acceptances	8,292	-	-	-		8,292
Installment accounts and lease receivables	5,654,277	71,889	101,064	-		5,827,230
Total carrying amount	20,737,837	268,761	231,597	-		21,238,195
Allowance for bad debts	(48,865)	(27,236)	(59,820)	-		(135,921)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					\$ (168,961)	(168,961)
<b>Total</b>	<b>\$ 20,688,972</b>	<b>\$ 241,525</b>	<b>\$ 171,777</b>	<b>\$ -</b>	<b>\$ (168,961)</b>	<b>\$ 20,933,313</b>

<b>Discounts and Loans</b>						
<b>June 30, 2023</b>						
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>		<b>The Adjustment under the Regulation/Discount</b>	<b>Total</b>
			<b>12 Months Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>		
Short-term loans	\$ 45,014,169	\$ 622,790	\$ 645,252	\$ -		\$ 46,282,211
Short-term secured loans	14,970,354	-	21,000	-		14,991,354
Medium-term loans	148,302,885	328,615	302,331	-		148,933,831
Medium-term secured loans	85,640,701	452,118	19,190	-		86,112,009
Long-term loans	7,292,114	518,884	787,713	-		8,598,711
Long-term secured loans	90,365,025	165,936	107,671	-		90,638,632
Overdue loans	-	-	480,906	-		480,906
Export negotiations	16,290	-	-	-		16,290
Total carrying amount	391,601,538	2,088,343	2,364,063	-		396,053,944
Allowance for bad debts	(764,584)	(352,846)	(574,888)	-		(1,692,318)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					\$ (3,460,460)	(3,460,460)
Discounts on loans					(53,637)	(53,637)
<b>Total</b>	<b>\$ 390,836,954</b>	<b>\$ 1,735,497</b>	<b>\$ 1,789,175</b>	<b>\$ -</b>	<b>\$ (3,514,097)</b>	<b>\$ 390,847,529</b>

<b>Receivables</b>						
<b>June 30, 2023</b>						
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>		<b>The Adjustment under the Regulation</b>	<b>Total</b>
			<b>12 Months Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>		
Credit card	\$ 3,273,679	\$ 198,480	\$ 114,741	\$ -		\$ 3,586,900
Accounts receivable - forfeiting	3,858,994	-	-	-		3,858,994
Accounts receivable factoring without recourse	8,216,292	6	38	-		8,216,336
Acceptances	11,164	-	-	-		11,164
Installment accounts and lease receivables	5,974,335	104,036	34,329	-		6,112,700
Total carrying amount	21,334,464	302,522	149,108	-		21,786,094
Allowance for bad debts	(58,584)	(30,000)	(33,965)	-		(122,549)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					\$ (159,486)	(159,486)
<b>Total</b>	<b>\$ 21,275,880</b>	<b>\$ 272,522</b>	<b>\$ 115,143</b>	<b>\$ -</b>	<b>\$ (159,486)</b>	<b>\$ 21,504,059</b>

Maximum exposures to credit risk of financial instruments not applicable to impairment were as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Financial assets at FVTPL			
Debt instruments	\$ 14,512,835	\$ 12,554,980	\$ 15,475,288
Derivatives instruments	29,600,508	29,413,254	27,956,330

## 5) Collateral and credit enhancements

The Bank and its subsidiaries' pledged collateral associated with credit include discounts, loans and receivables which contain real estate, movable property (e.g.: Machinery), rights certificates and securities (e.g.: Certificates of deposit, stocks), notes receivable arose from borrowing of business transactions, guarantees provided by government public authority at all levels, banks or guarantee institutions authorized by government (e.g.: SME credit guarantee fund and letter of credit guaranteed) and collateral set in accordance with the laws including pledge, registration of land rights. Financial assets held by the Bank are part of corporate bonds guaranteed by financial institutions as credit enhancement.

The Bank and its subsidiaries observe collateral's value of financial instruments closely and consider the recognition of impairment for financial assets with credit impairment. The Bank and its subsidiaries' financial assets with impairment, and collateral's values for mitigation of potential losses were as follows:

	<b>June 30, 2024</b>			
	<b>Total Carrying Amount</b>	<b>Credit Impairment</b>	<b>Amount of Risk Exposure (Amortized Cost)</b>	<b>Collateral Value</b>
Impaired asset:				
Receivables:				
Credit card	\$ 147,930	\$ 43,897	\$ 104,033	\$ -
Accounts receivable factoring without recourse	20	1	19	-
Installment accounts and lease receivables	98,822	22,313	76,509	-
Discounts and loans	<u>3,102,409</u>	<u>833,202</u>	<u>2,269,207</u>	<u>592,595</u>
Total amount of impaired asset	<u>\$ 3,349,181</u>	<u>\$ 899,413</u>	<u>\$ 2,449,768</u>	<u>\$ 592,595</u>
	<b>December 31, 2023</b>			
	<b>Total Carrying Amount</b>	<b>Credit Impairment</b>	<b>Amount of Risk Exposure (Amortized Cost)</b>	<b>Collateral Value</b>
Impaired asset:				
Receivables:				
Credit card	\$ 130,508	\$ 30,406	\$ 100,102	\$ -
Accounts receivable factoring without recourse	25	1	24	-
Installment accounts and lease receivables	101,064	29,413	71,651	-
Discounts and loans	<u>2,928,147</u>	<u>791,094</u>	<u>2,137,053</u>	<u>521,857</u>
Total amount of impaired asset	<u>\$ 3,159,744</u>	<u>\$ 850,914</u>	<u>\$ 2,308,830</u>	<u>\$ 521,857</u>

**June 30, 2023**

	<b>Total Carrying Amount</b>	<b>Credit Impairment</b>	<b>Amount of Risk Exposure (Amortized Cost)</b>	<b>Collateral Value</b>
Impaired asset:				
Receivables:				
Credit card	\$ 114,741	\$ 23,604	\$ 91,137	\$ -
Accounts receivable factoring without recourse	38	1	37	-
Installment accounts and lease receivables	34,329	10,360	23,969	-
Discounts and loans	<u>2,364,063</u>	<u>574,888</u>	<u>1,789,175</u>	<u>195,948</u>
 Total amount of impaired asset	 <u>\$ 2,513,171</u>	 <u>\$ 608,853</u>	 <u>\$ 1,904,318</u>	 <u>\$ 195,948</u>

The amount of the Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount are \$582,069 thousand and \$446,712 thousand for the six months ended June 30, 2024 and 2023.

6) Concentration of credit risk

Concentration of credit risk arise when there is only one counterparty, or when there is more than one counterparty, but they have comparable economic characteristics, or when such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise from a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, due from and call loans to banks, investments, receivables and derivatives, etc. The Bank maintained a diversified loan portfolio to mitigate the credit risk concentration to same customers; total transactions of same customers in discounts and loans are not material. To manage credit risk concentration, the Bank maintains a diversified portfolio and monitors its exposure continually. The Bank's most significant concentrations of credit risk are summarized as follows:

a) By industry

	<b>June 30, 2024</b>		<b>December 31, 2023</b>		<b>June 30, 2023</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Public and private enterprises	\$ 261,204,658	58.56	\$ 234,684,241	58.36	\$ 233,593,111	58.98
Natural persons	184,872,350	41.44	167,453,281	41.64	162,460,833	41.02
Total	\$ 446,077,008	100.00	\$ 402,137,522	100.00	\$ 396,053,944	100.00

b) By region

	June 30, 2024		December 31, 2023		June 30, 2023	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 359,523,118	80.60	\$ 327,247,935	81.38	\$ 316,426,582	79.89
Overseas	86,553,890	19.40	74,889,587	18.62	79,627,362	20.11
Total	\$ 446,077,008	100.00	\$ 402,137,522	100.00	\$ 396,053,944	100.00

c) By collateral

	June 30, 2024		December 31, 2023		June 30, 2023	
	Amount	%	Amount	%	Amount	%
Credit	\$ 244,802,057	54.88	\$ 209,655,063	52.14	\$ 204,271,580	51.58
Secured						
Real estate	185,793,069	41.65	175,106,905	43.54	175,398,530	44.29
Guarantees	4,047,140	0.91	3,416,212	0.85	4,803,008	1.21
Financial collateral	7,151,189	1.60	9,225,201	2.29	5,649,804	1.43
Others	4,283,553	0.96	4,734,141	1.18	5,931,022	1.49
Total	\$ 446,077,008	100.00	\$ 402,137,522	100.00	\$ 396,053,944	100.00

7) Management policies on foreclosed collateral

Foreclosed collateral is recorded at cost, using lower at cost or net fair value as of the balance sheet date. If collateral were not disposed of within the statutory period, the Bank should apply for an extension of the disposal period and increase its provision for possible losses, if competent authority requires.

	June 30, 2024	December 31, 2023	June 30, 2023
Foreclosed collateral	\$ 588,985	\$ 588,985	\$ 588,985
Allowance for impairment	<u>(588,985)</u>	<u>(588,985)</u>	<u>(588,985)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Foreclosed collateral will be sold when it is actually available for sale. The foreclosed collateral is classified as other assets in balance sheet. The difference amount between the disposition price and the carrying amount is recognized as net other non-interest income.

8) Disclosures required under the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of non-performing loans and overdue receivables

Items		June 30, 2024					
		Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 396,129	\$ 87,974,098	0.45%	\$ 1,254,531	316.70%	
	Unsecured	81,052	186,309,962	0.04%	2,070,292	2,554.28%	
Consumer banking	Mortgage (Note 4)	61,655	83,250,064	0.07%	1,252,138	2,030.87%	
	Cash card	126,798	10,167,043	1.25%	155,396	122.55%	
	Micro credit (Note 5)	595,656	48,307,362	1.23%	775,399	130.18%	
	Others (Note 6)	Secured	10,112	30,050,789	0.03%	319,842	3,162.95%
		Unsecured	-	17,690	-	180	-
Total		1,271,402	446,077,008	0.29%	5,827,778	458.37%	
		<b>Overdue Receivables</b>	<b>Accounts Receivable</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>	
Credit card		\$ 50,858	\$ 3,929,754	1.29%	\$ 89,603	176.18%	
Accounts receivable factoring without recourse (Note 7)		4	8,604,327	0.00%	116,767	3,163,567.65%	

Items		June 30, 2023					
		Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 51,851	\$ 91,780,262	0.06%	\$ 1,148,723	2,215.43%	
	Unsecured	90,782	154,750,700	0.06%	1,735,789	1,912.04%	
Consumer banking	Mortgage (Note 4)	28,525	72,945,492	0.04%	1,096,876	3,845.25%	
	Cash card	108,375	10,532,656	1.03%	245,961	226.95%	
	Micro credit (Note 5)	467,779	38,940,117	1.20%	636,229	136.01%	
	Others (Note 6)	Secured	9,714	27,073,610	0.04%	288,882	2,973.73%
		Unsecured	-	31,107	-	318	-
Total		757,026	396,053,944	0.19%	5,152,778	680.66%	
		<b>Overdue Receivables</b>	<b>Accounts Receivable</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>	
Credit card		\$ 30,096	\$ 3,586,900	0.84%	\$ 60,334	200.47%	
Accounts receivable factoring without recourse (Note 7)		5	8,216,336	0.00%	98,344	2,103,621.88%	

Note 1: Non-performing loans are reported in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. Overdue credit card receivables are regulated by Order No. 0944000378 announced by the FSC on July 6, 2005.

Note 2: NPL ratio =  $NPL \div Total\ loans$ . For credit card business: Delinquency ratio =  $Overdue\ credit\ card\ receivables \div Credit\ card\ receivables\ balance$ .

Note 3: Coverage ratio =  $LLR \div NPL$ . Coverage ratio of credit receivables:  $Allowance\ for\ credit\ losses \div Overdue\ credit\ card\ receivables$ .

Note 4: Residential mortgage refers to financing obtained to buy, build, or fix houses owned by the borrower or the borrower’s spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Order No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Order No. 0945000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable factoring without recourse.

b) Exemption on non-performing loans and overdue receivables

Items	June 30, 2024		June 30, 2023	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 1,774	\$ 49	\$ 2,625	\$ 60
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	72,223	6,048	71,080	6,209
Total	\$ 73,997	\$ 6,097	\$ 73,705	\$ 6,269

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Order No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letters dated September 15, 2008 (Order No. 09700318940) and dated September 20, 2016 (Order No. 10500134790).

c) Concentration of credit risk

**June 30, 2024**

<b>Top 10 Ranking</b>	<b>Group (Industry Category)</b>	<b>Total Credit</b>	<b>Percentage of Net Worth (%)</b>
1	A Group - real estate development activities	\$ 6,762,349	9.84
2	B Group - real estate activities for sale and rental	6,472,727	9.42
3	C Group -manufacture of liquid crystal panel and components	5,504,668	8.01
4	D Group - real estate development activities	5,254,000	7.65
5	E Group -engineering activities and related technical consultancy	4,690,000	6.83
6	F Group -construction of utility projects	4,610,684	6.71
7	G Group -other real estate	4,459,790	6.49
8	H Group - real estate activities for sale and rental	4,278,587	6.23
9	I Group -manufacture of liquid crystal panel and components	4,060,564	5.91
10	J Group - real estate activities for sale and rental	3,775,560	5.49

**June 30, 2023**

<b>Top 10 Ranking</b>	<b>Group (Industry Category)</b>	<b>Total Credit</b>	<b>Percentage of Net Worth (%)</b>
1	I Group - manufacture of liquid crystal panel and components	\$ 8,063,355	12.34
2	A Group - real estate development activities	6,206,540	9.50
3	K Group - manufacture of electronic passive devices	5,833,390	8.93
4	B Group - real estate activities for sale and rental	5,008,668	7.67
5	C Group - manufacture of liquid crystal panel and components	4,844,886	7.42
6	D Group - real estate development activities	4,206,000	6.44
7	L Group - manufacture of chemical material	4,148,029	6.35
8	H Group - short-term accommodation activities	4,097,708	6.27
9	M Group - real estate activities for sale and rental	4,080,455	6.25
10	N Group - financial leasing	3,528,652	5.40



## 9) Judgments of a significant increase in credit risk since initial recognition

### Credit business

The Bank assesses changes in credit quality during the expected lifetime of various types of credit assets on each reporting date to determine if there has been a significant increase in credit risk since initial recognition, main indicators considered and supporting information (including prospective information) were as follows:

#### a) Quantitative index

When the contractual payments are overdue for more than 30 days, the credit risk of the credit assets are considered to be significantly increased since the initial recognition.

#### b) Qualitative index

- i. Changes in the current or predicted operating, financial, or economic conditions that are expected to cause a significant change in the ability of the borrower to perform debt obligations.
- ii. Actual or expected significant changes in borrower's operating results.
- iii. The credit risk of other credit contracts of the same borrower has increased significantly.
- iv. After evaluation, it can be included if the borrowers do not suffer from difficulties at the time of negotiation in individual credit assets.

The various types of credit assets of the Bank which are not regarded as low credit risk can be assumed that the credit risk of such assets has not increased significantly since initial recognition.

## 10) Definition of default and credit impaired financial assets

The definition of financial assets in default of the Bank is the same as that of the credit impaired financial assets. If one or more of the following conditions are met, the Bank determines that the financial asset is in default and credit impaired:

#### a) Quantitative index

- i. When the borrower's payment of the contract is overdue for more than 90 days.
- ii. Changes in external rating of guarantor or issuer of the notes or bonds.

#### b) Qualitative index

For credit assets, if there is evidence that the borrower will be unable to settle the loan, or has significant financial difficulties, such as:

- i. Borrower has been bankrupt or may file a petition for bankruptcy or financial restructuring.
- ii. Borrower's loan contract has been reclassified to non-performing loans or has been written off as bad debts by the Bank.

- iii. Due to financial or contractual reasons related to the financial difficulties of the borrower, the creditor gives the borrower concessions that would not have been considered or agreed (agreements).
- iv. For cases involving the sale of non-performing loans and suits.
- v. Payment by the Bank to fulfill off-balance sheet financial contracts (e.g., guarantee advances).

The aforementioned definition of default and credit impairment applied to the credit assets held by the Bank is consistent with the definition used for internal credit risk management purposes, and is used in the relevant impairment assessment model.

The credit asset will be restored to the state of compliance and is not considered as the credit asset of default and credit impairment if it no longer meets the definition of default and credit impairment.

The debt instrument investment may also be deemed to have a credit impairment if the rating of the notes or bonds of the guarantor or issuer downgrade significantly, for example, from an investment grade to a junk bond rating, or if one or more of the following conditions are met:

- i. The guarantor or issuer cannot repay the principal or interest on the maturity date of the note or bond.
- ii. Before the maturity of the note or bond, it can be objectively determined that the guarantor or issuer may not be able to repay the principal and interest on time.
- iii. Before the maturity of the note or bond, the guarantor or issuer is in bankruptcy or in reorganization or taken over due to financial difficulties.
- iv. Before the maturity of the note or bond, the guarantor or issuer closes down or is in the process of other financial restructuring.

#### 11) Write-off policy

The Bank shall write off non-performing loans and overdue receivables that meet at least one of the following requirements:

- a) When the timing for statutory write-off is reached.
- b) There is a need to expedite the reduction of non-performing loans or for certain businesses that need to comply with the requirements of the governing authorities.
- c) Written off by the governing authorities or the financial inspection authorities.
- d) If it is difficult to dispose of the collateral or it may take a long time to recover the loan, the creditor's balance shall be written off as bad debt within the period which is specified in a).
- e) Obtaining the debt certificate or supporting documents with the assessment that credit assets evaluated as impossible to obtain repayment.

## 12) Amendment of contract cash flows of financial assets

The Bank may amend the contract cash flows of loans as a result of financial difficulties of borrowers or improvement of problematic debtors' recovery rates, etc. The amendments to contract cash flows include the extension of the contract period, interest payment time modification, contract interest modification, or exemption of part of the debts.

## 13) Measurement of expected credit losses

For the purpose of measuring expected credit losses, the Bank divides credit assets into the following groups: for corporate banking, they are grouped according to scale, while for consumer banking, they are grouped according to product characteristics:

<b>Business</b>	<b>Group</b>	<b>Definition</b>
Corporate banking	Large enterprises + Stage 1	Credit risk has not increased significantly
	Small and medium enterprises + Stage 1	
	Large enterprises + Stage 2	Credit risk has increased significantly
	Small and medium enterprises + Stage 2	
	Large enterprises + Stage 3	Credit impaired
	Small and medium enterprises + Stage 3	
Consumer banking	Product + Stage 1	Credit risk has not increased significantly
	Product + Stage 2	Credit risk has increased significantly
	Product + Stage 3	Credit impaired

The Bank measures the allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model. For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses, the Bank takes into account the borrower's probability of default (PD) for the next 12 months and the period of existence, and includes the loss given default (LGD) and exposure at default (EAD), taking into account the impact of the time value of money when calculating the 12 month and lifetime expected credit losses, respectively.

Probability of default is the probability of default of a borrower or counterparty over a period of time; the loss given default refers to the probability of loss of the borrower or counterparty due to inability to recover the debt at the end of the reminder procedures. The probability of default and loss given default used in the impairment assessment of the Bank's credit business are based on internal historical information (such as credit loss experience, etc.) of each group, adjusted based on the current observable data and forward-looking general economic information (such as GDP and employment rate, etc.) which are used to calculate the probability of default on expected losses.

The exposure at default means that the Bank can claim compensation for the carrying amount held by borrowers or the counterparty after borrowers or the counterparty have defaulted. The Bank has taken into account the amount of credits that have been used and the amounts that may be used in the future for the exposure at default amount. The amount of credits is used as an assessment of exposure at default of on-balance sheet credits; off-balance sheet or committed credits that are not yet used are based on the corresponding credit conversion factor (CCF) which considered the credits that are expected to be used within 12 months or expected lifetime, to calculate exposure at default of expected credit loss.

#### 14) Considerations of forward-looking information

The Bank incorporates forward-looking information when measuring expected credit losses on loans and receivables. Based on the business characteristics, the Bank selected the overall indicators that are appropriate as adjustment parameters for default probability of lending. Based on the type of business, the Bank used different overall indicators. The Corporate banking business takes the economic growth rate (GDP) as an adjustment parameter; the consumer banking business takes employment rate variation as adjustment parameter. The Bank also makes reference to external information (the forecast values from well-known domestic economic forecasting institutions) or group expert assessments to provide forecasting information on economic factors quarterly, such as using the change of the Leading Index or Money Flow Index as basic economic conditions; it contains the best estimate of the economic situation in the next five years.

The measurement of expected credit loss of the Bank's debt instruments is based an external credit migration matrix method to calculate the Probability of default (PD), which is incorporated in the information of forward-looking factors.

#### 15) Changes of provisions for off-balance-sheet guarantees and loan commitments

For the six months ended June 30, 2024:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance at January 1	\$ 86,033	\$ 91	\$ -	\$ 2	\$ -	\$ 86,126	\$ 154,967	\$ 241,093
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(15)	15	-	-	-	-	-	-
Transferred to credit-impaired financial assets	-	-	-	-	-	-	-	-
Transferred to 12 months ECL	13	(13)	-	-	-	-	-	-
Derecognized financial assets in the current period	(16,032)	(76)	-	(2)	-	(16,110)	-	(16,110)
Purchased or originated new financial assets	20,374	90	-	-	-	20,464	-	20,464
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							38,805	38,805
Effect of exchange rate changes and others	(7,538)	104	-	4	-	(7,430)	-	(7,430)
Balance at June 30	\$ 82,835	\$ 211	\$ -	\$ 4	\$ -	\$ 83,050	\$ 193,772	\$ 276,822

There was no significant increase in the expected credit loss of the Bank and its subsidiaries' off-balance-sheet guarantees and loan commitments for the six months ended June 30, 2024. The increase of guarantees in reporting period resulted in abovementioned provisions increased by \$35,729 thousand in comparison to the beginning of period.

For the six months ended June 30, 2023:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance at January 1	\$ 63,024	\$ 30	\$ -	\$ 41	\$ -	\$ 63,095	\$ 107,002	\$ 170,097
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	-	-	-	-	-	-	-	-
Transferred to credit-impaired financial assets	-	-	-	-	-	-	-	-
Transferred to 12 months ECL	20	(2)	-	(18)	-	-	-	-
Derecognized financial assets in the current period	(15,031)	(41)	-	(11)	-	(15,083)	-	(15,083)
Purchased or originated new financial assets	31,166	32	-	16	-	31,214	-	31,214
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							68,226	68,226
Effect of exchange rate changes and others	12,338	57	-	(8)	-	12,387	-	12,387
Balance at June 30	\$ 91,517	\$ 76	\$ -	\$ 20	\$ -	\$ 91,613	\$ 175,228	\$ 266,841

There was no significant increase in the expected credit loss of the Bank and its subsidiaries' off-balance-sheet guarantees and loan commitments for the six months ended June 30, 2023. The increase of guarantees in reporting period resulted in abovementioned provisions increased by \$96,744 thousand in comparison to the beginning of period.

c. Liquidity risk

1) Definition and source of liquidity risk

Liquidity risk of the Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management policies of liquidity risk

To control liquidity risk, the Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The Bank also actively deconcentrates funding sources, due dates of funding settlement, and the counterparties to the due from other banks and call loans to other banks, as well as maintains an adequate amount of corporate cash in banks to enhance its liquidity position.

3) Financial assets held for liquidity management and maturity analysis of non-derivative financial liabilities

a) Financial assets held for liquidity management

The Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, financial assets at FVTOCI, securities purchased under resell agreements, receivables and discounts and loans, etc.

b) Maturity analysis of non-derivative financial liabilities

The following tables show the cash outflows on the Bank's non-derivative financial liabilities based on contract maturities. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the balance sheets.

Maturity analysis of non-derivative financial liabilities (NTD)

<b>June 30, 2024</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Deposits from the Central Bank and banks	\$ -	\$ -	\$ 157,260	\$ 23,296	\$ -	\$ 180,556
Notes and bonds issued under repurchase agreements	10,257,156	916,066	-	-	-	11,173,222
Deposits and remittances	55,528,938	107,914,296	68,853,066	116,341,658	39,711,040	388,348,998
Borrowings	-	-	-	-	27,270,000	27,270,000
Other capital outflow on maturity	1,391,461	520,053	414,738	2,425,510	3,195,894	7,947,656
<b>Total</b>	<b>\$ 67,177,555</b>	<b>\$ 109,350,415</b>	<b>\$ 69,425,064</b>	<b>\$ 118,790,464</b>	<b>\$ 70,176,934</b>	<b>\$ 434,920,432</b>

<b>December 31, 2023</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Deposits from the Central Bank and banks	\$ 3,623,296	\$ -	\$ -	\$ 157,260	\$ -	\$ 3,780,556
Notes and bonds issued under repurchase agreements	8,698,692	-	-	-	-	8,698,692
Deposits and remittances	55,272,822	73,546,061	62,980,713	111,858,526	36,810,638	340,468,760
Borrowings	-	-	700,000	-	26,263,333	26,963,333
Other capital outflow on maturity	2,626,137	384,345	432,566	3,655,769	3,320,676	10,419,493
<b>Total</b>	<b>\$ 70,220,947</b>	<b>\$ 73,930,406</b>	<b>\$ 64,113,279</b>	<b>\$ 115,671,555</b>	<b>\$ 66,394,647</b>	<b>\$ 390,330,834</b>

<b>June 30, 2023</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Deposits from the Central Bank and banks	\$ 600,000	\$ -	\$ 157,260	\$ 23,296	\$ -	\$ 780,556
Notes and bonds issued under repurchase agreements	8,337,203	-	-	-	-	8,337,203
Deposits and remittances	62,111,068	77,284,412	91,976,162	109,230,778	36,498,048	377,100,468
Borrowings	-	-	333,333	700,000	25,536,667	26,570,000
Other capital outflow on maturity	1,455,226	447,934	477,856	2,227,167	3,571,786	8,179,969
<b>Total</b>	<b>\$ 72,503,497</b>	<b>\$ 77,732,346</b>	<b>\$ 92,944,611</b>	<b>\$ 112,181,241</b>	<b>\$ 65,606,501</b>	<b>\$ 420,968,196</b>

## Maturity analysis of non-derivative financial liabilities (USD)

(In Thousands of U.S. Dollars)

June 30, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 10,000	\$ 149,000	\$ -	\$ -	\$ -	\$ 159,000
Notes and bonds issued under repurchase agreements	258,726	257,352	889,944	-	-	1,406,022
Deposits and remittances	1,445,612	1,978,661	999,312	1,267,533	3,746	5,694,864
Other capital outflow on maturity	26,302	31,818	22,436	3,865	8,736	93,157
<b>Total</b>	<b>\$ 1,740,640</b>	<b>\$ 2,416,831</b>	<b>\$ 1,911,692</b>	<b>\$ 1,271,398</b>	<b>\$ 12,482</b>	<b>\$ 7,353,043</b>

(In Thousands of U.S. Dollars)

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Notes and bonds issued under repurchase agreements	298,098	-	587,875	-	-	885,973
Deposits and remittances	1,619,948	1,822,766	1,292,314	1,576,855	6,067	6,317,950
Other capital outflow on maturity	73,896	46,193	26,474	4,537	83,522	234,622
<b>Total</b>	<b>\$ 2,091,942</b>	<b>\$ 1,868,959</b>	<b>\$ 1,906,663</b>	<b>\$ 1,581,392</b>	<b>\$ 89,589</b>	<b>\$ 7,538,545</b>

(In Thousands of U.S. Dollars)

June 30, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Notes and bonds issued under repurchase agreements	248,678	181,095	488,731	-	-	918,504
Deposits and remittances	1,430,739	1,846,642	769,750	1,856,644	3,063	5,906,838
Other capital outflow on maturity	59,329	34,386	13,695	6,717	21,756	135,883
<b>Total</b>	<b>\$ 1,748,746</b>	<b>\$ 2,062,123</b>	<b>\$ 1,272,176</b>	<b>\$ 1,863,361</b>	<b>\$ 24,819</b>	<b>\$ 6,971,225</b>

4) Maturity analysis of derivative instruments

Contractual maturities were assessed to have an understanding of derivative instruments presented in the consolidated balance sheet. Amounts disclosed in the table were based on contractual cash flows; however, some of these amounts did not match those in the balance sheets.

Maturity analysis of derivative instruments (NTD)

<b>June 30, 2024</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (197,174,182)	\$ (303,511,563)	\$ (197,158,586)	\$ (145,824,582)	\$ (4,011,150)	\$ (847,680,063)
Cash inflow	195,885,021	295,012,179	173,883,568	125,693,046	4,082,250	794,556,064
Interest rate derivatives instruments						
Cash outflow	(301,660)	(602,391)	(113,073)	-	(21,805,008)	(22,822,132)
Cash inflow	456,954	543,488	106,730	-	-	1,107,172
Other derivatives						
Cash outflow	(514)	-	-	-	-	(514)
Cash inflow	-	-	-	-	-	-
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(61,467)	-	-	-	(61,467)
Cash inflow	-	39,914	-	80,765	-	120,679
Cash outflow subtotal	(197,476,356)	(304,175,421)	(197,271,659)	(145,824,582)	(25,816,158)	(870,564,176)
Cash inflow subtotal	196,341,975	295,595,581	173,990,298	125,773,811	4,082,250	795,783,915
Net cash flow	\$ (1,134,381)	\$ (8,579,840)	\$ (23,281,361)	\$ (20,050,771)	\$ (21,733,908)	\$ (74,780,261)

<b>December 31, 2023</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (247,346,473)	\$ (357,827,293)	\$ (197,160,030)	\$ (51,215,570)	\$ (4,457,110)	\$ (858,006,476)
Cash inflow	223,894,441	329,846,705	202,847,428	43,550,175	3,559,260	803,698,009
Interest rate derivatives instruments						
Cash outflow	(362,820)	(579,060)	(52,050)	-	(22,163,586)	(23,157,516)
Cash inflow	260,457	529,826	42,797	1,857	-	834,937
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(59,068)	-	-	-	(59,068)
Cash inflow	-	80,853	3,896	39,914	-	124,663
Cash outflow subtotal	(247,709,293)	(358,465,421)	(197,212,080)	(51,215,570)	(26,620,696)	(881,223,060)
Cash inflow subtotal	224,154,898	330,457,384	202,894,121	43,591,946	3,559,260	804,657,609
Net cash flow	\$ (23,554,395)	\$ (28,008,037)	\$ 5,682,041	\$ (7,623,624)	\$ (23,061,436)	\$ (76,565,451)



June 30, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (169,000,720)	\$ (264,990,403)	\$ (235,116,506)	\$ (103,768,086)	\$ (1,489,100)	\$ (774,364,815)
Cash inflow	184,340,788	273,806,266	215,520,610	78,494,597	537,836	752,700,097
Interest rate derivatives instruments						
Cash outflow	(310,105)	(580,569)	(19,250)	-	(22,289,687)	(23,199,611)
Cash inflow	392,858	519,891	20,110	-	1,857	934,716
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(59,240)	-	-	-	(59,240)
Cash inflow	-	39,696	-	84,749	-	124,445
Cash outflow subtotal	(169,310,825)	(265,630,212)	(235,135,756)	(103,768,086)	(23,778,787)	(797,623,666)
Cash inflow subtotal	184,733,646	274,365,853	215,540,720	78,579,346	539,693	753,759,258
Net cash flow	\$ 15,422,821	\$ 8,735,641	\$ (19,595,036)	\$ (25,188,740)	\$ (23,239,094)	\$ (43,864,408)

### Maturity analysis of derivative instruments (USD)

(In Thousands of U.S. Dollars)

June 30, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (8,093,440)	\$ (11,048,558)	\$ (5,796,907)	\$ (4,387,864)	\$ (140,000)	\$ (29,466,769)
Cash inflow	8,881,050	11,315,325	6,622,469	5,026,698	140,000	31,985,542
Interest rate derivatives instruments						
Cash outflow	(15,041)	(31,396)	(13,404)	(15,773)	(492,145)	(567,759)
Cash inflow	3,411	14,241	2,331	894	165	21,042
Others						
Cash outflow	(1,390)	-	-	-	-	(1,390)
Cash inflow	971	-	-	-	-	971
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(469)	(4,551)	(3,168)	(12,625)	-	(20,813)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(8,110,340)	(11,084,505)	(5,813,479)	(4,416,262)	(632,145)	(30,056,731)
Cash inflow subtotal	8,885,432	11,329,566	6,624,800	5,027,592	140,165	32,007,555
Net cash flow	\$ 775,092	\$ 245,061	\$ 811,321	\$ 611,330	\$ (491,980)	\$ 1,950,824

(In Thousands of U.S. Dollars)

<b>December 31, 2023</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (8,287,630)	\$ (11,254,792)	\$ (7,087,053)	\$ (1,788,597)	\$ (130,228)	\$ (28,548,300)
Cash inflow	9,112,005	12,799,175	7,090,356	1,961,756	163,228	31,126,520
Interest rate derivatives instruments						
Cash outflow	(17,563)	(30,352)	(14,445)	(20,658)	(459,669)	(542,687)
Cash inflow	3,534	14,590	1,554	2,832	60	22,570
Others						
Cash outflow	(1,054)	-	-	-	-	(1,054)
Cash inflow	1,723	-	-	-	-	1,723
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(1,307)	(3,923)	(6,711)	(8,396)	-	(20,337)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(8,307,554)	(11,289,067)	(7,108,209)	(1,817,651)	(589,897)	(29,112,378)
Cash inflow subtotal	9,117,262	12,813,765	7,091,910	1,964,588	163,288	31,150,813
Net cash flow	\$ 809,708	\$ 1,524,698	\$ (16,299)	\$ 146,937	\$ (426,609)	\$ 2,038,435

(In Thousands of U.S. Dollars)

<b>June 30, 2023</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (7,567,019)	\$ (9,840,697)	\$ (7,698,458)	\$ (3,356,282)	\$ (44,241)	\$ (28,506,697)
Cash inflow	7,149,782	10,066,752	8,505,610	4,287,029	75,241	30,084,414
Interest rate derivatives instruments						
Cash outflow	(12,711)	(41,114)	(13,976)	(29,212)	(423,852)	(520,865)
Cash inflow	2,781	11,884	4,089	3,444	1,570	23,768
Others						
Cash outflow	(1,730)	-	-	-	-	(1,730)
Cash inflow	2,237	-	-	-	-	2,237
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(395)	(3,210)	(2,986)	(13,574)	-	(20,165)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(7,581,855)	(9,885,021)	(7,715,420)	(3,399,068)	(468,093)	(29,049,457)
Cash inflow subtotal	7,154,800	10,078,636	8,509,699	4,290,473	76,811	30,110,419
Net cash flow	\$ (427,055)	\$ 193,615	\$ 794,279	\$ 891,405	\$ (391,282)	\$ 1,060,962

## 5) Maturity analysis of off-balance sheet items

The table below shows the Bank's maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the financial guarantee contracts issued, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period.

<b>June 30, 2024</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	\$ 11,767,864	\$ 7,332,791	\$ 3,153,323	\$ 4,907,697	\$ 22,748,298	\$ 49,909,973

<b>December 31, 2023</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	\$ 10,934,968	\$ 5,726,275	\$ 3,386,863	\$ 5,195,508	\$ 18,493,768	\$ 43,737,382

<b>June 30, 2023</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	\$ 12,256,587	\$ 6,086,528	\$ 5,332,756	\$ 5,993,548	\$ 20,099,882	\$ 49,769,301

6) Summary of required disclosures under the Regulations Governing the Preparation of Financial Reports by Public Banks:

a) Maturity analysis of assets and liabilities of the Bank (NTD)

<b>June 30, 2024</b>	<b>0-10 Days</b>	<b>11-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Main capital inflow on maturity	\$ 129,836,431	\$ 196,077,583	\$ 358,247,818	\$ 217,861,187	\$ 186,512,737	\$ 275,647,132	\$ 1,364,182,888
Main capital outflow on maturity	99,099,470	191,906,069	462,898,788	309,259,352	320,841,928	323,013,985	1,707,019,592
Gap	30,736,961	4,171,514	(104,650,970)	(91,398,165)	(134,329,191)	(47,366,853)	(342,836,704)

<b>June 30, 2023</b>	<b>0-10 Days</b>	<b>11-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Main capital inflow on maturity	\$ 157,886,411	\$ 174,087,152	\$ 335,304,412	\$ 254,560,757	\$ 137,276,464	\$ 218,200,098	\$ 1,277,315,294
Main capital outflow on maturity	98,847,657	165,597,897	386,044,848	366,217,790	268,038,894	301,170,808	1,585,917,894
Gap	59,038,754	8,489,255	(50,740,436)	(111,657,033)	(130,762,430)	(82,970,710)	(308,602,600)

b) Maturity analysis of assets and liabilities of the Bank (USD)

(In Thousands of U.S. Dollars)

<b>June 30, 2024</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Main capital inflow on maturity	\$ 9,511,276	\$ 11,767,675	\$ 7,069,914	\$ 5,528,140	\$ 3,557,414	\$ 37,434,419
Main capital outflow on maturity	10,105,642	14,010,661	8,329,663	6,746,443	3,380,767	42,573,176
Gap	(594,366)	(2,242,986)	(1,259,749)	(1,218,303)	176,647	(5,138,757)

(In Thousands of U.S. Dollars)

<b>June 30, 2023</b>	<b>0-30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181 Days-1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Main capital inflow on maturity	\$ 8,315,897	\$ 10,786,595	\$ 8,737,013	\$ 4,636,043	\$ 3,552,367	\$ 36,027,915
Main capital outflow on maturity	9,636,294	12,558,527	9,701,280	6,498,254	3,703,617	42,097,972
Gap	(1,320,397)	(1,771,932)	(964,267)	(1,862,211)	(151,250)	(6,070,057)

d. Market risk

1) Definition and source of market risk

Market risk is defined as the fluctuation in market risk factors (such as interest rates, exchange rates, stock prices and commodity prices), which may cause a potential loss of on- and off- balance sheet items.

## 2) Risk management policies

In order to have a common language of market risk management, definition, communication and measurement, and comply with the requirements of the governing authorities, the Bank has developed “Market Risk Management Standard” based on Regulations Governing the Capital Adequacy Ratio of Banks (the CAR Regulations) related market risk calculation tables announced by the FSC, international standards, and KGIFH’s market risk management policy framework.

The “Market Risk Management Standard” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of the Bank related market risk calculation tables and the Bank’s book management approach to financial instrument handling.

Following the “Market Risk Management Standard”, the Bank sets up the “Market Risk Management Procedure to Trading Activities” to manage market risk. This procedure includes risk identification and assessment, risk measurement, risk monitoring, risk reporting and contingency management processes.

## 3) Procedures for market risk measuring, monitoring, and reporting

The Bank’s market risk limits include position sensitivities, stop-loss limits and value-at-risk (VaR).

Risk factors analyzed through the Bank’s risk measurement systems are sufficient to determine all market risks of trading positions on the balance sheet, including interest rate risk, foreign exchange risk, equity securities risk, and price of commodity risks, as well as volatility risks which arise out of the option transactions.

The Bank’s market risk reports include profit or loss on trading positions, limit usage, stress testing, and trading portfolio risk assessment, as well as significant exceptions if any.

The risk management department of the Bank independently performs daily market risk limit controls, and regularly reports to both the Risk Management Committee and KGIFH’s Risk Management Committee. Besides, the above reports are presented to the Board quarterly for reference.

## 4) Mitigation of risks or hedging of market risk

The Bank’s market risk positions or hedging positions are marked to market on a daily basis through techniques such as model valuation. All market parameters are updated at least daily in accordance with changes in market conditions to conduct value assessment of products. Market Risk Limits are reviewed and controlled based on the valuation results of risk value, position sensitivity and profit and loss figure on a daily basis.

## 5) Valuation techniques of market risk

The Bank uses the VaR model and stress testing to evaluate the potential and extreme risk on trading portfolios. Through variations of the assumptions on market conditions, these techniques are used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

	For the Six Months Ended June 30, 2024			For the Year Ended December 31, 2023			For the Six Months Ended June 30, 2023		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	\$ 10,757	\$ 27,796	\$ 6,076	\$ 13,066	\$ 41,141	\$ 6,565	\$ 15,922	\$ 41,141	\$ 8,157
Equity securities risk	4,525	17,997	383	4,816	14,619	155	5,214	14,619	155
Foreign exchange risk	8,079	21,983	3,172	17,665	29,632	6,664	15,763	23,987	6,664

#### 6) Interest rate risk in the banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

#### 7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures every day. The interest rate risk management processes include risk identification, risk measurement, risk control, risk monitoring and others. The unit monitoring the banking book interest rate risks reports interest rate risk exposures regularly to ALMCO, and adjusts the structure of assets and liabilities according to the reports, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs and analysis reports, which is provided to the interest rate risk execution units and senior management. If risk missing or excess of limit occur from monitor, written notices will be passed to the interest rate risk assessment units to adjust and improve the program reported to ALMCO.

#### 8) The effect of interest rate benchmark reform

The Bank is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on derivatives and non-derivative financial assets and liabilities. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is "forward looking", which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a "backward-looking" rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Bank has established a LIBOR conversion task force, is responsible for promoting cross-departmental conversion work, drafting conversion plans and time schedule planning, conducting impact assessments. This task force also focuses on product conversion business strategy adjustments, customer communication, system, operating process changes, evaluation, risk models, financial reports and tax implications. This task force reports to the Risk Management Committee and the Board of Directors on the implementation situation quarterly. The Bank has completed all the above assessments and conversion work, which the financial instruments subject to interest rate benchmark reform have been quoted using other benchmark interest rate.

9) Concentration of foreign currency risk information

The financial assets and liabilities denominated in foreign currencies and with material influence on the Bank and its subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	<b>June 30, 2024</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollar</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,485,923	32.45	\$ 178,018,205
AUD	893,721	21.53	19,241,811
HKD	4,579,012	4.16	19,030,373
ZAR	4,817,645	1.78	8,580,227
EUR	178,262	34.71	6,187,473
CNY	1,312,083	4.45	5,832,995
JPY	24,649,968	0.20	4,971,899
GBP	31,295	41.03	1,284,042
SGD	28,039	23.91	670,416
Investments accounted for using the equity method			
CNY	1,879,649	4.45	8,356,169
<u>Financial liabilities</u>			
Monetary items			
USD	7,956,910	32.45	258,201,731
CNY	2,801,286	4.45	12,453,397
AUD	488,764	21.53	10,523,092
EUR	213,920	34.71	7,425,174
JPY	24,743,631	0.20	4,990,790
ZAR	1,941,003	1.78	3,456,926
HKD	139,516	4.16	579,828
SGD	7,921	23.91	189,382
GBP	3,770	41.03	154,694
CAD	4,473	23.67	105,866

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,649,095	30.74	\$ 173,624,921
HKD	4,484,610	3.93	17,642,454
AUD	615,877	21.01	12,939,567
CNY	2,073,549	4.33	8,981,368
ZAR	4,779,130	1.66	7,928,576
JPY	22,592,142	0.22	4,911,532
EUR	134,594	34.03	4,580,229
GBP	40,631	39.20	1,592,738
SGD	18,345	23.32	427,812
Investments accounted for using the equity method			
CNY	1,793,443	4.33	7,768,118
<u>Financial liabilities</u>			
Monetary items			
USD	8,133,968	30.74	249,997,520
CNY	3,292,090	4.33	14,259,360
AUD	346,265	21.01	7,275,027
EUR	200,468	34.03	6,821,920
JPY	17,459,474	0.22	3,795,690
ZAR	2,024,312	1.66	3,358,334
HKD	131,698	3.93	518,100
SGD	9,130	23.32	212,908
GBP	4,049	39.20	158,726
NZD	5,821	19.50	113,503

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,970,456	31.14	\$ 185,890,162
HKD	4,615,669	3.97	18,342,669
AUD	528,963	20.62	10,907,222
CNY	2,012,091	4.28	8,616,980
ZAR	4,764,281	1.65	7,861,064
EUR	176,000	33.80	5,948,807
JPY	22,781,803	0.22	4,898,088
GBP	38,672	39.36	1,522,129
SGD	32,687	22.95	750,178
Investments accounted for using the equity method			
CNY	1,077,552	4.28	4,614,726
<u>Financial liabilities</u>			
Monetary items			
USD	7,509,703	31.14	233,814,612
CNY	2,859,837	4.28	12,247,538
AUD	326,801	20.62	6,738,633
EUR	169,328	33.80	5,723,293
JPY	15,997,699	0.22	3,439,505
ZAR	1,946,421	1.65	3,211,594
HKD	241,031	3.97	957,856
GBP	8,334	39.36	328,011
SGD	9,205	22.95	211,245
NZD	8,494	18.96	161,053

10) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Analysis of interest rate-sensitive assets and liabilities (NTD)

June 30, 2024

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 418,856,220	\$ 32,655,942	\$ 20,263,807	\$ 63,216,912	\$ 534,992,881
Interest rate-sensitive liabilities	196,853,606	192,146,458	25,472,764	30,059,974	444,532,802
Interest rate sensitivity gap	222,002,614	(159,490,516)	(5,208,957)	33,156,938	90,460,079
Net worth					70,271,200
Ratio of interest rate-sensitive assets to liabilities (%)					120.35
Ratio of interest rate-sensitive gap to net worth (%)					128.73



**June 30, 2023**

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 387,662,047	\$ 31,323,348	\$ 23,282,836	\$ 54,537,914	\$ 496,806,145
Interest rate-sensitive liabilities	181,664,899	204,982,373	17,181,895	27,177,040	431,006,207
Interest rate sensitivity gap	205,997,148	(173,659,025)	6,100,941	27,360,874	65,799,938
Net worth					66,540,302
Ratio of interest rate-sensitive assets to liabilities (%)					115.27
Ratio of interest rate-sensitive gap to net worth (%)					98.89

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs 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 (interest rate-sensitive assets and interest rate-sensitive liabilities in New Taiwan dollars).

b) Analysis of interest rate-sensitive assets and liabilities (USD)

**June 30, 2024**

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 2,104,045	\$ 436,090	\$ 266,030	\$ 2,218,394	\$ 5,024,559
Interest rate-sensitive liabilities	5,277,960	1,844,308	641,154	3,746	7,767,168
Interest rate sensitivity gap	(3,173,915)	(1,408,218)	(375,124)	2,214,648	(2,742,609)
Net worth					(48,066)
Ratio of interest rate-sensitive assets to liabilities (%)					64.69
Ratio of interest rate-sensitive gap to net worth (%)					-

**June 30, 2023**

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 2,877,304	\$ 181,032	\$ 137,209	\$ 2,360,812	\$ 5,556,357
Interest rate-sensitive liabilities	5,005,233	1,203,189	1,084,324	3,063	7,295,809
Interest rate sensitivity gap	(2,127,929)	(1,022,157)	(947,115)	2,357,749	(1,739,452)
Net worth					(39,056)
Ratio of interest rate-sensitive assets to liabilities (%)					76.16
Ratio of interest rate-sensitive gap to net worth (%)					-

Note 1: The above amounts included only U.S. dollar amounts held by the Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs 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 (Interest rate-sensitive assets and Interest rate-sensitive liabilities in U.S. dollars).

e. Transfers of financial assets

Transferred financial assets not qualifying for full derecognition

Among daily operations of the Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As the Bank's right to receive cash flows of the financial assets transferred to the counterparties and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. The Bank does not derecognize it entirely because the Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition are listed below:

June 30, 2024					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	\$ 3,109,236	\$ 2,790,390	\$ 2,919,419	\$ 2,790,390	\$ 129,029
Financial assets at FVTPL	3,399,046	3,400,951	3,399,046	3,400,951	(1,905)
Financial assets at FVTOCI	63,470,393	61,325,083	63,470,393	61,325,083	2,145,310

December 31, 2023					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	\$ 1,075,645	\$ 927,945	\$ 1,000,876	\$ 927,945	\$ 72,931
Financial assets at FVTPL	1,508,805	1,510,123	1,508,805	1,510,123	(1,318)
Financial assets at FVTOCI	42,234,199	40,142,911	42,234,199	40,142,911	2,091,288

June 30, 2023					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	\$ 2,812,593	\$ 2,484,475	\$ 2,587,974	\$ 2,484,475	\$ 103,499
Financial assets at FVTPL	1,636,713	1,639,799	1,636,713	1,639,799	(3,086)
Financial assets at FVTOCI	39,942,045	38,926,656	39,942,045	38,926,656	1,015,389

f. Offsetting financial assets and financial liabilities

The Bank and its subsidiaries have enforceable master netting arrangements or similar agreements signed with counterparty but do not meet the offsetting criteria, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

Related information of offsetting of financial assets and financial liabilities are as follows:

June 30, 2024						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 43,653,988	\$ -	\$ 43,653,988	\$ 43,653,988	\$ -	\$ -
Derivative financial instruments (Note 2)	30,308,305	-	30,308,305	7,994,283	312,162	22,001,860
Total	\$ 73,962,293	\$ -	\$ 73,962,293	\$ 51,648,271	\$ 312,162	\$ 22,001,860

June 30, 2024						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	\$ 67,516,424	\$ -	\$ 67,516,424	\$ 67,402,769	\$ 113,655	\$ -
Derivative financial instruments (Note 2)	28,869,286	-	28,869,286	7,656,564	6,646,734	14,565,988
Total	\$ 96,385,710	\$ -	\$ 96,385,710	\$ 75,059,333	\$ 6,760,389	\$ 14,565,988

December 31, 2023						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 42,097,729	\$ -	\$ 42,097,729	\$ 42,097,729	\$ -	\$ -
Derivative financial instruments (Note 2)	30,011,713	-	30,011,713	8,650,533	2,566,513	18,794,667
Total	\$ 72,109,442	\$ -	\$ 72,109,442	\$ 50,748,262	\$ 2,566,513	\$ 18,794,667

December 31, 2023						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	\$ 42,580,979	\$ -	\$ 42,580,979	\$ 42,580,979	\$ -	\$ -
Derivative financial instruments (Note 2)	29,931,131	-	29,931,131	8,994,239	2,947,399	17,989,493
Total	\$ 72,512,110	\$ -	\$ 72,512,110	\$ 51,575,218	\$ 2,947,399	\$ 17,989,493

June 30, 2023						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 37,214,932	\$ -	\$ 37,214,932	\$ 37,204,969	\$ 9,963	\$ -
Derivative financial instruments (Note 2)	29,224,990	-	29,224,990	7,410,668	719,322	21,095,000
Total	\$ 66,439,922	\$ -	\$ 66,439,922	\$ 44,615,637	\$ 729,285	\$ 21,095,000

June 30, 2023						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	\$ 43,050,930	\$ -	\$ 43,050,930	\$ 42,982,682	\$ 68,248	\$ -
Derivative financial instruments (Note 2)	27,364,556	-	27,364,556	7,455,796	4,363,756	15,545,004
Total	\$ 70,415,486	\$ -	\$ 70,415,486	\$ 50,438,478	\$ 4,432,004	\$ 15,545,004

Note 1: Financial instruments include netting settlement arrangements and non-cash financial collaterals.

Note 2: Derivative financial instruments include hedging derivative financial instruments.

## 47. CAPITAL MANAGEMENT

### a. Objective of capital management

The calculation methods of self-owned capital should be conducted according to the regulations of authorities. The basic management objective includes sufficient capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite.

In order to undertake all kinds of risk, the Bank conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

### b. Capital management procedures

The Bank had met the authorities' requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital is calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

### c. Capital adequacy ratio

Items		Year	June 30, 2024	December 31, 2023	June 30, 2023
Eligible capital	Common equity Tier 1 capital		\$ 64,535,244	\$ 65,814,572	\$ 63,326,251
	Additional Tier 1 capital		2,715,215	2,727,702	2,737,812
	Tier 2 capital		11,727,306	11,021,620	11,118,097
	Eligible capital		78,977,765	79,563,894	77,182,160
Risk-weighted assets	Credit risk	Standardized approach	553,708,260	497,173,375	503,950,385
		Internal rating-based approach	-	-	-
		Securitization	223,911	206,674	207,388
	Operational risk	Basic indicator approach	24,606,995	24,606,995	23,078,097
		Standardized approach/ alternative standardized approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	18,129,063	22,539,250	20,315,363
		Internal model approach	-	-	-
	Total risk-weighted assets		596,668,229	544,526,294	547,551,233
	Capital adequacy ratio		13.24%	14.61%	14.10%
Ratio of common equity to risk-weighted assets		10.82%	12.09%	11.57%	
Ratio of Tier 1 capital to risk-weighted assets		11.27%	12.59%	12.07%	
Leverage ratio		7.27%	7.79%	7.49%	

Note: 1) Eligible capital = Common equity capital + Additional Tier 1 capital + Tier 2 capital.

2) Total risk-weighted asset = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirements for market risk) × 12.5.

- 3) Capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.
- 4) Ratio of common equity capital to risk-weighted assets = Common equity capital ÷ Total risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity capital + Additional Tier 1 capital) ÷ Total risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

#### 48. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

The balance sheets and income statements of the trust accounts and trust property accounts were as follows:

##### Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	June 30, 2024	December 31, 2023	June 30, 2023	Trust Liabilities	June 30, 2024	December 31, 2023	June 30, 2023
Bank deposits	\$ 4,856,820	\$ 3,778,800	\$ 3,268,785	Payables	\$ 84,489	\$ 85,700	\$ 84,947
Short-term investments				Accounts payable on securities under custody	2,184,932	2,867,578	3,946,853
Funds	30,365,731	27,579,033	27,891,536	Other liabilities	57,818	46,923	60,164
Bonds	12,927,115	10,711,522	9,191,942	Trust capital	63,713,578	57,413,114	53,607,742
Stocks	205,340	141,482	145,743	Accumulated profits and losses	<u>32,404</u>	<u>15,719</u>	<u>23,110</u>
Structured notes	239,720	78,457	34,560				
Receivables	9,754	72	13,115				
Securities under custody	2,184,932	2,867,578	3,946,853				
Real estate							
Land	14,247,525	14,234,149	12,184,641				
Buildings	13,163	16,426	22,570				
Intangible assets - surface rights	984,534	984,534	984,534				
Others	<u>38,587</u>	<u>36,981</u>	<u>38,537</u>				
Total	<u>\$ 66,073,221</u>	<u>\$ 60,429,034</u>	<u>\$ 57,722,816</u>	Total	<u>\$ 66,073,221</u>	<u>\$ 60,429,034</u>	<u>\$ 57,722,816</u>

##### Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
Trust income and gains				
Dividend income	\$ 9,220	\$ 2,533	\$ 15,412	\$ 4,790
Interest income	541,410	385,761	1,069,818	812,690
Rental income	6,746	6,770	13,482	13,495
Other income	<u>604</u>	<u>1,208</u>	<u>2,341</u>	<u>2,225</u>
Total trust income and gains	<u>557,980</u>	<u>396,272</u>	<u>1,101,053</u>	<u>833,200</u>
Trust expenses				
Property transaction losses	(282,840)	(560,841)	(646,919)	(1,237,395)
Administrative expenses	(105)	(115)	(910)	(1,336)
Other expenses	<u>(3,265)</u>	<u>(3,132)</u>	<u>(7,627)</u>	<u>(5,370)</u>
Total trust expenses	<u>(286,210)</u>	<u>(564,088)</u>	<u>(655,456)</u>	<u>(1,244,101)</u>
Net income (loss)	<u>\$ 271,770</u>	<u>\$ (167,816)</u>	<u>\$ 445,597</u>	<u>\$ (410,901)</u>

The above income from trust operations were excluded from the Bank's income.

## Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	June 30, 2024	December 31, 2023	June 30, 2023
Bank deposits	\$ 4,856,820	\$ 3,778,800	\$ 3,268,785
Short-term investments			
Funds	30,365,731	27,579,033	27,891,536
Bonds	12,927,115	10,711,522	9,191,942
Stocks	205,340	141,482	145,743
Structured notes	239,720	78,457	34,560
Securities under custody	2,184,932	2,867,578	3,946,853
Real estate			
Land	14,247,525	14,234,149	12,184,641
Buildings	13,163	16,426	22,570
Intangible assets - surface rights	984,534	984,534	984,534
Other assets	<u>48,341</u>	<u>37,053</u>	<u>51,652</u>
Total	<u>\$ 66,073,221</u>	<u>\$ 60,429,034</u>	<u>\$ 57,722,816</u>

### 49. ALLOCATION OF REVENUE, COST, EXPENSE, PROFITS AND LOSSES RESULTING FROM INTERCOMPANY COOPERATION AND RESOURCE SHARING

a. Business or trading behaviors

Please refer to Note 41 for related-party transactions.

b. Integration of business activities

The Bank has become a full-functioning financial platform for customers by conducting cross-selling activities with the subsidiaries of the parent company through the banking, securities and life insurance channels.

c. Cross utilization of information or locations and business utilities

In compliance with Article 43 of the “Financial Holding Companies Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Standards” and other related regulations from the FSC, the Bank has advocated cross-selling activities among the subsidiaries of the parent company. In addition, the Bank, which joined the cross-selling business, discloses protection measures of customer information on the official website to limit the use of the data and secure customer information and related rights when handling cross-selling activities.

d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits and losses arising from integrated business activities among the Bank and the subsidiaries of the parent company are allocated to each counterparty based on the cross-selling contract or other reasonable allocation methods.

## 50. PROFITABILITY

(%)

Items		June 30, 2024	June 30, 2023
Return on total assets	Before income tax	0.79	0.88
	After income tax	0.68	0.77
Return on net worth	Before income tax	9.40	10.94
	After income tax	8.16	9.49
Profit margin		35.82	43.79

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

Note 2: Return on net worth = Income before (after) income tax ÷ Average net worth.

Note 3: Profit margin = Income after income tax ÷ Total net revenues.

Note 4: Income before (after) income tax means income accumulated in the current year.

Note 5: Return on total assets and return on net worth are expressed on an annual basis.

## 51. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

- 1) Financing provided: The Bank: Not applicable. For subsidiaries' information: None.
- 2) Endorsements/guarantees provided: The Bank: Not applicable. For subsidiaries' information: None.
- 3) Marketable securities held: The Bank: Not applicable. For subsidiaries' information: Table 1 (attached).
- 4) Derivative transactions: The Bank: Not applicable. For subsidiaries' information: None.
- 5) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the issued capital (for subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT\$300 million or 10% of the issued capital): None.
- 6) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the issued capital: None.
- 7) Disposal of individual real estate at price of at least NT\$300 million or 10% of the issued capital: None.
- 8) Discount on service fees received from related parties amounting to NT\$5 million: None.
- 9) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: Table 2 (attached).
- 10) Sale of non-performing loans: None.
- 11) Financial asset securitization: None.
- 12) Other significant transactions which may affect the decisions of the consolidated financial statements users: None.



- b. Related information and proportionate share in investees: Table 3 (attached).
- c. Information on investments in Mainland China: Table 4 (attached).
- d. Business relationships and significant transactions among the Bank and its subsidiaries: Table 5 (attached).

## 52. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance according to the characteristics of the business and profits and losses. The reportable segments of the Bank and its subsidiaries were as follows:

- a. Retail banking segment: The segment mainly provides cash cards, credit cards, personal loans, mortgages, deposits, remittances, wealth management, etc.
- b. Corporate banking segment: The segment mainly provides services such as processing deposits and credit business of large-scale enterprises and small and medium enterprises.
- c. Global markets segment: The segment's services include the distribution of funds, issuance of bank debentures, commodities, equity, handling money market and bond market transactions, foreign exchange handling, and dealing with other financial market-related products (such as derivative instruments) and transactions.
- d. Others: Mainly include the administration segment of head office and summarized of other non-independent segments.

The accounting policies of the operating segments are the same as the accounting policies described in Note 4. The Bank and its subsidiaries use income before income tax as the measurement for segment profit and the basis of performance assessment. The net revenue and income before income tax, assets and liabilities of an operating division, including items directly attributable to an operating segment, are reasonable.

### Segment revenues and results

The following is an analysis of the Bank and its subsidiaries' revenue and results of operations by reportable segment:

	<b>Retail Banking Segment</b>	<b>Corporate Banking Segment</b>	<b>Global Markets Segment</b>	<b>Others</b>	<b>Total</b>
<u>For the three months ended June 30, 2024</u>					
Interest revenue (expense), net	\$ 1,568,108	\$ 1,188,282	\$ (1,024,624)	\$ (19,609)	\$ 1,712,157
Non-interest profits and gains, net	<u>518,230</u>	<u>444,398</u>	<u>1,183,016</u>	<u>44,100</u>	<u>2,189,744</u>
Net revenue	2,086,338	1,632,680	158,392	24,491	3,901,901
Provision of allowance for bad debts expense, commitments, and guarantee liability provision	(233,845)	(184,564)	(198)	(24,540)	(443,147)
Operating expenses	<u>(1,172,489)</u>	<u>(400,792)</u>	<u>(159,475)</u>	<u>(177,634)</u>	<u>(1,910,390)</u>
Income (loss) before income tax	680,004	1,047,324	(1,281)	(177,683)	1,548,364
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(203,070)</u>	<u>(203,070)</u>
Net income (loss)	<u>\$ 680,004</u>	<u>\$ 1,047,324</u>	<u>\$ (1,281)</u>	<u>\$ (380,753)</u>	<u>\$ 1,345,294</u>

(Continued)

	<b>Retail Banking Segment</b>	<b>Corporate Banking Segment</b>	<b>Global Markets Segment</b>	<b>Others</b>	<b>Total</b>
<u>For the three months ended June 30, 2023</u>					
Interest revenue (expense), net	\$ 1,465,805	\$ 1,170,873	\$ (591,174)	\$ (14,397)	\$ 2,031,107
Non-interest profits and gains, net	<u>316,010</u>	<u>362,049</u>	<u>659,987</u>	<u>94,777</u>	<u>1,432,823</u>
Net revenue	1,781,815	1,532,922	68,813	80,380	3,463,930
Reversal (provision) of allowance for bad debts expense, commitments, and guarantee liability provision	(42,823)	20,405	(130)	(4,441)	(26,989)
Operating expenses	<u>(1,011,368)</u>	<u>(369,244)</u>	<u>(148,788)</u>	<u>(208,294)</u>	<u>(1,737,694)</u>
Income (loss) before income tax	727,624	1,184,083	(80,105)	(132,355)	1,699,247
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(224,446)</u>	<u>(224,446)</u>
Net income (loss)	<u>\$ 727,624</u>	<u>\$ 1,184,083</u>	<u>\$ (80,105)</u>	<u>\$ (356,801)</u>	<u>\$ 1,474,801</u>
<u>For the six months ended June 30, 2024</u>					
Interest revenue (expense), net	\$ 3,103,332	\$ 2,362,023	\$ (2,006,007)	\$ (38,371)	\$ 3,420,977
Non-interest profits and gains (loss), net	<u>1,032,741</u>	<u>963,770</u>	<u>2,476,857</u>	<u>(38,344)</u>	<u>4,435,024</u>
Net revenue (loss)	4,136,073	3,325,793	470,850	(76,715)	7,856,001
Provision of allowance for bad debts expense, commitments, and guarantee liability provision	(412,102)	(393,679)	(250)	(31,670)	(837,701)
Operating expenses	<u>(2,297,586)</u>	<u>(789,982)</u>	<u>(311,485)</u>	<u>(378,600)</u>	<u>(3,777,653)</u>
Income (loss) before income tax	1,426,385	2,142,132	159,115	(486,985)	3,240,647
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(426,482)</u>	<u>(426,482)</u>
Net income (loss)	<u>\$ 1,426,385</u>	<u>\$ 2,142,132</u>	<u>\$ 159,115</u>	<u>\$ (913,467)</u>	<u>\$ 2,814,165</u>
<u>For the six months ended June 30, 2023</u>					
Interest revenue (expense), net	\$ 2,890,775	\$ 2,268,647	\$ (1,110,764)	\$ (32,615)	\$ 4,016,043
Non-interest profits and gains (loss), net	<u>658,552</u>	<u>745,388</u>	<u>1,455,978</u>	<u>(3,215)</u>	<u>2,856,703</u>
Net revenue (loss)	3,549,327	3,014,035	345,214	(35,830)	6,872,746
Reversal (provision) of allowance for bad debts expense, commitments, and guarantee liability provision	(113,356)	103,302	(681)	77,017	66,282
Operating expenses	<u>(2,007,530)</u>	<u>(735,879)</u>	<u>(295,398)</u>	<u>(431,980)</u>	<u>(3,470,787)</u>
Income (loss) before income tax	1,428,441	2,381,458	49,135	(390,793)	3,468,241
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(458,810)</u>	<u>(458,810)</u>
Net income (loss)	<u>\$ 1,428,441</u>	<u>\$ 2,381,458</u>	<u>\$ 49,135</u>	<u>\$ (849,603)</u>	<u>\$ 3,009,431</u>

(Concluded)

**KGI BANK CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**JUNE 30, 2024**

**(In Thousands of New Taiwan Dollars)**

Holding Company	Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2024				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
CDIB Management Consulting Corporation	<u>Stock</u> CDC Finance & Leasing Corporation	Subsidiary	Investments accounted for using equity method	76,704,787	\$ 896,156	100.00	\$ 896,156	
	CDIB International Leasing Corporation	Subsidiary	Investments accounted for using equity method	-	160,044	100.00	160,044	
CDC Finance & Leasing Corporation	<u>Stock</u> Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at FVTOCI	546,231	16,824	0.07	16,824	

Note 1: The Bank and its subsidiaries recognized the related income or loss of investees as required by regulations.

Note 2: No securities were treated as collateral or pledge.

Note 3: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

**KGI BANK CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL**

**JUNE 30, 2024**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	Subsidiary of the parent company	\$ 364,800	-	\$ -	-	\$ 364,800	\$ -

## KGI BANK CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

JUNE 30, 2024

(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Balance as of June 30, 2024			Consolidated Investment (Note 1)				Note
			Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Shares Currently Held	Virtual Shares (Note 2)	Number of Shares	Percentage of Ownership (%)	
<u>Financial industry-related</u> Taipei Foreign Exchange Inc.	Taipei City, Taiwan	Foreign exchange trading, financial derivatives trading	0.40	\$ 3,267	\$ 688	80,000	-	80,000	0.40	
Taiwan Futures Exchange	Taipei City, Taiwan	Futures exchange and settlement	0.51	151,765	-	33,407,860	-	33,407,860	6.12	
Financial Information Service Co., Ltd.	Taipei City, Taiwan	Telecommunication service; information system service	1.23	216,749	-	6,410,160	-	6,410,160	1.23	
Taiwan Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions' loans	0.57	78,387	4,800	6,000,000	-	6,000,000	0.57	
Sunlight Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions' loans	5.74	4,022	519	344,476	-	344,476	5.74	
Taiwan Financial Asset Service Company	Taipei City, Taiwan	Other activities auxiliary to financial service activities	2.94	48,341	-	5,000,000	-	5,000,000	2.94	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Communication and IT service	1.00	3,298	-	600,000	-	600,000	1.00	
CDIB Management Consulting Corporation	Taipei City, Taiwan	Management consultancy activities	100.00	1,139,142	38,654	153,171,873	-	153,171,873	100.00	
Next Commercial Bank Co., Ltd.	Taipei City, Taiwan	Commercial banking	5.15	419,796	-	51,499,000	-	51,499,000	5.15	
Suyin KGI Consumer Finance Co., Ltd.	China	Consumer finance service	37.63	8,356,169	380,485	-	-	-	37.63	
<u>Non-financial industry-related</u> CDIB & Partners Investment Holding Corp.	Taipei City, Taiwan	General investment corporation	4.95	947,388	52,767	367,200,000	-	367,200,000	33.66	

Note 1: All present shares or virtual shares of the Bank, directors, supervisors, the Bank's managers, and affiliates should be included.

Note 2: (1) virtual shares refer to equity-type securities or derivative financial instrument contracts that are not transferred to common shares. Based on the transaction terms and the holding purposes of the Bank, the two types of instruments are linked to the equity of investees and are recognized as investments accounted, in accordance with Article 74 of the Securities and Exchange Act. (2) The equity securities, such as convertible bonds and warrants, are regulated by Article 11 Paragraph 1 of the Securities and Exchange Act Enforcement Rules. (3) The derivative instrument contracts are those defined under IFRS 9, such as stock options.

Note 3: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

## KGI BANK CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

JUNE 30, 2024

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

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2024	Net Gain of the investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of June 30, 2024	Accumulated Inward Remittance of Earnings as of June 30, 2024
					Outflow	Inflow						
Suyin KGI Consumer Finance Co., Ltd.	Consumer financial service	CNY 4,200,000 thousand	Note 1 (a)	CNY 1,580,487 thousand	\$ -	\$ -	CNY 1,580,487 thousand	\$ 1,019,637	37.63	\$ 380,485 (Note 2 (b) 2)	\$ 8,356,169	\$ -
CDIB International Leasing Corporation	Financial leasing and management business consulting	CNY 187,750 thousand	Note 1 (a)	US\$ 30,000 thousand	-	-	US\$ 30,000 thousand	515	100.00	515 (Note 2 (b) 2)	160,044	-

Accumulated Investment in Mainland China as of June 30, 2024	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
\$8,488,044 (US\$261,573 thousand)	US\$261,573 thousand	\$41,226,871

Note 1: The investment types are as follows:

- a. Direct investments.
- b. Reinvested through an investee company in a third area.
- c. Others.

Note 2: In the column "Investment Gain":

- a. If it is in preparation and there is no investment gain, it should state clearly.
- b. Investment gain should be based on the following and should state clearly.
  - 1) Financial statements audited/reviewed by an international CPA firm having a cooperative relation with CPA firms in the ROC;
  - 2) Financial statements audited/reviewed by the CPA firm of the parent company in Taiwan;
  - 3) Other.
- c. If the current profit and loss information of the investee company cannot be obtained, it should state clearly.

Note 3: Exchange rate as of reporting date of the financial statement was used in translating foreign currency.

**KGI BANK CO., LTD. AND SUBSIDIARIES**

**BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2024  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Trading Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	KGI Bank Co., Ltd.	CDC Finance & Leasing Corporation	1	Deposit and remittances	\$ 51,996	Note 4	0.01
1	CDC Finance & Leasing Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	51,996	Note 4	0.01
0	KGI Bank Co., Ltd.	CDIB Management Consulting Corporation	1	Deposit and remittances	83,110	Note 4	0.01
2	CDIB Management Consulting Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	83,110	Note 4	0.01

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - "0"; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the annual/Total consolidated revenue.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT\$10 million.

Note 6: The above transactions and balances were eliminated from the consolidated financial statements.