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### **S&P Global Ratings**

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Tel: +852-2533-3500  
Website: <https://www.spglobal.com/ratings/en/>

### **Moody's Investors Service Hong Kong Limited**

Address: 24/F., One Pacific Place, 88 Queensway, Admiralty,  
Hong Kong  
Tel: +852-3758-1300  
Website: <https://www.moodys.com>

### **Overseas Exchange for Trading of Company Securities**

(None)

For the contact information of our headquarters and various  
branches in Taiwan and overseas, please refer to page 52-58

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Cover:

Treasure Ship II (detail), Hsiao Pei-I  
Silver foil and acrylic on canvas, 134×155×5 cm, 2023  
Merit Prize, 2023 CTBC Painting Prize

Hsiao Pei-I's artworks explore life and destruction, delving into the concept of "whale fall" – the carcass of a whale nourishing vast ocean ecosystems – along with imagery of human waste. Through the painting, she questions whether facing death and disaster also harbors opportunities for rebirth. This artwork imbues hope and beauty, using the theme of disaster transformation to urge coexistence and contrast with other possibilities for humanity to find its way out.

The artworks collected or borrowed for exhibition by CTBC are intended for the promotion of the arts, not for investment purposes.

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## **1. Letter to shareholders**

Dear fellow shareholders:

In 2023, amid geopolitical tensions and the challenges of high inflation and interest rates worldwide, major economies experienced slow growth and significant financial market fluctuations, posing substantial challenges for the banking industry. However, CTBC Bank navigated these challenges successfully, benefiting from our solid customer relationships, ensuring stability in deposit and loan businesses, performing strongly in wealth management, and leveraging our diverse business structure. The Bank also benefited from interest rate hikes, posting a new high in overall pre-tax profit. This achievement not only reflects an increase from 2022 but also solidifies CTBC Bank's position as Taiwan's most profitable bank.

Looking ahead in 2024, the global economy still faces uncertainty due to the high inflation and changes in the international political landscape. As such, our Bank has adopted various measures to ensure stable business operations, fulfill our social responsibility, work with the government, help our customers and employees overcome challenges, and continue to move forward together.

### **2023 business plan and operating results**

In terms of financial performance in 2023, CTBC Bank reported annual consolidated net revenue of NT\$137.8 billion, consolidated pre-tax income of NT\$53 billion, and consolidated net income attributable to the parent company of NT\$41.3 billion, with a consolidated after-tax ROE of 11.89%, which placed us in the leading position in the industry. We saw a 16% increase in consolidated net revenue and an 11% increase in consolidated net income attributable to the parent company from the 2022 fiscal year, achieving 98% of budgeted consolidated after-tax net income.

Regarding product and service innovation, the Bank last year released the first-of-its-kind Cross-Platform Payment App, enabling both iOS and Android mobile devices to be used to process credit card payments. The technology empowers small merchants for whom credit card payments would otherwise be inaccessible while also easing the franchising operations of larger businesses. CTBC Bank has also remained at the forefront of developing sustainable products and services, including its innovative ESG portfolio lending, for which it has obtained a utility model patent in Taiwan. This product offers green deposit and loan services, along with discounted financing interest rates, to core enterprises and industry chain stakeholders. It not only supports corporate sustainability transformation but also provides real economic incentives, driving the sustainable transformation of industry chain stakeholders.

In terms of organizational changes, the Bank established the International Financial Planning Division under the Finance Management Group in January 2023 to strengthen its overseas operational management and cost control by enhancing performance analysis and management of its international operations. It also adjusted the functions of the Financial Planning Division for it to oversee financial planning, budget management, and the analysis and management of operational performance for domestic units.

CTBC Bank received substantial acclaim in 2023 from both domestic and international institutions. It was recognized as the Best Bank in Taiwan by multiple industry media outlets, including Asiamoney, Euromoney, FinanceAsia, Global Finance, The Asset, and The Banker. Additionally, it was ranked 160th among the global top 1,000 banks by The Banker, again claiming the No. 1 spot in Taiwan. The Bank was also honored as Taiwan's Most Valuable Bank Brand for the ninth time by Brand Finance and was the first financial institution in Taiwan to win the World's Best Consumer Digital Bank honor from Global Finance. Our anti-fraud technology, digital innovation, and sustainable finance achieved recognition, too, including World's Best Information Security and Fraud Management as well as Best Information Security and Fraud Management in Asia Pacific. Moreover, thanks to its digital innovation efforts, CTBC Bank was the only Taiwanese bank honored at Gartner's Eye on Innovation Awards for Financial Services. In sustainable finance, the Bank's continued efforts to leverage its influence earned awards including Outstanding Leadership in Sustainable Infrastructure Finance in Asia Pacific from Global Finance and Best Bank in Sustainable Financing in Taiwan from World Economic Magazine. Such accolades favorably reflect CTBC Bank's outstanding performance in business development and transformation amid market turbulence and global shifts.

In risk management, CTBC Bank continued to strictly control its asset quality and capital adequacy. In 2023, our consolidated non-performing loan and coverage ratios were 0.52% and 309.64%, respectively, indicating satisfactory asset quality, while our consolidated BIS ratio was 13.48%, signifying a sound capital structure. Furthermore, domestic and international credit rating agencies maintained their stable outlooks for the Bank on the back of its leading business position in the domestic market, capital and profitability, adequate risk management, and good funding sources and liquidity.

### Latest credit ratings and publication dates

Rating agency	Credit rating		Outlook	Publication date
	Long-term	Short-term		
Moody's	A1	P-1	Stable	March 26, 2024
S&P Global Ratings	A	A-1	Stable	Nov. 9, 2023
Taiwan Ratings	twAA+	twA-1+	Stable	Nov. 9, 2023

### Impact of the competitive, regulatory, and overall business environments

Since 2022, major central banks have been raising interest rates, and in 2023, the world faced uncertainties brought about by the high-interest-rate environment. Despite this, the global economy has remained relatively resilient, primarily due to the trend of deglobalization, leading to the diversification of industrial supply chains. There is also a global focus on the issue of climate change, prompting increased investments in transformation to meet the demand for the transition to net-zero carbon emissions. The continued expansion of emerging technology applications is also supporting the overall stability of the global economy. For 2023, the International Monetary Fund estimated a decrease in global economic growth to 3.1%, down from 3.5% in 2022. The growth rate of developed countries decreased from 2.6% to 1.6%, while that of emerging economies remained at 4.1%. Due to the slowdown in global demand leading to higher inventory pressure for major export companies, Taiwan's economic growth decreased from 2.59% in 2022 to 1.31% in 2023, according to the Directorate General of Budget, Accounting and Statistics. In 2023, central banks worldwide proactively adopted measures to suppress inflation through monetary policy. In the United States, the Fed raised interest rates by a total of 525 basis points (bps) from 2022 to the end of 2023, bringing the policy interest rate to a range of 5.25%–5.5%. The Fed also continued to shrink its balance sheet. In response to escalating inflation risks, Taiwan's central bank initiated an interest rate hike cycle in the first quarter of 2022. By the end of 2023, the cumulative increase amounted to 75 bps, leading to a policy interest rate of 1.875%. Overall, in 2023, the global economy experienced a slight slowdown but remained resilient. With the high interest rate environment and various economic and political uncertainties impacting financial markets, the fluctuations in financial markets are even more severe, posing a challenging business environment for banks.

## **2024 business plan outline and future development strategies**

Looking ahead, CTBC Bank will focus on developing its core competitiveness, enhancing its overseas business momentum, and accelerating its digital transformation:

### **1. Continue to enhance its core competitiveness and expand emerging customer groups**

CTBC Bank is committed to enhancing its core competitiveness and developing differentiated value propositions in order to maintain its leading position in the domestic market and to develop new customer groups. In the retail banking sector, we tailor wealth management products for diverse customer segments. We will optimize our platforms, expand our private banking teams, and focus on high-net-worth clients, meeting their domestic and overseas wealth management needs. Regarding our payment business, we are focused on developing innovative payment services in partnership with major industry players, expanding the use scenarios of our digital payment services, and enhancing customer experience and stickiness. As for institutional banking, our goal is to serve all customer segments. For medium and large-sized clients, we offer a variety of products and work with our overseas branches and subsidiaries to meet their overseas financial needs. For our SME customers, we are committed to offering customized and efficient products and services by providing a comprehensive, one-stop-shop experience that satisfies their unique needs. Furthermore, we actively target non-Taiwanese customers and innovate sustainable financial products to strengthen our leading position in the market.

### **2. Strengthen overseas business momentum, explore business opportunities in various customer segments and differentiated business models, and enhance the profits of overseas business**

In response to the global restructuring of supply chains, we are striving to leverage the advantages of our overseas presence so that we can meet customers' domestic and overseas financial needs. We are committed to strengthening the roles of our Hong Kong and Singapore branches as financial hubs, offering comprehensive financial services to our clients globally. Additionally, we will leverage our experience and resources in Taiwan to support our overseas business. CTBC Bank has been actively cultivating the markets in Southeast Asia and Japan. For example, with Thailand's LH Financial Group, our focus is on exploring opportunities with local mid-sized enterprises and small businesses as well as consumer financial services, expanding our forex customer base, and seeking new revenue sources. In the case of our Japanese subsidiary, The Tokyo Star Bank, we will continue to cultivate niche customer bases, effectively enhancing operational performance.

3. Continue sustainable digital transformation, technology modernization, and support of long-term competitiveness

To enhance efficiency and the customer experience, CTBC Bank will build on its past success in digital transformation and expand its “Digital End-to-End” strategy, supporting faster digitization and integrating data and AI tools for business value. Recognizing the digital era, we will gradually introduce a new tech framework, replacing the existing core system that has supported the Bank for nearly three decades. This phased approach aims to effectively support future business innovation by upgrading system structure, evolving development capabilities, and establishing organizational agility. Our goal is to create a new model of business and information collaboration, achieving system modernization while ensuring robust and uninterrupted operations that enable us to swiftly respond to customer and market demands.

Facing the ongoing global financial uncertainty, we will continue to pursue business growth while maintaining risk discipline and will maximize value for our shareholders through diversified profit sources and solid asset quality.

Chairman



## 2. Company profile

### 2.1. Company overview

2.1.1. Date of establishment: March 14, 1966

2.1.2. History of the Bank

Established in 1966 and a fully owned subsidiary of CTBC Holding since 2002, CTBC Bank has been building customers' wealth and Taiwan's economy for over half a century now. In that time, it has grown into an international force offering a comprehensive suite of financial services.

Guided by the business principles of integrity and caring, our Bank has a proud history punctuated by regular achievements and innovative services. From issuing the first credit card in Taiwan to setting up the first customer service center of any bank in the country, we have led the way in the financial industry's transformation, particularly by promoting the digitalization of business processes. As of the end of 2023, the Bank's consolidated assets totaled NT\$6.05 trillion, the most among all privately owned banks in Taiwan. It is also the best-performing bank in other indicators, such as profits, tier 1 capital, and client base.

Spanning 14 countries and regions, CTBC Bank has the most extensive international presence of any Taiwanese bank, with over 370 outlets worldwide. With a subsidiary, The Tokyo Star Bank, purchased in Japan and CTBC Bank subsidiaries established in the U.S., Canada, Thailand, the Philippines, and Indonesia, the Bank has laid a strong foundation for regional business, providing international enterprises with comprehensive transnational financial services.

Furthermore, in support of the Taiwanese government's New Southbound Policy, the Bank has proactively expanded its South and Southeast Asian business in recent years by leveraging its existing branches in Vietnam, India, and Singapore. It also increased its shareholding in a local Thai operator, LH Financial Group Public Company Limited (LHFG), to 46.61%, making it the largest shareholder of the group. The Bank further obtained more than half of the seats of the Board in October 2021. Meanwhile, in Greater China, the Bank is cultivating business in the Yangtze River Delta Economic Zone and the Guangdong–Hong Kong–Macau Greater Bay Area, with Shanghai at the heart of its expansion into the Chinese market. Together, these advances abroad are providing our customers with a more convenient and comprehensive service network.

Looking ahead, we're determined to continue leading the industry in digitalization, leveraging fintech and Big Data to drive innovation and create entirely new and engaging digital experiences for our customers. We will also continue to expand our efforts in operational performance, corporate governance, corporate social responsibility, and environmental sustainability as we cement our status as "Taiwan Champion, Asia Leader."

## **Domestic awards**

- **Financial Supervisory Commission, Liaison Meeting of Presidents of Domestic Banks and Commendations for Excellent Financial Institutions**

Six Core Strategic Industries Loans - Excellence

Small and Medium Enterprises Loans - A Level

Cybersecurity Excellence Industries - Special Award

E-commerce Industry Finance - Special Award

Balancing Regional Development - Special Award

- **Taiwan Futures Exchange, Futures Diamond Awards**

Banking Industry Transaction Volume Diamond Award - No. 1

OTC Central Clearing Volume Diamond Award - No. 3

OTC Central Clearing Establishment Contribution Diamond Award

- **Taiwan Institute for Sustainable Energy, Taipei Golden Eagle Micro-Movie Festival**

Sustainable Micro-Movie - Gold

Sustainable Micro-Movie - Silver

- **Taiwan Institute for Sustainable Energy, Taiwan Sustainability Action Awards**

CTBC Bank Branch Social Welfare Platform - Gold

Ubiquitous Payment Facilitation Program - Silver

- **Taiwan Institute for Sustainable Energy, Taiwan Corporate Sustainability Awards**

Social Inclusion Award

Growth through Innovation Award

Workplace Welfare Leader Award

Cybersecurity Leader Award

- **Ministry of Economic Affairs' Small and Medium Enterprise Credit Guarantee Fund of Taiwan, Managers and Banks Outstanding in Implementing Guaranteed Financing**

Batch Credit Guarantee - Excellence

Development Award - Customer Increase Group

- **Overseas Credit Guarantee Fund, Excellent Financial Institutions**

Total Guarantee Finance Amount - Excellence

COVID-19 Guarantee Program - Excellence

Branch Guarantee (Indonesia Subsidiary) - Excellence

- **Trust Association of Republic of China, Trust 2.0 Program Assessment**

Employee Benefit Trust Award - No. 1

Trust Business Innovation Award - No. 3

- **Information Management Association, IT Matters Awards**  
Best IT Employer Award
- **Ministry of Finance**  
Excellent Performance Bank in Referring Export Insurance Business
- **Small and Medium Enterprise and Startup Administration, Ministry of Economic Affairs**  
Buying Power Award - No. 1
- **Sports Administration, Ministry of Education, Sports Activist Awards**  
Sponsorship Category - Gold  
Sponsorship Category (Long-Term) - Sponsorship Award  
Promotion Category - Bronze
- **Department of Cultural Affairs, Taipei City Government**  
Culture Category Volunteer Service Unit Assessment - Excellence
- **Harvard Business Review, Digital Transformation Awards**  
Business Model Transformation Award - No. 1  
Business Model Transformation Award - ESG Special Award
- **CommonWealth Magazine**  
Top 2000 Enterprises Survey (Financial Industry) - No. 8
- **Commercial Times, Digital Finance Service Awards**  
Digital Innovation Award - Gold  
Digital Service Award - Gold  
Digital Information Security Award - Gold  
Digital Inclusion Award - Excellence
- **Commercial Times, Diverse Trust Innovation Awards**  
Fund Custodian Trust Innovation - Gold  
Employee Benefit Trust Innovation - Gold  
Best Trust Product Integration and Innovation Award - Gold  
Insurance Trust Innovation - Excellence  
Best Family Trust Innovation Award - Excellence  
Service Type Trust - Excellence  
Trust Marketing Excellence Award - Excellence
- **China Times, Financial Services Awards (Bank category)**  
CSR Award  
Service Quality Award

Innovative Platform Award

Cybersecurity Award

- **Wealth Magazine, Wealth Management Awards**

Best Domestic Wealth Management

Best Domestic Digital Finance

Best Practice Awards in Social Welfare

Best Graphic Marketing

- **Wealth Magazine, Taiwan Financial Awards**

Best Domestic Bank - Customer Recommendation - Gold

FinTech Innovative Application (FinTech Bank) - Excellence

- **Business Today, Best Wealth Management of Banks and Securities**

Best Wealth Management Bank - High Distinction Award

Best Robo-Advisor - No. 1

Best Digital Experience - No. 2

Best Product - No. 2

Best Asset Protection - No. 2

Best High Net Worth Customer Service - No. 2

Best Customer Satisfaction - No. 3

Best Risk Control - No. 3

Best Senior Customer-Friendly Award - No. 3

- **Business Next Magazine, Future Commerce Awards**

Best Technology Innovation - Bronze

### **International awards**

- **Asiamoney**

Best Domestic Bank in Taiwan

Best Domestic Private Bank in Taiwan

Best for Philanthropic Services in Taiwan

Market Leader for Cash Management in Taiwan, Domestic Banks - No. 1

- **Asian Banking & Finance**

Corporate & Investment Bank of the Year in Taiwan

Taiwan Domestic Project Finance Bank of the Year

Taiwan Domestic Foreign Exchange Bank of the Year

Strategic Partnership of the Year in Taiwan

Credit Card Initiative of the Year in Taiwan

Green Deal of the Year in Taiwan

Consumer Finance Product of the Year in Indonesia - PT Bank CTBC Indonesia

- **Asian Private Banker**

Highly Commended: Best Domestic Private Bank - Digital Innovation and Services in Taiwan

- **Asia Risk**

Taiwan Derivatives House of the Year

- **Brand Finance**

Top 500 Banking Brands - No. 128

- **Euromoney**

Best Service - Technology in Asia Pacific

Best Bank in Taiwan

Best Service for Non-Financial Institutions in Taiwan (Advanced Manufacturing Sector) - No. 1

Best Service for Non-Financial Institutions in Taiwan (Automotive and Transportation Sector) - No. 1

- **FinanceAsia**

Best Infrastructure Deal in North Asia

Best Project Finance Deal in North Asia

Best Structured Finance Deal in South Asia

Best Sustainable Finance Deal in North Asia

Best Bank in Taiwan

Finalist: Best Investment Bank in Taiwan

Finalist: Most Innovative Use of Technology in Taiwan

- **FinTech Futures**

Highly Commended: Best Use of Data, Global

Highly Commended: Best Use of Tech in Corporate Banking, Global

- **Forbes**

The World's Best Banks - No. 2 in Taiwan

- **Gartner**

APAC Winner - Innovation

- **Global Finance**

World's Best Consumer Digital Bank

- World's Best Information Security and Fraud Management
- World's Best Financial Innovation Labs - Financial Services Company Labs (Internal)
- Innovation in Blockchain, Global
- Innovation in eCommerce, Global
- Innovation in Fraud/KYC/Compliance/Risk, Global
- Innovation in Trade Finance, Global
- Best Consumer Digital Bank in Asia Pacific
- Best Information Security and Fraud Management in Asia Pacific
- Outstanding Leadership in Sustainable Infrastructure Finance in Asia Pacific
- Best Bill Payment and Presentment in Asia Pacific
- Best Bank in Taiwan
- Best Foreign Exchange Provider in Taiwan
- Best Sub-Custodian Bank in Taiwan
- Best Information Security and Fraud Management in Taiwan
- Best Bill Payment and Presentment in Taiwan
- Best Mobile Banking APP in Taiwan
- Best in Social Media Marketing and Services in Taiwan
- Best in Lending in Taiwan
- **Global Banking and Finance**
  - Banking Brand of the Year in Taiwan
  - Best Digital Bank in Taiwan
- **International Data Corporation**
  - Most Innovative Bank in Asia
  - Special Award for Sustainability in Taiwan
  - Best in Future of Intelligence in Taiwan
- **International Business Magazine**
  - Best Private Bank in Taiwan
  - Best Foreign Exchange in Taiwan
- **InvestorTrust**
  - Indonesia Best Digital Bank 2023: KBMI 1, Technology Category - PT Bank CTBC  
Indonesia
- **Professional Wealth Management**
  - Best Private Bank for Digital Portfolio Management in Asia
  - Highly Commended: Best Private Bank for Digitally Empowering RMs in Asia

Highly Commended: Best Private Bank for Big Data Analytics and AI in Asia

Highly Commended: Best Private Bank in Taiwan

- **Private Banker International**

Highly Commended: Outstanding Wealth Management Technology Initiative - Front End, Global

- **Retail Banker International**

Best Advance in Loyalty/Rewards Programme in Asia

Best Social Media Campaign in Asia

Highly Commended: Best Retail Bank in Asia

Highly Commended: Best ATM and Self-Service Innovation in Asia

Highly Commended: Most Innovative Branch Offering in Asia

Highly Commended: Excellence in Loan Origination Process in Asia - PT Bank CTBC Indonesia

Highly Commended: Best APP for Customer Experience in Asia - LH Bank

- **The Asset**

Digital Bank of the Year in Taiwan

Best Transaction Bank in Taiwan

Best Trade Finance in Taiwan

Best Domestic Custodian Bank in Taiwan

Best Data Analytics Project in Taiwan

Best Digital Branch Project in Taiwan

Best Digital Collaboration in Taiwan

Best Digital Gaming Experience in Taiwan

Renewable Energy Deal of the Year - Solar in Taiwan

Renewable Energy Deal of the Year - Waste-to-Energy in Taiwan

Best Bank for Investment Solutions in Taiwan

Best Bank for Investment Solutions - Rates in Taiwan

Best Bank for Investment Solutions - Commodities in Taiwan

Best Bank for Investment Solutions - FX in Taiwan

Best Digital Upgrade in Indonesia - PT Bank CTBC Indonesia

High Commended: Best Private Bank in Taiwan

- **The Asian Banker**

Achievement in Credit Risk Management in Asia Pacific

Best Blockchain Initiative in Asia Pacific

Best Digital Trade Finance Platform in Asia Pacific

Best Retail Bank in Taiwan

Best Trade Finance Bank in Taiwan

Best Custodian Bank in Taiwan

Best Wealth Management Bank in Taiwan

Best Retail Payment Implementation in Taiwan

- **The Banker**

Top 1000 World Banks - No. 160

Bank of the Year in Taiwan

- **The Digital Banker**

Best Private Bank - Robo Advisory, Global

Best Private Bank for Digitally Empowering RMs, Global

Best RPA Initiative, Global

Best SME Mobile Banking APP, Global

Best Blockchain Initiative, Global

Outstanding Digital CX - Mobile Banking, Global

Best Digital Account Opening Solution, Global

Best Retail Bank in Asia Pacific

Best Retail Bank for Digital CX in Asia Pacific, Overall

Best Retail Bank for Digital CX in Taiwan, Overall

Best Wealth Manager for Digital CX in Taiwan, Overall

Best Retail Bank in Taiwan

Best Digital Bank in Taiwan

Best Private Bank in Taiwan

Best Bank for Cash Management in Taiwan

Best Bank for Supply Chain Finance in Taiwan

Best Bank for Trade Finance in Taiwan

Best Custodian Bank in Taiwan

Highly Acclaimed: Best Hybrid Customer Experience - Branch, Global

Highly Acclaimed: Best Private Bank - Digitally Empowering RMs, Global

Highly Acclaimed: Best SME Digital Lending Solution, Global

Highly Acclaimed: Best Mobile Banking - Wealth Management, Global - LH Bank

- **The Global Economics**

Best Digital Transformation in Banking in Taiwan

Best Investment Banking Services in Taiwan

- **Top Business Magazine**

Top Human Capital Awards - Transformation of HCMS to Accelerate the Sustainable Business Growth in Indonesia - PT Bank CTBC Indonesia

- **Wealth & Society**

Best Private Bank in Taiwan

- **World Business Outlook**

Best Digital Bank in Taiwan

Best Investment Bank in Taiwan

Best Private Bank and Wealth Management in Taiwan

- **World Economic Magazine**

Best Bank in Sustainable Financing Taiwan

Best Private Bank in Taiwan

Best Foreign Exchange Bank in Taiwan

Best Digital Initiative - Wealth Management in Taiwan

- **World Branding Forum**

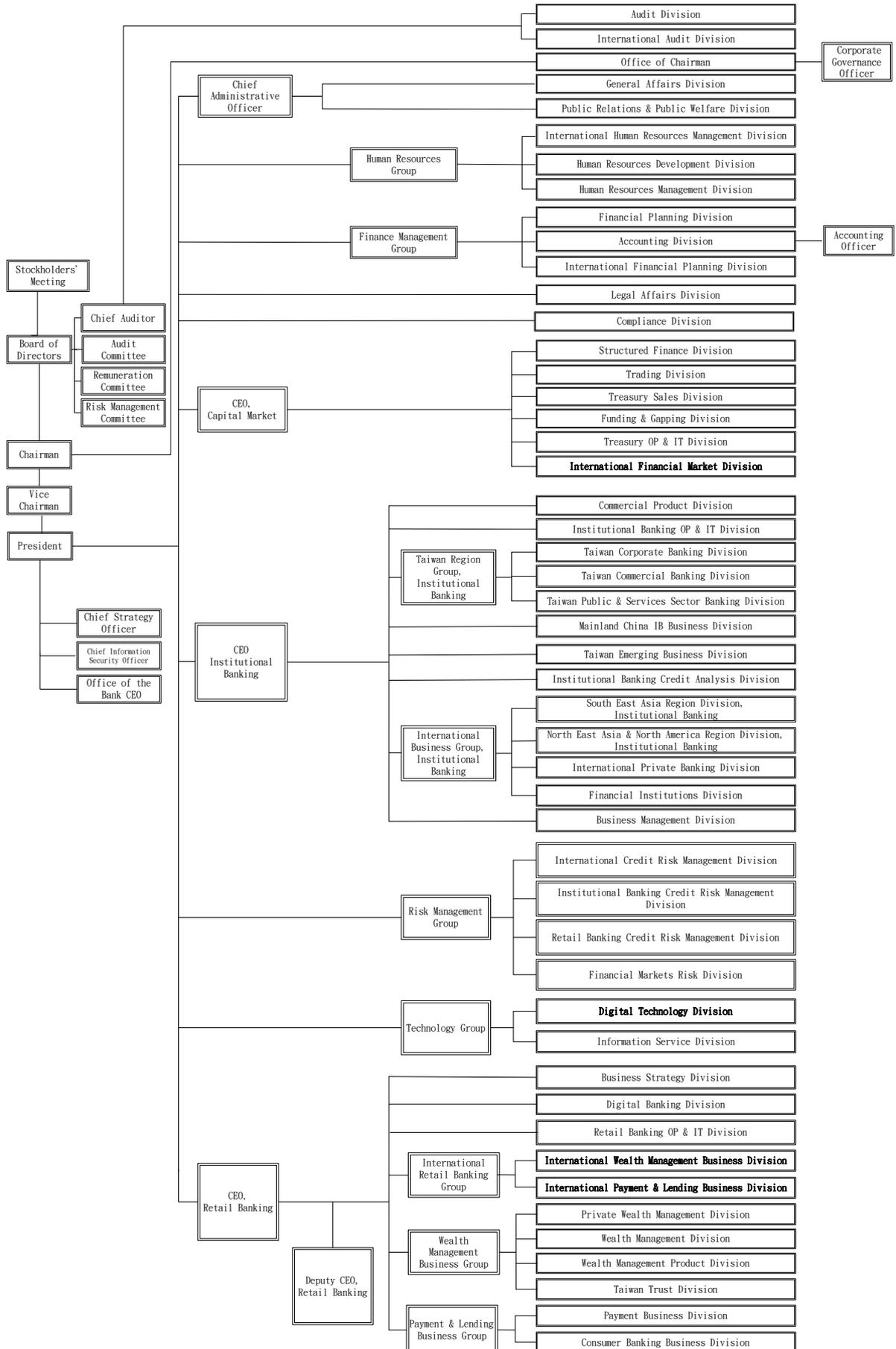
Brand of the Year in Taiwan

- **Warta Ekonomi**

Indonesia Best Bank for Persisting in Financial Stability with Prioritizing Service Quality - PT Bank CTBC Indonesia

## 2.2. Our organization

### 2.2.1. Organization chart



2.2.2. Directors and supervisors

Title	Name	Date of assignment	Office term	Significant experience	Education
Chairman	Ming-Shieh Li	June 17, 2022	3 years	Director, Land and Houses Bank Public Company Limited Director, LH Financial Group Public Company Limited Vice Chairman, CTBC Bank Co.,Ltd. Executive Director/Head Office President, China Guangfa Bank Co., Ltd. President, Citigroup Taiwan Chairman, CFO, Finance and Merchant Bank Division Head, Citibank Taiwan Limited Institutional Banking Division Senior VP, CTBC Bank Co., Ltd. Chairman, CTBC Capital Corp. Chairman, CTBC Bank Corp. (USA) Chairman, CTBC Bank Corp. (Canada) Director, CTBC Business School Supervisor, Financial Information Co., Ltd. Director, Straits Exchange Foundation Director, The Bankers Association of Taipei Executive Supervisor, Chinese National Association of Industry and Commerce, Taiwan Director, Bankers Association of the Republic of China President, Asian Bankers Association	BA, Department of Economics, National Taiwan University

Title	Name	Date of assignment	Office term	Significant experience	Education
Vice Chairman	Ting-Jeng Chan	June 17, 2022	3 years	Member, Management Committee, College of Global Banking and Finance, National Chengchi University Chairman, PT Bank CTBC Indonesia Member, Research and Development Committee, Taipei Foreign Exchange Market Development Foundation Director, Taiwan Urban Regeneration & Financial Services Co., Ltd. President and Director, Taiwan Financial Holding Co., Ltd. Director, Bank Taiwan Life Insurance Co., Ltd Director, Bank of Taiwan Co., Ltd Director-General, Banking Bureau, Financial Supervisory Commission Director, Taiwan Cooperative Financial Holding Co., Ltd. Director, Taiwan Cooperative Bank Co., Ltd. Director, Taiwan Academy of Banking and Finance Director-General, Bureau of Agricultural Finance, Council of Agriculture, Executive Yuan Managing Director, Agricultural Credit Guarantee Fund Chief Secretary, Financial Supervisory Commission, Executive Yuan Director General, Department of Legal Affairs, Financial Supervisory Commission, Executive Yuan Deputy Director-General, Department of Commerce, Ministry of Economic Affairs	SJD, National Chengchi University
Director	Mao-Lin Shih	June 17, 2022	3 years	Chairman, Legal Risk Management Society of Taiwan Minister, Deputy Minister, Ministry of Justice Supervisor, Straits Exchange Foundation Chief Prosecutor, Taiwan Taipei District Prosecutors Office Director, Taiwan Life Insurance Co., Ltd. Director, SuperAlloy Industrial Co., Ltd. Independent Director, Century Wind Power Co., Ltd. Chairman, Mt. Dadu Industrial Innovation Foundation Chairman, Yunlin County Fude Qiaoxin Social Welfare Charitable Foundation Honorary Chair Professor, Department of Financial and Economic Law, Asia University Honorary Chairman, Legal Risk Management Society of Taiwan	Honorary Doctorate, School of Law, Woosuk University (South Korea) BA, College of Law, National Taiwan University

Title	Name	Date of assignment	Office term	Significant experience	Education
Director	Miao-Chiu Hsu	June 17, 2022	3 years	Independent Director, Nankang Rubber Tire Corp., Ltd. President/Executive Vice President and Chief Financial Officer, Nan Shan Life Insurance Co., Ltd. Executive Vice President, CTBC Financial Holding Co., Ltd. Executive Vice President, CTBC Bank Co., Ltd. Partner, PwC Taiwan Vice President of Accounting Department, Credit Lyonnais Taipei Branch Grade 3 Specialist, Trust Division, Central Trust of China Independent Director, Evergreen Aviation Technologies Corp.	MBA, St. John's University
Director	Su-Lin Wang	June 17, 2022	3 years	Sr. Vice President & Corp. CFO, Delta Electronics., Inc. Professor-level Part-time Specialist, Institute of International Business, National Cheng Kung University Consultant, Chenbro Micom Co., Ltd. Independent Director, Jess-Link Products Co., Ltd. Director, GuaJuLuCun Co., Ltd. Independent Director, AVerMedia Technologies, Inc.	Institute of Finance, National Taiwan University
Director	Jung-Tsung Yang	June 17, 2022	3 years	Prosecutor, Taiwan High Prosecutors Office Division Head of Special Investigation Division, Supreme Prosecutors Office Lead Prosecutor, Taiwan Taipei District Prosecutors Office Chairman, Hengsheng Attorneys at Law Independent Director, First Steamship Co., Ltd.	MA, National Taiwan University
Director	Kuang-Hsun Shih	June 17, 2022	3 years	Provost, Chinese Culture University Member, Administrative Appeal Review Committee, Executive Yuan President, CTBC Business School Chairman, Chinese Management Performance Appraisal Society Independent Director, PCL Technologies, Inc. Independent Director, Senao Networks, Inc. Independent Director, Samebest Co., Ltd. Adjunct Professor, Criminal Investigation Graduate School, Central Police University Adjunct Professor, Department of Finance and Cooperative Management, National Taipei University	DBA in Finance, Nova Southeastern University (U.S.)

Title	Name	Date of assignment	Office term	Significant experience	Education
Independent Director	Sheng-Yung Yang	June 17, 2022	3 years	Head of Finance Department, National Chung Hsing University Adjunct Professor, Internatioal Business, National Taiwan University Dean of College of Management, Asia Management College Head of International Affairs/Dean of International College, Providence University Secretary-General and Supervisor, Financial Engineering Association of Taiwan CEO, EMBA Program Alliance of Taiwan Member, Review Committee, National Development Fund Member, Operation Fund Management, Science Park Bureau Lecturer, Training Program for Executives in State-Owned Enterprises, Training Institute, Ministry of Finance Independent Director, Grand Bills Finance Corp. Director, Chinese Robo-Advisor Association Strategic Director, New Generation College, National Association of Small and Medium Enterprises R.O.C. Independent Director, CTBC Holding Co., Ltd. Distinguished Professor, Department of Finance, National Chung Hsing University Independent Director, Nova Technology Corp. Independent Director, JMicron Technology Corporation Director, CTBC Business School Executive Supervisor, Taiwan Association of Board Governance Executive Supervisor, Financial Engineering Association of Taiwan Executive Supervisor, Taiwan Digital Enterprise Alliance	Ph.D. in Finance, Drexel University (U.S.)

<b>Title</b>	<b>Name</b>	<b>Date of assignment</b>	<b>Office term</b>	<b>Significant experience</b>	<b>Education</b>
Independent Director	Cheung-Chun Lau	June 17, 2022	3 years	Independent Non-executive Director, Hong Leong Insurance (Asia) Limited Managing Director, The Bank of Nova Scotia Senior Vice President (Head of Corporate Equity Derivatives, Asia), ABN AMRO Bank N.V. Director, Citigroup Global Markets Asia Ltd. Managing Director, Westcom Capital Limited Executive Director, UBS VP, Bankers Trust New York Corporation Officer, DB (Asia) Finance Limited Independent Director, CTBC Financial Holding Co., Ltd.	MBA, University of Michigan-Ann Arbor (U.S.)
Independent Director	Christine Jih	June 17, 2022	3 years	Chairman/CEO, BNP Paribas Asset Management, Taiwan President, Spokesperson, FIL Securities Investment Trust Co. (Taiwan) Limited Vice President, Fidelity Securities Investment Co. (Taiwan) Limited CFO, CyberLink Corp. CFO, Spokesperson, United Integrated Services Vice President, Merrill Lynch Securities (Taiwan) Ltd. Director, UBS Securities Taiwan Branch Director/Vice President, Citibank Taiwan Branch Independent Director, CTBC Financial Holding Co., Ltd. Independent Director, CTBC Securities Co., Ltd. Director, Immunami Laboratories Pte. Ltd. (Singapore) Independent Director, Perfect Corp. (Cayman)	MBA, Indiana University Bloomington (U.S.)

Note 1: The Bank is a wholly owned subsidiary of CTBC Holding. All directors of the Bank are appointed by the parent company.

Note 2: The term of office for the directors of the Bank's 18th Board of Directors is from June 17, 2022, to June 16, 2025. The Bank established an Audit Committee on June 30, 2009, to assume the responsibility of supervisors.

Note 3: Yann-ching Tsai, the representative of a juristic person director, served as an independent director of the Bank from July 25, 2022, to April 14, 2023.

## 2.2.3 Significant shareholders

As of April 16, 2024

Institutional shareholder	Largest shareholders
CTBC Financial Holding Co., Ltd.	<ol style="list-style-type: none"> <li>1. Citibank Taiwan in custody for the government of Singapore (3.89%)</li> <li>2. Yi Kao Investment Co., Ltd. (2.38%)</li> <li>3. Fubon Life Insurance Co., Ltd. (2.36%)</li> <li>4. Labor Pension Fund (2.10%)</li> <li>5. CTBC Bank Trust Account for CTBC Financial Holding Employee Welfare Savings Committee (2.07%)</li> <li>6. CTBC Bank Trust Account for CTBC Financial Holding and the Subsidiaries Employee Stock Ownership Trust (1.84%)</li> <li>7. Bank of Taiwan Co., Ltd. (1.54%)</li> <li>8. Citibank Taiwan in custody for Norges Bank (1.52%)</li> <li>9. Chuan Wei Investment Co., Ltd. (1.43%)</li> <li>10. Cathay Life Insurance Co., Ltd. (1.37%)</li> </ol>

## 2.2.4. Major managers

Title	Name	Education	Significant experience
President	Tony Yang	MIBA, United States International University, USA	EVP, CTBC Bank Co., Ltd.
Senior Executive Vice President	Larry Hsu	Bachelor of Business Administration, National Taiwan University	EVP, CTBC Bank Co., Ltd.
Senior Executive Vice President	Amy Yang	Executive MBA (Finance), National Taiwan University	EVP, CTBC Bank Co., Ltd.
Senior Executive Vice President	Roger Kao	Master of Science in Broadcast Journalism, Boston University, USA	Director, CTBC Bank Co., Ltd. EVP, CTBC Bank Co., Ltd.
Executive Vice President	Eric Hsin	MS (Finance), City University of New York, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	C.C. Huang	MBA, Indiana University at Bloomington, USA	EVP, ABN AMRO Bank
Executive Vice President	Matthew Liaw	MBA, University of Wisconsin at Madison, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Jack Wang	MBA, The University of Western Ontario, Canada	Vice President, Citibank
Executive Vice President	Amy Lin	Bachelor of Banking, National Chengchi University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Jason Chen	Bachelor of Business Administration, Feng Chia University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Yaling Chiu	MBA, Minnesota-Twin Cities University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Evan Chang	Bachelor of Accounting, Tunghai University	SVP, CTBC Bank Co., Ltd.

<b>Title</b>	<b>Name</b>	<b>Education</b>	<b>Significant experience</b>
Executive Vice President	Jerry Shaw	Bachelor of Business Administration, Tamkang University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Peter Hsiao	MBA, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Max Lin	MBA, University of Illinois at Urbana-Champaign, USA	Director, Deutsche Bank
Executive Vice President	Weitzu Chao	Master of Statistics, National Chengchi University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Austin Chiang	MBA, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Sean Tang	Master of Laws, National Chengchi University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Tony Huang	Bachelor of Banking, National Chengchi University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	David Swei	MBA, University of Texas at Dallas, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Titan Chia	International MBA, National Chengchi University	President of Global Business Services, IBM Taiwan
Executive Vice President	Peter Wei	MBA, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Megan Hsu	Master of Accounting, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Rosen Lo	Bachelor of Business Mathematics, Soochow University	SVP, CTBC Bank Co., Ltd.
Senior Vice President	Frank Hsu	Master of International Business, National Chengchi University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Sam Lin	Executive MBA (Finance), National Taiwan University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Kelvin Lam	Bachelor of Accounting, Hong Kong Polytechnic University, Hong Kong	Chief Auditor, DBS Bank
Senior Vice President	Joe Chen	Master of Computational Finance, Carnegie Mellon University, USA	Managing Director, Standard Chartered Taiwan
Senior Vice President	Darren Huang	Bachelor of Statistics, National Chung Hsing University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Wenjung Chen	Associate of Accounting and Statistics, National Taipei College of Business	VP, CTBC Bank Co., Ltd.
Senior Vice President	Richie Chen	Associate of Secretarial Science, Tamsui Institute of Business Administration	VP, CTBC Bank Co., Ltd.

<b>Title</b>	<b>Name</b>	<b>Education</b>	<b>Significant experience</b>
Senior Vice President	Chupin Fu	MS, Illinois Institute of Technology, USA	VP, CTBC Bank Co., Ltd.
Senior Vice President	Alvin Wu	Department of Electronic Engineering, National Taiwan University of Science and Technology	VP, CTBC Bank Co., Ltd.
Senior Vice President	Weichih Yu	Master of International Business, National Taiwan University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Victor Chien	Master of Laws, Tunghai University	VP, CTBC Bank Co., Ltd.

### **3. Business overview**

#### **3.1. Business performance**

##### 3.1.1. Scope of business

###### 1) Institutional banking, international business, and capital market

###### (1) Institutional banking

We provide customers with comprehensive and specialized financial services, including commercial loans, trade finance, cash management, corporate internet banking, custody, and corporate trust services.

###### (2) International business

We provide cross-border financial services by leveraging our global network, with a focus on customers in Greater China, Southeast Asia, North America, and Japan.

###### (3) Capital market

We provide tailored solutions to meet clients' financing needs. These solutions include syndicated lending, structured finance, financial advisory, and debt securities underwriting services. In addition to managing our own market risk exposure and liquidity risk, we offer a wide range of services to meet our clients' operation/hedging and investment needs. These services include foreign exchange, derivatives, and securities investment products.

###### 2) Retail banking

###### (1) Wealth management

We provide target customer groups with financial planning, asset allocation planning, and advisory services as well as assistance in the acquisition of a variety of financial products.

###### (2) Loan services

We provide individuals with diverse loan services, including home mortgages, refinancing, installment loans, policy-based loans, unsecured term loans, and revolving loans, to fulfill their lending needs at every stage of life.

###### (3) Payment services

We provide comprehensive payment solution services, such as card issuing and merchant acquiring services, for credit and debit cards. CTBC Bank also provides digital and mobile payment solutions, including digital wallets, third-party payment mechanisms, bill payments, and cross-border transactions.

###### (4) Overseas financial services

We provide comprehensive financial services, such as deposit and loan, payment, and wealth management services, to overseas markets, namely the U.S., Indonesia, the Philippines, Japan, and Thailand.

## Revenue breakdown <sup>(Note)</sup>

Unit: NT\$ million

Revenue source	Amount	Percentage
Institutional banking, international business, and capital markets	57,183	41%
Retail banking	72,631	53%
Other	7,982	6%
Total	137,795	100%

Note: On a consolidated basis and rounded to the nearest integer.

### 3.1.2. Business discussion

#### 1) Institutional banking, international business, and capital markets

CTBC Bank's institutional banking and capital market business continues to lead the sector in Taiwan. We have maintained growth in Taiwan by optimizing our products in order to expand our core business and grow our emerging business. Furthermore, we have leveraged our global network to accelerate the growth of international business by expanding the scale of overseas markets and connecting cross-border opportunities to boost synergy.

We keep our thumb on the market pulse. Leading the financial industry in creative, specialized financial products, we have become an indispensable partner to our customers. Both our Bank and our main products have been honored with international awards such as Best Transaction Bank in Taiwan, Best Trade Finance in Taiwan, Best Foreign Exchange Bank in Taiwan, Best Custodian Bank in Taiwan, and Green Deal of the Year in Taiwan. The management direction and achievements of our primary products are detailed below.

#### (1) Transaction banking

In 2023, despite both cash management and trade finance encountering severe challenges and most of our target markets facing geopolitical uncertainties and the rapid escalation of trade tensions, the market share of CTBC Bank deposits continued to grow. Specifically, we maintained our leading market position, including in foreign currency deposits, and enlarged our share of competitive overseas markets across all businesses. In addition, we retained our leading position in the trade and factoring market and remained among the top three banks in terms of revenue—a position we have held for several years. However, we do expect some turbulence due to the recent market headwinds. As such, we will focus on developing our customer base in Greater China and cultivating opportunities from the supply chain shift from Greater China to Southeast Asia.

Also notable is how our digital strategy has transformed us from a traditional transaction bank into one that supports its customers' expansion throughout Asia Pacific. Whether for corporates or individual customers like controllers, we are continuing to improve our customers' banking experience through innovative technologies. This includes providing a comprehensive range of channels to meet customers' needs, such as by increasing the use of mobile devices and application-to-application banking services. Indeed, we have closed a record number of deals because of these digital capabilities and the solutions that we provide.

In addition, we focus on exploring cross-border opportunities and digitizing trade finance, with the aim of offering funding flexibility and financing solutions to our customers across countries. For example, considering key factors such as customer needs and local limitations, we have built a complete cross-border financial service platform to assist our customers to conduct business seamlessly. CTBC Bank has proactively provided comprehensive services and helped our clients to access lower funding costs, improve their operational efficiency, optimize their funding use, and lift limit restrictions by deepening cooperation with overseas branches.

(2) Custody and corporate trust business

Our custody and corporate trust business includes transfer agent, trust, and custody business. Due to the decline in the market price of our customers' foreign bonds under custody caused by the increase in the Fed funds rate, CTBC Bank's assets under management remained at NT\$3 trillion (US\$100 billion) in 2023. However, the Bank in 2023 saw a 32% increase in new mandates in its employee benefit trust business, for which we maintained the largest market share in Taiwan as a result of our excellent product development capabilities. On the back of our continual enhancement and innovations, CTBC Bank has been awarded the Trust Business Innovation Award and Employee Benefit Award in the Trust Association of Republic of China's Trust 2.0 Program Assessment for two consecutive years.

(3) Syndicated loans

CTBC Bank is a leading arranger of loan syndication in Asia, with an extensive presence in the region as well as a strong commitment to its home market. The Bank has strong origination and structuring capabilities providing innovative solutions, and has extensive distribution channels. We specialize in financing solutions requiring higher levels of sectorial knowledge, such as private equity-sponsored leveraged financing, merger and acquisition financing, and aviation/shipping/real estate/project financing. The Bank has developed extensive networking and firm partnerships with key players in the region.

CTBC Bank is also actively involved in the renewable energy market, including solar and wind energy. We have helped arrange a number of large project financing cases and have been mandated as the financial adviser for several international and local developers. In addition, we offer local insights and tailored solutions including capital market and debt structuring, agency services, and hedging, and are well-positioned to be the leading bank in these fields.

In addition to being awarded for Outstanding Leadership in Sustainable Infrastructure Finance in Asia Pacific by Global Finance and named Corporate & Investment Bank of the Year in Taiwan by Asian Banking & Finance, we won Asia-Pacific Offshore Wind Deal of the Year from Project Finance International, the Renewable Energy Deal of the Year in Sustainable Infrastructure Awards from The Asset, Taiwan Domestic Project Finance Bank of the Year from Asian Banking & Finance, and Best Infrastructure/Project Finance/Sustainable Finance Deal in North Asia and Best Structured Finance Deal in South Asia from Finance Asia.

(4) Debt securities underwriting

As one of the leading bond underwriters in Taiwan, CTBC Bank has participated in numerous landmark transactions as well as new kinds of transactions. In 2023, we had another record year in debt securities underwriting, including the milestone of serving as the lead manager for the first unsecured cumulative subordinated corporate bond with a maturity of 10 years or longer to be issued by a life insurance company in Taiwan. With our strong debt capital market franchise together with our loan syndication business, we are well positioned to serve our clients across Asia with comprehensive corporate finance solutions.

(5) Treasury and derivatives

Our strong local presence in Taiwan provides us with unique advantages. Through collaboration across different business lines and geographical regions, we are able to offer clients comprehensive cross-border solutions. As such, we again maintained our leading position in the Taiwanese derivatives market in 2023, supported by strong product innovation capabilities and a vast market franchise. We also received wide international recognition in this area, such as being named Taiwan Derivatives House of the Year, Best Foreign Exchange Provider in Taiwan, and Best Bank for Investment Solutions in Taiwan.

2) Retail banking

CTBC Bank remains a pioneer in retail banking service innovation. In addition to maintaining our significant market share in 2023, we also received 111 international and domestic awards, including World's Best Consumer Digital Bank from Global Finance, Best Private Bank for Digital Portfolio Management in Asia from PWM, and the Best Retail Bank in Taiwan from The Asian Banker for the 17th consecutive year.

With the Bank's competitive advantages in branding and comprehensive services, our number of retail customers and assets under management have grown steadily, with annual growth in 2023 of 3% and 7%, respectively. Moreover, we continued to maintain the best Net Promoter Score among all Taiwanese financial institutions.

(1) Wealth management

With its open platform strategy, CTBC Bank is able to provide comprehensive and innovative wealth management services and products to meet its diverse customer needs. Our diversified wealth management product lines have contributed to the Bank's leading position in Taiwan's wealth management market. Furthermore, our comprehensive wealth management services and transaction platforms meet customers' financial needs, both online and offline.

(2) Loan services

CTBC Bank has long been dedicated to providing complete financing solutions with multi-channel customer services as well as using a superior risk control mechanism and digital innovation to maintain good asset quality and profitability. Driving digital innovation for our customers is core to our business; such efforts include a digital lending platform that radically simplifies the loan application process and turnaround time, digitizing more parts of the home loan process, and partnering with various e-commerce platforms to provide loan services that fit into customers' daily lives. This approach of offering a complete financial ecosystem not only provides convenient services for existing customers but also expands our customer base.

(3) Payment services

As part of CTBC Bank's commitment to providing customers with a convenient payment experience, we have continued partnering with retailers and mobile payment platforms. Our customers are able to utilize payment tools such as cards and account linking for a seamless payment experience both online and offline. For example, we have partnered with Chunghwa Telecom Co., Ltd., the largest integrated telecom service provider in Taiwan, to launch a cross-platform system for transferring credit card reward points instantly among electronic payment apps such as Chunghwa Telecom's Hami Pay app.

(4) Overseas financial services

CTBC Bank continues to develop and advance our overseas product offerings to meet our customers' needs and deepen our relationship with them in different markets. For example, in Thailand, we aim to provide a comprehensive range of retail services, from lending and wealth management to digital offerings. In Japan, we focus on developing the niche market of non-residential lending business. In the U.S., we are continuing to expand our mortgage business and develop new lending products. In other Southeast Asia markets, we are developing digital strategies to provide customers with better financial services.

(5) Digital banking

Our internet and mobile banking services continue to be the most popular in Taiwan thanks to the continual improvement of our platforms' designs and launch of innovative features, earning us numerous international awards every year. The number of customers using our digital banking services now exceeds 6 million, and with over 600 functions, our mobile banking app boasts the widest functionality in the market. CTBC Bank's commitment to developing the best internet and mobile banking is centered on helping users to do exactly what they want to do. For example, by emphasizing UI/UX and agile development, we are able to respond to customers' needs with timely adjustments and thus ensure the best mobile banking experience.

(6) ATM services

CTBC Bank has the largest ATM network in Taiwan. With over 7,300 machines nationwide, we top the list in terms of interbank withdrawal transactions, with a market share of approximately 40%. Our ATMs continue to be a customer favorite due to our persistence in offering the most convenient ATM services. For example, we provide the largest number of options for cardless withdrawals, including app-created withdrawal codes, QR codes, finger vein recognition, and facial recognition, allowing customers to choose whichever method suits their needs best. To maintain our leading role in the market, we are constantly advancing our ATM services, such as by expanding our QR code-based cardless withdrawal service to non-CTBC Bank customers, too. In addition, as part of our efforts to promote inclusive finance, our ATMs in Taiwan provide barrier-free services, which have been used by more than 19 million people so far.

### 3.2. Employees

As of	Dec. 31, 2023		Dec. 31, 2022	
Number of employees	14,032		13,386	
Average age (years)	38.8		39.2	
Average tenure at CTBC (years)	9.7		9.8	
Education	Employees	Employees	Employees	Percentage
Graduate school or higher	3,559	25.3%	3,277	24.4%
University/college	9,923	70.8%	9,506	71.0%
Senior high school	533	3.8%	582	4.4%
Below senior high school	17	0.1%	21	0.2%

### 3.3. Social responsibility

#### 1) CSR implementation

As one of the leading financial institutions in Asia, CTBC Holding is actively implementing sustainable practices, guided by the spirit of the U.N.'s Sustainable Development Goals (SDGs). To this end, CTBC Holding has adopted a world-class three-tier sustainability management structure. The first tier, namely the Corporate Sustainability Committee, acts as the highest supervisory unit. The second tier is the ESG Taskforce, composed of top management teams, charged with carrying out daily sustainability-related work. The third tier is the Corporate Sustainability Department, which is responsible for integrating the corporate sustainability strategies and action plans of the Company and its subsidiaries. In practice, we set and implement sustainability targets and action plans, conduct assessments of their execution, and regularly oversee the management of key sustainability issues through compliance with CTBC Holding's sustainability policies and strategy as well as through our ESG Taskforce, for which the President of CTBC Holding acts as chairperson and subsidiaries' management teams act as taskforce members.

Additionally, in order to create more significant synergy by adopting advanced internal standards and establishing new partnerships, CTBC Holding is actively involved in global sustainability initiatives. It was the first Taiwanese company to join the Partnership for Carbon Accounting Financials (PCAF), after which it was elected as PCAF's Asia Pacific chair. The Company also led the industry by becoming the first Taiwanese company to join the Global Impact Investing Network (GIIN) and the Taskforce on Nature-related Financial Disclosures (TNFD). Furthermore, CTBC Bank is actively supporting the Principles for Responsible Banking (PRB) introduced by the U.N. Environment Programme Finance Initiative (UNEP FI) in 2019, we announced our voluntary commitment to align with this global sustainable banking framework on Dec. 26, 2019. This commitment ensures that the Bank's core strategies and operational activities adhere to the principles of the SDGs and international sustainability initiatives such as the Paris Agreement.

Following CTBC Holding's sustainable strategies, CTBC Bank is committed to implementing sustainable operations through the five major aspects of corporate governance (Transparency), environmental sustainability (Responsibility), employee welfare (Understanding), customer service (Satisfaction), and community engagement (Together). In addition to actively support the SDGs, we implement sustainable operations through two major action plans: "Low-carbon Transition" and "Sustainable Transformation."

(1) Sustainable finance

■ Impact finance

One way that CTBC Bank leverages its impact in financing to achieve environmental sustainability is by actively promoting the development of renewable energy and a circular economy. From 2018 to 2023, CTBC Bank served as the local financial advisor for the lead developers of five offshore wind farms, including the Changfang & Xidao Offshore Wind Farms, Ørsted Greater Changhua Southeast Wind Farm, and Zhongneng Offshore Wind Farm. Additionally, it served as co-lead arranger of the 2023 Hailong Offshore Wind Farm syndication loan. Through these projects, CTBC Bank has successfully led over NT\$410 billion in project finance for offshore wind development, with an installed capacity exceeding 3,100 MW. CTBC Bank also actively leads or participates in various renewable energy project finance, including solar power and onshore wind farm projects. Furthermore, in the field of circular economy development, CTBC Bank has led all private waste-to-energy power plant project finance to date, contributing to the realization of resource regeneration and circular sustainability.

Furthermore, in 2019, CTBC Bank officially became a member of the Equator Principles (EP), making it the 94th financial institution worldwide to do so. The Bank has implemented internal procedures for managing EP cases, adhering to the eight Performance Standards set by the International Finance Corporation during the credit approval process. These standards are used to assess the environmental and social impacts of large-scale project finance. CTBC Bank is actively engaged in promoting and participating in sustainability-linked loans (SLLs) both domestically and internationally. As of 2023, the outstanding balance of SLLs was approximately NT\$60.3 billion, marking a threefold increase compared to the previous year's balance of NT\$19.9 billion.

CTBC Bank also actively supports access to finance for all. In support of government policies, we actively invest resources toward developing inclusive finance, aiming to provide financial services that are friendlier and more affordable for everyone. Our Bank has ATMs in nearly all of Taiwan's ubiquitous 7-Elevens. These stores, open 24 hours a day, often provide the only banking services available to communities in rural areas across Taiwan's mountainous regions and offshore islands. CTBC Bank also offers special branch office, ATM, and online banking services to ensure the access to finance of people with disabilities. Its branches feature barrier-free office space and ATM services, including a total of 7,300 barrier-free ATM's and 466 ATMs tailored for users with impaired vision, which provided people with disabilities the most convenient financial services. The Bank's Home Bank app leads the industry in Taiwan with its use of responsive web design to make the app comfortably usable across all sizes and forms of mobile device. This ensures that all customers have access to the app's myriad financial services, regardless of their device.

- Innovative digital finance

CTBC Holding continues to prioritize customer-centric strategies, actively integrating emerging technologies and applications across front-, middle-, and back-end processes. This technological empowerment is aimed at enhancing and optimizing the overall customer experience. Additionally, adopting a dual-track approach of “internal R&D” and “external co-creation,” CTBC Holding accelerates the development and implementation of technological applications while staying at the forefront of key technology advancements. Regarding technology R&D, CTBC Holding concentrates on the utilization of AI, Big Data, and blockchain. Our goal is to leverage technology to strengthen financial fraud prevention measures, offer innovative green finance services, maintain a leading position in digital development, and meet the diverse needs of various customer groups.

CTBC Holding focuses on the five following key strategic directions for digital innovative financial development:

- (1) Expansion of digital operations: Utilize digital technology and end-to-end digitalization (“EdgeE”) to support the digital transformation of business processes, thereby expanding operational scale and efficiency.
- (2) Leveraging of tech breakthroughs to create new business value: Actively implement an AI technology strategy and seek innovative business models that utilize technological breakthroughs.
- (3) Technology to promote protection and sustainability: Explore how technology can be applied to protect consumers against fraud and promote sustainable value through the development of green fintech.
- (4) Establishment of technology platforms: Establish a long-term, stable, secure, and flexible system to adapt to front-end innovations.
- (5) Cultivation of technology talent: Enhance the quality and quantity of technology talent, foster technology literacy among all employees, and promote a culture of innovation.

CTBC Bank’s Home Bank app has over 7 million registered users. Following the Super App concept, it is intended to be a mobile banking service that is both personalized and convenient, ensuring high levels of security and efficiency. The Bank has led the industry in introducing various mobile banking features such as online queuing for branch services, appointment scheduling, and form-fillings. Through the app, customers can also schedule virtual meetings with financial advisers and seamlessly exchange documents, significantly reducing the time required for in-person transactions at branches. Furthermore, CTBC Bank has pioneered the integration of LINE and ATM services within the Home Bank app. This innovation allows customers to forgo the need for printed transaction slips, offering the flexibility to choose transaction coupons directly through the app and providing an enhanced and thoughtful service experience.

In addition, to meet the diverse payment needs of numerous small and medium-sized businesses and consumers, CTBC Bank has introduced the innovative “Cloud Cash Register” internet-based payment service. Businesses can customize payment orders according to customer requirements, such as receiving payments for hotel reservations or collecting funds for group purchases. These customized payment orders can be sent to customers through email or text messages, enhancing the efficiency of the payment collection process. Furthermore, in collaboration with technology giant Apple, CTBC Bank has introduced the “Tap to Pay on iPhone” service. This allows businesses to accept payments seamlessly through various methods, including Apple Pay, contactless credit and debit cards, and other contactless electronic wallets, all without the need for additional card payment equipment. This service optimizes the payment collection process for businesses and consumers, and makes Taiwan one of the few countries globally to offer such a payment solution.

In response to increasingly rampant fraud, CTBC Bank employs technology to strengthen its anti-fraud risk management and proactively safeguard customer assets and transaction security. First, the CTBC the AEGIS project uses AI to provide an instant decision-making system for detecting and preventing fraud. Within 30 milliseconds of a cardholder’s transaction, the system processes 40,000 risk parameters and model computations. This enables real-time detection and prevention of fraud without compromising the payment transaction experience. The service earned the World’s Best Information Security and Fraud Management honor at the 2023 Global Finance Awards. Furthermore, CTBC Bank has established the CTBC Smart Protection 165 Anti-Fraud Security Network, incorporating a proactive intelligent warning system, comprehensive real-time prevention during transactions, and AI-enhanced monitoring for improvements after instances of fraud. This initiative creates a robust defense mechanism (working in partnership with the government’s 165 Anti-Fraud Security Network). In collaboration with the Ministry of the Interior’s National Police Agency, the Bank has also implemented the CTBC ATM Anti-Fraud Real-time Notification System on over 7,000 ATMs across Taiwan. When the system identifies abnormal transaction accounts, it automatically triggers a notification to law enforcement, effectively deterring unlawful activities. CTBC Bank stands out as the sole bank in the industry combining such ATM fraud prevention measures. Moreover, the Bank has pioneered the website authentication QR code feature, allowing customers to easily identify phishing websites by scanning them in the Home Bank app with a simple click.

Embracing a culture of continuous innovation, CTBC Bank has introduced CTBC 168 Studio, a unique space in the financial industry situated in the CTBC Museum in Taipei City's Nangang District. The studio serves a dual purpose, providing an opportunity for the public to explore and offering a platform for industry partners to engage in collaborative innovation and business incubation. It comprises two main areas: "Innovation Display" and "Innovation Activities." In the "Innovation Display" area, CTBC Bank showcases its exploration of technology applications and the outcomes of financial innovation. For instance, it highlights how the use of 3D modeling technology allows the creation of personalized digital avatars, enabling individuals to enter virtual branches and experience real-time, multi-party online banking services. Another noteworthy exhibit is "Green GPT," a tool that helps visitors address their environmental concerns by answering questions related to carbon reduction and calculating consumer carbon footprints. The "Innovation Activities" area, meanwhile, serves as a public touchpoint for CTBC Bank's innovation initiatives. Here, advanced financial technologies and applications are introduced, with a focus on key industry trends. The Studio aims to become a hub for the development of practical skills and the continual cultivation of innovative talent.

## (2) Environment

### ■ 2050 net-zero transformation

In early 2022, the CTBC Holding Board of Directors set the target of the group achieving net-zero emissions by 2050. CTBC Holding has submitted the plan for achieving this to the Science Based Targets initiative (SBTi) at the end of the year, and passed SBTi's examination in December 2023. By using the SBTi methodology, CTBC Bank hopes to conduct financed emissions inventories, disclosures, engagements, and reductions as well as green finance in order to reach the net-zero emissions target by 2050.

### ■ Green operations

Environmental protection and energy conservation are at the core of the design of the Company's headquarters, CTBC Financial Park, which boasts 29,752 square meters of park area and 264,463 square meters of gross floor area. In 2023, the building received Leadership in Energy and Environmental Design v4.1 Operations and Maintenance (LEED v4.1 O+M) Platinum certification from the U.S. Green Building Council for the second time. It received a score of 85 points in the annual evaluation, surpassing its previous score. It also stood out as the highest-scoring commercial office building among all Taiwanese LEED v4.1 O+M Platinum participants. Furthermore, in the same year, we secured Taiwan Green Building (EEWH) Diamond certification for the third time. This achievement underscores CTBC Holding's position as one of the leading domestic companies in energy conservation and carbon reduction.

In response to extreme weather patterns, the headquarters' water facilities, fountains, and sprinkler equipment utilize rainwater reclamation and water-recycling technologies, while solar panels are installed to supply electricity for the financial park's public spaces. Aligning with global conservation efforts, CTBC Holding has adopted carbon-footprint reduction measures, such as the purchasing of products that meet strict standards in environmental protection, energy efficiency, water conservation, and green construction. As a result, it has received the Outstanding Contribution to Green Purchasing by a Private Enterprise Award from Ministry of Environment and Taipei City Government's Department of Environmental Protection for 14 consecutive years, respectively.

CTBC Holding has a proud history of taking practical measures to realize its commitment to the planet. In 2012, the Company established an Environmental Sustainability Group, which holds management review meetings regularly to follow through with the implementation of environment-related policies. In 2018, CTBC Holding continued to grow the scope of its certification in the three major international certification standards of ISO 50001 Energy Management System, ISO 14001 Environmental Management System, and ISO 14064-1 Quantification and Reporting of Greenhouse Gas Emissions and Removals. In 2023, this expanded to cover 182 branches across Taiwan.

Moreover, the Company's environmental measures have been honored with a 2020 CEM Award of Excellence in Energy Management at the U.N. Industrial Development Organization's Energy Management Leadership Awards, making it the world's first financial institute to receive the accolade. It also became the first financial institution in Taiwan to obtain renewable energy certification from the Ministry of Economic Affairs. In 2022, CTBC Bank again received the Silver Award at the Ministry of Environment's National Enterprise Environmental Protection Awards. Its office building was also honored at the Taipei City Net Zero Leadership Awards, receiving the Excellence Award, second place in the Excellent Building (Commercial Building Group) category, and the Barrier-free and Exterior Maintenance Award. In 2023, our office buildings received the first and second place in the Excellent Building (Commercial Building Group) category, the Energy conservation and Carbon Reduction Award, Safety Management and Disaster Prevention Award. In November, we received the Bronze Award at the 5th Ministry of Environment National Enterprise Environmental Protection Awards. Additionally, our Wanhua branch was honored at the Taipei City Net Zero Leadership Awards, receiving the Encouragement Award.

Climate change is a significant challenge that the world is facing together, and CTBC Holding places great emphasis on sustainable development. Starting with energy conservation, carbon reduction, and resource management, we have used green buildings as an opportunity to implement green services, green procurement, and green consumption with the aim of protecting the Earth.

- **Climate-related financial disclosures**

In 2020, CTBC Holding formally adopted the Task Force on Climate-related Financial Disclosures (TCFD) recommendations proposed by the Financial Stability Board. The company now voluntarily discloses its climate-related information according to the TCFD framework. In 2021, the company released its first Climate Risk Assessment Report, disclosing information on climate risk governance and policy framework, transition and physical risk measurement, and scenario analysis. In 2022, CTBC Holding published its 2021 Climate-related Scenario Analysis (Sustainability Report Supplementary Document), and in 2023, it released its 2022 Climate-related Financial Disclosure Report (TCFD Report). The latter report not only follows the disclosure framework recommended by the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) but also adheres to the FSC’s Guidelines for Domestic Banks’ Climate Risk Financial Disclosure, Guidelines on Climate-related Financial Disclosures of Insurance Companies, and Risk Management Best-Practice Principles for Securities Firms. The report was compiled based on the four major dimensions of governance, strategy, risk management, indicators and targets, covering 11 recommended disclosure items. This reflects the group’s proactive efforts in monitoring climate-related risks and seizing opportunities.
- **Nature-related financial disclosures**

In early 2022, CTBC Holding joined the Taskforce on Nature-related Financial Disclosures (TNFD) working group. In 2023, referring to the formal framework released by the TNFD in September that year (Version 1.0) and additional guidance specifically tailored for financial institutions (Sector guidance: Additional guidance for financial institutions Version 1.0) and following the four main dimensions of governance, strategy, risk and impact management, and indicators and targets, we disclosed the progress and actions taken by our company regarding nature-related issues.

### (3) Society

- **Employee empowerment**

CTBC Holding firmly believes that its workforce is its most valuable asset. As such, it has for years promoted a function-oriented talent strategy and has developed various professional and management training courses. The Company assesses employees’ performance and potential in order to map out their career development opportunities as well as in order to accurately allocate resources and continually enhance its talent pool by providing employees with on-the-job training, project assignments, and rotations across different countries, businesses, and functions. Moreover, CTBC Holding has cooperated with numerous leading international academic institutions to introduce top teachers and development resources. These measures are taken in order to ensure that the group has a steady stream of talent sufficient to maintain its leading position in the industry in response to the rapidly changing external operating environment.

CTBC Holding has always firmly believed that talented people are the key to an enterprise maintaining its competitive advantage. In addition to providing competitive remuneration, industry-leading benefits, education, training, and a fair promotions system, the parent company also supports global human rights protections and basic rights through its Human Rights Policy and Human Rights Risk Assessment and Management Procedures.

We also understand the importance of providing a comfortable and friendly working environment. In doing so, it focuses on three aspects in particular: risk-based thinking, preventive healthcare, and a culture of safety. From 2018 to 2023, it continued to pass ISO 45001 Occupational Health and Safety Management System certification, strengthening occupational safety management standards and overall performance. Moving forward, we will expand our corporate influence by working with suppliers and related enterprises to form an ecosystem that fosters occupational safety.

The Company recognizes the importance of a healthy mind–body balance. As such, it maintains a long-term partnership with the Taiwan Institute of Psychotherapy in order to provide employees with professional consultation and assistance through a total of eight psychological consultations every year for employees and their relatives within the first degree of kinship, with all associated costs fully covered by the Company. Additionally, to ensure accessibility and immediate support for employees, two dedicated counseling rooms have been set up: one in our corporate headquarters and one in our administrative building. These rooms are staffed by resident psychologists, allowing employees to seek counseling during working hours. The Company has also implemented training programs for supervisors, enhancing their ability to identify potential crises among team members. Supervisors are equipped with appropriate skills to assist employees in facing and resolving challenges, and they can facilitate referrals to resources, thereby preventing crises from occurring.

In 2023, CTBC Holding was named the best employer in Taiwan’s financial industry by global consulting firm Universum. The Company was also honored with the Talent Development Leader Award at the 2023 Taiwan SDG Action Awards and the 2023 Talent Sustainability Award from CommonWealth Magazine, ranked among the Best Companies to Work for in Asia by HR Asia for the sixth consecutive year, and included in the Bloomberg Gender Equality Index for the third consecutive year.

- Community investment

CTBC Bank has been expanding its efforts in public welfare for many years. These efforts in turn spread across the community and country, like ripples in a pond, as the Bank continues to focus on five categories of charitable endeavors: charity, anti-drug awareness, sports, education, and arts and culture.

1. Charity

The Light Up a Life charity fundraiser held by CTBC Bank was the starting point of CTBC Holding's involvement in community engagement—an involvement that has persisted and grown stronger in the intervening 39 years. As the longest-running charitable activity of any private enterprise in Taiwan, Light Up a Life has raised more than NT\$2.7 billion in donations and helped more than 670,000 children by giving them a chance to escape poverty and realize their dreams.

CTBC Bank founded the CTBC Charity Foundation in 2004 to encourage its employees to engage in activities that promote public welfare. The Bank was also the first financial institution in Taiwan to offer charity leave. Through the CTBC Charity Foundation, after-school care, financial literacy, character traits picture book volunteer and English language volunteer teams are formed and trained to serve disadvantaged families and children across Taiwan.

Inspired by the microfinancing concept of Nobel Peace Prize winner Dr. Muhammad Yunus's Grameen Bank, the CTBC Charity Foundation introduced the first such initiative in Taiwan in 2011 with the CTBC Poverty Alleviation Program. It provides disadvantaged and marginalized families with the microloans and financial advice they need to meet their basic needs and beyond. Since its inception, the program has successfully funded the start-up businesses of 796 families and helped them escape poverty, with an accumulated amount of loans totaling NT\$230 million. In 2022, we introduced emergency relief loans and counseling services to assist disadvantaged families with urgent financial needs, addressing their pressing concerns. In 2015, we started the Taiwan Dream Project. The initiative, which has so far helped build 26 Taiwan Dream Project sites, works by marshaling central and local government resources and leveraging the efforts of community volunteers and the general public to provide children with a warm and loving second home.

In terms of overseas aid, the CTBC Charity Foundation embraces the philosophy that poverty can be overcome through education. As such, in China in 2013, it launched the Caring for China's Next Generation on Campus program alongside the Caring for China's Next Generation Working Committee and the Social Welfare Foundation for China's Next Generation Fund. Priority has been given to areas that are underdeveloped, remote, or home to large ethnic minorities. Schools have been selected as educational demonstration sites in each area, with funds provided to purchase teaching equipment. The project has seen outstanding results since its launch. As of publication, 58 pilot program sites had been set up, and over 70,000 underprivileged students now have access to more learning resources as a result. Learning and living conditions have been greatly improved in general, earning plaudits on both sides of the strait.

## 2. Anti-drug awareness

During events held as part of its long-term involvement with disadvantaged children and families, CTBC Holding was continually faced with the profound impact of serious drug abuse and its deep connections with other social problems. In 2015, human and material resources from across the CTBC Holding group were combined to establish the CTBC Anti-Drug Educational Foundation, Taiwan's first privately operated anti-drug educational institution. In 2023, CTBC Holding was named an "exemplary anti-drug organization" by the Executive Yuan (Taiwan's cabinet) for the second time. Furthermore, in recognition of the global scale of drug abuse prevention efforts, the foundation has since its establishment worked with the Taiwan Ministry of Justice's Investigation Bureau and the U.S. Drug Enforcement Administration Educational Foundation. Combining the experience and resources of the public sector and the U.S. anti-drug agency, the foundation has become an integral awareness platform for both the government and the private sector. More recently, the foundation has further connected Taiwan's public and private sectors with international anti-drug organizations, facilitating resource exchange and knowledge sharing. Our goal is to champion anti-drug principles by being a vital anti-drug education hub for both governmental and private entities. Eschewing conventional, rigid anti-drug campaigns, the foundation employs 3D technology, interactive VR experiences, and an array of engaging and informative drug awareness tools to deliver mobile exhibitions and workshops, which to date have reached more than a million people around Taiwan.

### 3. Sports

Baseball is hailed as the national pastime of Taiwan, and long-term support is needed for it just as it is for education. CTBC Holding became the first enterprise to invest in all five levels of the sport, from little league to the majors, through sponsorship or hosting games to enhance the overall strength of the sport in Taiwan. In 2014, CTBC Bank began sponsoring the CTBC Brothers Baseball Club. That same year, to support the game at the grassroots level, the CTBC Charity Foundation launched the CTBC Youth Baseball Project for the little and junior leagues, giving the opportunity to play the sport to children in rural areas who otherwise may not have been able to—despite them being among the country’s most passionate baseball fans. At the big league level, CTBC Bank began sponsoring the CTBC Black Panther Cup in 2015. It also established a Taiwanese version of Japan’s famed Koshien Stadium in order to support and nurture talented high school players. In 2022, the CTBC Brothers Baseball Club won the championship of Taiwan’s major league competition—the Chinese Professional Baseball League—for the second consecutive year. Meanwhile, despite the challenges posed by Taiwan’s declining birthrate, the CTBC Black Panther Cup competition has maintained the participation of nearly 200 teams each year. We organize the tournament to meet professional baseball standards and have recently been expanding our efforts to promote participation by girls, too; in the 11th tournament in 2023, a girls’ school, Kaohsiung Municipal Kaohsiung Girls’ High School, participated for the first time.

Elsewhere in sports, CTBC Bank has been nurturing a new generation of women’s golfers, supporting 14 professional players—efforts for which we have received the Bronze Award in the Sports Administration’s Sports Activist Awards. Every year, CTBC Bank and the Taiwan LPGA co-host ladies professional golf tournaments, the results for which go toward world rankings, making these major events for Asia Pacific. In 2023, we hosted the 2023 CTBC Ladies Open at the Orient Golf & Country Club in partnership with the Japanese LPGA. This event marked the first overseas tournament certified by both JLPGA and TLPGA, and attracted 108 top-tier players. Beyond providing a platform for global professional women golfers to compete, it set a new milestone in the history of ladies’ professional golf in Taiwan and Japan. Over the three days of the tournament, a total of 8,045 spectators attended, setting a new attendance record for CTBC Bank’s 12-year history of hosting women’s golf events. Moving forward, we will continue our efforts to build an internationally competitive stage for our players and hope that more enterprises will work to improve social welfare through sports.

To further expand our influence in social welfare through sports, in 2021, we established CTBC Sports Entertainment Co., Ltd., which manages the New Taipei CTBC DEA basketball team in the T1 League. Our aim is to have every player become an anti-drug ambassador who leads by example. In the 2022-23 season, the team focused on a European team strategy and smart basketball, integrating the three key elements of teamwork, intelligence, and unity into its DNA. The recruitment of center Tseng Wen-ting, a veteran from the golden age of Taiwanese basketball, contributed to the team's historic achievement of an undefeated record in home games during the regular season. In the playoffs and championship series, the team swept its opponents to secure its first-ever championship. In 2022, we formed the CTBC Flying Oyster eSports team. By naming the team "Flying Oyster," which in Chinese sounds like the word "family," we hope to communicate with the young generation through eSports, using their language to express our "We are family" brand spirit and in turn gain customer loyalty as well as support the development of Taiwanese eSports. Since its formation, the team has won the League of Legends Pacific Championship Series' 2022 summer championship and achieved second place in the 2023 summer season. This success has qualified the team for the League of Legends World Championship for two consecutive years.

As part of its endeavor to maximize the impact of its social welfare projects, in 2018, CTBC Bank evaluated the social return on investment (SROI) of its sponsorship of the CTBC Brothers Baseball Club. The quantitative analysis, as certified by Social Value International, found that every NT\$1 invested produced NT\$17.59 in social value. This was not only the first SROI analysis ever conducted by Social Value International for a baseball team, but the return calculated was the highest it had ever certified in the field of sports. In 2020, an SROI analysis was conducted for the CTBC Black Panther Pennant national high school baseball tournament and found that every NT\$1 invested generated NT\$12.49 in social value. It marked the first SROI analysis conducted by Social Value International on baseball education.

CTBC Bank also uses sport to promote literacy. This includes working with the CTBC Brothers Baseball Club, New Taipei CTBC DEA basketball team and the CTBC Flying Oyster eSports team to organize the Home Run Readers project, which offers tickets to baseball and basketball games to incentivize reading. We evaluated the SROI of the project in 2021 and found that every NT\$1 invested generated NT\$8.99 in social value. The return was the highest certified by Social Value International for any education-related project by a Taiwanese enterprise. In 2023, our efforts were further acknowledged, winning Best Public Welfare Promotion at the Wealth Management Awards presented by Wealth magazine as

well as Best Social Responsibility from The Asset magazine.

#### 4. Education

We firmly believe that education provides people with opportunities to change their lives and is a priceless investment. Acting on these principles, in 2015, CTBC Holding integrated the group's resources and established CTBC Business School. The college, which helps both deserving and underprivileged students, offers grants and scholarships with diverse industry–academia cooperation to disadvantaged students who display outstanding academic performance. It has been lauded by the Ministry of Education as a model of higher education transformation. In 2017, our commitment to education extended to middle and elementary school levels with the establishment of CTBC International Academy, becoming a significant contributor to international education development in Tainan. In 2022, we established a non-profit kindergarten to offer affordable education and care services.

#### 5. Arts and culture

CTBC Holding also has a proud history supporting the development of Taiwan's cultural and creative fields, even receiving Arts and Business Awards from the Ministry of Culture on 15 occasions. In the early years, the CTBC Foundation for Arts and Culture focused on operating the Novel Hall, the first medium-scale private performing arts center in Taiwan. In 2015, it shifted its focus to emphasize engagement with both urban and rural communities, adopting a three-pronged approach of supporting the performing arts, promoting the visual arts, and fostering arts and culture education. Its annual flagship event, the CTBC Arts Festival, supports talented artists and makes theater accessible to the public. As well as promoting global cultural exchanges by hosting diverse performances from home and abroad, the festival supports public welfare by inviting students from rural areas and people from social welfare groups to enjoy the cultural experiences on offer. In 2023, a special puppetry event, "Puppet × Possibilities," was held outdoors at CTBC Financial Park as part of the festival. It featured performances by the Puppet & Its Double Theatre and students from the Huayu Branch of Neicheng Elementary School in Yilan County, with nearly 2,000 people attending. The festival's international programs, such as "Cura" by the Debora Colker Dance Company from Brazil and "Bruce Marie" by the Duda Paiva Company from the Netherlands, were also well received, with an impressive 85% attendance for both shows.

In order to promote the visual arts and support emerging artists, we host the CTBC Painting Prize, the only award focusing on contemporary painting in Taiwan. In 2023, its second edition set a new record for Taiwanese painting contests with 802 entries. Contest prizes totaled NT\$2 million and selected artworks will be exhibited at the Kuandu Museum of Fine Arts in spring 2024. And finally but perhaps most importantly in the arts and culture arena are our educational efforts through the Dreams Initiative Project. Launched in 2017, it invites art teachers to rural areas to open up broaden children’s perspectives and build their confidence. In 2023, we launched the Seed Teacher Training Program, beginning in six schools to support the arts education of over 2,000 students in rural areas. In addition to receiving 27 major domestic and foreign awards, the Dreams Initiative Project was also the subject of Taiwan’s first ever SROI evaluation in the field of arts and culture education, which found that every NT\$1 invested yielded an SROI of NT\$4.18.

Moving forward, CTBC Bank will continue to give ESG-related issues high priority in its decision-making and planning. It will further expand its capacity for sustainably minded corporate operations—and it will do so by upholding its “We are family” brand spirit, “protect and build” corporate mission, and “caring, professional, and trustworthy” brand values. It does this in order to create value for its customers, employees, shareholders, suppliers, and community, working to cement its status as the most trusted financial service institution among customers and shareholders alike.

## 2) Ethical conduct

CTBC Bank does its best to fulfill the responsibility that comes with its corporate citizenship, and emphasizes ethical business operations. It has formulated a Code of Ethical Conduct, which includes a nine-part framework comprising the avoidance of conflicts of interest, improper personal gain, and unethical conduct; confidentiality obligations; fair trade; the protection and appropriate use of company assets; compliance with laws and regulations; the encouraging of the reporting of illegal or unethical activities; and disciplinary measures. It functions jointly with governance-related policies such as CTBC Holding’s Code of Conduct and CTBC Bank’s Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Anti-Bribery Policy. These rules require all directors, managers, and employees to self-regulate and directors and high-level management to issue ethical management compliance statements, as well as mandating annual ethical management training/ advocacy. We reiterate relevant ethical management rules to all employees every six months, emphasizing the importance of ethical management compliance and implementation when providing services in order to avoid any improper behavior that may harm the company’s reputation and to preserve the company’s culture of ethical management. The above regulations are published on the websites of CTBC Holding and CTBC Bank. Personnel who violate any of these regulations will face disciplinary action according to relevant company measures.

## **4. Dividend policy and earnings distribution**

### **4.1. Dividend policy and execution status**

#### **4.1.1. Dividend policy:**

As a subsidiary of CTBC Holding, and in order to satisfy the fund requirements of the parent company, if the Bank reaches a reasonable BIS ratio, cash dividends and bonuses for common shares shall be prioritized and maintained at a stable level every year.

The above policy, however, is to be observed only in principle. The Bank shall take business performance and budgeted capital requirements into consideration and make necessary adjustments to the actual distribution.

Regarding the distribution terms, time, and amount, if there are earnings in the financial statement, the Bank shall first set aside funds for taxes, to be adjusted according to the principles of financial accounting, and offset losses, if any. It shall then set aside 30% of the earnings as a legal reserve and subsequently, per applicable laws and regulations, appropriate or reverse a special reserve. The balance, together with the undistributed retained earnings of the previous year, shall be the distributable earnings. The Board of Directors shall present an earnings distribution proposal at a shareholders' meeting for approval. Prior to the legal reserve reaching the paid-in capital of the Bank, the distributed cash dividends shall not exceed 15% of the Bank's paid-in capital. Upon the Bank's accumulated legal reserve reaching the Bank's paid-in capital, or if the Bank meets the required finance and business operation standards as defined by the competent authority in paragraph 2 of Article 50 of the Banking Act and has set aside legal reserve according to the Company Act, it shall not be limited by the legal reserve and the cash earning distribution ceiling.

4.1.2. The Board has approved the earnings appropriation proposal for 2023. It is proposed that a total of NT\$29,289,411 thousand from the distributable earnings of the year be distributed in cash and in stock according to the record shown in the shareholder book on the distribution record date. The dividends are NT\$1.3 per share in cash and NT\$0.67952 per share in stock, total common stock dividends are NT\$1.97952 per share. In the event of a capital increase or decrease affecting the number of outstanding shares on the distribution record date, the Chairman shall be authorized to handle relevant matters.

### **4.2. Impact of proposed stock dividend on the Company's business performance and EPS:**

No financial forecast was announced for the Bank in 2024; therefore, no such disclosure is applicable.

### **4.3. Information relating to the compensation of employees, directors, and supervisors**

- 4.3.1. Proportion or range of employee, director, and supervisor compensation as set forth in the Bank's Articles of Incorporation: 0.05% of the current year's profit as employee compensation. However, the compensation of directors and supervisors is not mentioned in the Articles of Incorporation.
- 4.3.2. The basis for estimating employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: Employee compensation in 2023 is recognized as the current-period expenses based on the Bank's pre-tax income before the deduction of employee compensation at the end of the accounting period, multiplied by the percentage set by the Bank's Articles of Incorporation. Differences between the actual amount, as approved by the Board of Directors, and the original estimate will be accounted for as changes in accounting estimates and recognized as a profit or loss in the following year.
- 4.3.3. Distribution of compensation approved by the Board of Directors:
- 1) Employee compensation distributed in cash or stock: The cash compensation of employees was NT\$25,091 thousand.
  - 2) Discrepancy between the actual amount and the original estimates, and the reasons and handling thereof:
    - (1) Compensation discrepancies: The accrued expenses for employee compensation in 2023 were NT\$25,091 thousand. There is no discrepancy between the actual distribution amount and the accrued expenses for employee compensation.
    - (2) Reason and handling:
  - 3) The percentage of employee compensation distributed in stock of the sum of after-tax net income stated in the parent company-only financial reports or individual financial reports for the current period and of total employee compensation: Not applicable because the Bank did not distribute any employee compensation in stock.
- 4.3.4. The actual distribution of employee, director, and supervisor compensation for 2022 (including the number of shares, monetary amount, and stock price of the shares distributed), and any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, and the reason and handling thereof:

	2022			
	Compensation distributed with Board approval	Recognized expenses	Difference	Reason and handling
Distribution status:				
A. Employee compensation distributed in cash	NT\$22,205 thousand	NT\$22,205 thousand	NT\$0 thousand	There is no discrepancy between actual and recognized employee and director compensation.
B. Employee compensation distributed in stock				
(1) shares,	-	-	-	
(2) amount, and	-	-	-	
(3) stock price	-	-	-	
C. Compensation to directors and supervisors	-	-	-	

## 5. Internal Control System Statement

### CTBC Bank Internal Control System Statement

To: Financial Supervisory Commission,

On behalf of CTBC Bank Co., Ltd., we hereby certify that for the fiscal year of 2023, the Bank has duly complied with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries in establishing our internal control system, enforcing risk management, auditing the same by an independent audit unit and reporting the results thereof to the Board of Directors and Audit Committee on a periodic basis; the Bank has also duly complied with paragraph 5 of Article 38 and Article 38-1 of the abovementioned implementation rules as well as the information security self-discipline standards established by relevant financial industry associations.

For its concurrent securities business, the Bank has evaluated the effectiveness of the design and implementation of the relevant internal control system according to the evaluation requirements under the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets.

For its concurrent insurance agent business, the Bank has evaluated the effectiveness of the design and implementation of the relevant internal control system according to the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies.

Upon prudent evaluation, we, the undersigned, hereby certify that, with the exception of the items listed in the attachment, the Bank's internal control system, compliance with relevant laws and regulations, and overall information security mechanism were effectively implemented in 2023. This statement shall form part of the Bank's annual report and prospectus to be disclosed to the public, and we are liable for false information or omissions in its material contents under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

Sincerely yours,

Chairman



President



Chief Auditor



Chief Compliance Officer



Chief Information Security Officer



Feb. 23, 2024

## Issues and corrective actions for CTBC Bank's internal control system statement

As of Dec. 31, 2023

Issue for improvement	Corrective actions	Target completion date
<p>1. The 2022 FSC full-scope examination of CTBC Holding found that CTBC Bank participated in group meetings of CTBC Holding alongside non-representative major shareholder and that the Bank shared personnel administration information with third parties without Board authorization. The FSC imposed a reprimand on Aug. 10, 2023. Additionally, CTBC Bank was suspended from applying to establish overseas operation units and from applying for new reinvestments until the FSC approves the corrective actions taken.</p>	<p>(1) Relevant information was stopped from being shared with third parties without Board authorization. (2) Relevant matters will be handled according to the shareholder communication processes established by CTBC Holding.</p>	<p>CTBC Holding will maintain ongoing communication with the competent authority, aiming for timely approval of its improvement measures.</p>
<p>2. The FSC found deficiencies in CTBC Bank's processing of customers' over-the-counter applications to increase the daily limit for online banking transfers and ATM withdrawals. It cited the Bank's failure to establish an adequate control mechanism for employees to confirm the reasonableness and authenticity of customers' transactions as well as the absence of an effective employee conduct management mechanism. The FSC imposed an administrative fine of NT\$20 million on June 7, 2023.</p>	<p>(1) A mechanism was established to confirm the reasonableness and authenticity of customer applications to increase transaction limits. The relevant supervision process was also strengthened. (2) Awareness raising for the Bank's integrity culture and the importance of KYC and KYE was conducted.</p>	<p>Completed</p>
<p>3. The FSC found that a former financial adviser at CTBC Bank was involved in the embezzlement of a customer's funds, recommended to customers engage in multiple transactions within a short period, and engaged in abnormal fund transactions with customers. The FSC imposed an administrative fine of NT\$10 million on Aug. 4, 2023.</p>	<p>(1) The monitoring mechanism for abnormal transactions was strengthened. (2) The rotation mechanism for financial advisers was enhanced. (3) Continual advocacy and inspections will be conducted to raise employees' compliance awareness.</p>	<p>Completed</p>
<p>4. The FSC found deficiencies in CTBC Bank's insurance agent business, citing an investment-type insurance product's risk level not being simultaneously adjusted after the risk label of its investment target changed. This resulted in the sale of products that did not conform to suitability requirements and the failure to properly understand and evaluate the insurance needs and suitability of policyholders or the insured. The FSC imposed an administrative fine of NT\$600,000 on March 10, 2023.</p>	<p>(1) The checking process for changes in the investment target risk label of investment-type products was enhanced. (2) The customer rights notification process was amended. The customers involved have been informed of their relevant rights.</p>	<p>Completed</p>

Issue for improvement	Corrective actions	Target completion date
<p>5. The FSC found that several CTBC Bank employees accessed personal customer data through the computer system and shared the information with third parties. The FSC imposed administrative fines of NT\$50,000 and NT\$125,000 on April 25, 2023, and Feb. 5, 2024, respectively.</p>	<p>(1) The privilege levels and control measures for systems that allow the accessing of personal data were strengthened.</p> <p>(2) New supervisor control authorization was introduced and the monitoring mechanism for abnormal access of customer data was enhanced.</p> <p>(3) Personal information protection training and the related inspection mechanism were strengthened and relevant internal rules were examined and revised.</p>	<p>(1) May 31, 2024 (2)(3) Completed</p>
<p>6. The FSC found deficiencies in CTBC Bank's OBU securities business, citing the registration change of the responsible person and personnel qualifications did not comply with relevant regulations. The FSC imposed a reprimand on Jan. 11, 2023.</p>	<p>Materials required for the registration were submitted and relevant operating procedures were examined.</p>	<p>Completed</p>

6. Audit Committee Report on last year's financial statement

**CTBC Bank Co., Ltd.**  
**2023 Audit Committee Report**

The financial statements(unconsolidated and consolidated), business report, and earnings distribution plan submitted by the Board of Directors of CTBC Bank Co., Ltd., among which the financial statements(unconsolidated and consolidated) have been audited by external auditors Chen, Chun-Kuang and Chen, Fu-Jen of KPMG, have been duly examined and accepted as correct by the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and the committee's report is hereby submitted.

Audit Committee Convener  
Sheng-Yung Yang



Taipei, Taiwan, R.O.C.  
April 26, 2024

## 7. Head office and domestic branches

### 7.1. Domestic branches

Branch name	Address	Telephone
Head Office (Banking Department)	1F., No. 168, Jingmao 2nd Rd., Nangang District, Taipei City 115, Taiwan (R.O.C.)	886-2-33271688
Jhancian Branch	1F., No. 4, Sec. 1, Zhongxiao W. Rd., Zhongzheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23113598
Huashan Branch	1F., No. 55, Sec. 1, Zhongsiao E. Rd., Zhongzheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23413000
Dongmen Branch	1F., No. 213, Sec. 2, Sinyi Rd., Zhongzheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23958000
Chengjhong Branch	1F., No. 83, Sec. 1, Chongcing S. Rd., Zhongzheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23818740
Daan Branch	1F., No. 102, Sec. 2, Roosevelt Rd., Zhongzheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-33651988
Mincyuan West Road Branch	1F., No. 104-1, Mincyuan W. Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	886-2-25572919
Chengde Branch	1F., No. 17, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	886-2-25562088
Sihu Branch	1F., No. 244, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-27999588
Jhongsan Branch	1F., No. 106-2, Sec. 2, Jhongsan N. Rd., Jhongsan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25235222
Minsheng Branch	1F., No. 58, Sec. 1, Minsheng E. Rd., Jhongsan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25641818
East Minsheng Branch	1F., No. 51, Sec. 3, Minsheng E. Rd., Zhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25093656
Dazhi Branch	1F., No. 638, Mingshuei Rd., Jhongsan District, Taipei City 104, Taiwan (R.O.C.)	886-2-85026002
Chengbei Branch	1F., No. 218, Songjiang Rd., Jhongsan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25623789
Nanjing East Road Branch	1F., No. 16, Sec. 1, Nanjing E. Rd., Jhongsan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25232238
Chengdong Branch	1F., No. 88, Sec. 2, Nanjing E. Rd., Jhongsan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25677377
Longjiang Branch	1F., No. 65, Sec. 3, Nanjing E. Rd., Jhongsan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25158811
Chang An Branch	No. 26, Fusing N. Rd., Jhongsan District, Taipei City 104, Taiwan (R.O.C.)	886-2-27785881
Jhungleun Branch	1F., No. 85, Sec. 4, Bade Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-27672669
Fujin Branch	1F., No. 165, Sec. 5, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-27602766
Sisong Branch	1F., No. 161, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-37655588
Fubei Branch	1F., No. 363, Fusing N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-87705566
Dunbei Branch	1F., No. 122, Dunhua N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-27169789
Renai Branch	1F., No. 341, Sec. 4, Renai Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27754600
Anhe Branch	1F., No. 195, Sec. 2, Anhe Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27386171
Yanji Branch	1F., No. 298, Sec. 4, Zhongsiao E. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27716000
Jhongsiao Branch	1F., No. 71, Sec. 4, Zhongsiao E. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27520310
Sinyi Branch	1F., No. 236, Sec. 4, Sinyi Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27079977
Fusing Branch	1F., No. 251, Sec. 1, Dunhua S. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27771988

Branch name	Address	Telephone
Dunnan Branch	1F., No. 68, Sec. 2, Dunhua S. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-23253616
Gungguan Branch	1F., No. 311, Sec. 3, Roosevelt Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-23623377
Wanhua Branch	1F., No. 92, Sec. 2, Changsha St., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	886-2-23898188
Nandong Branch	No. 108, Sec. 1, Nanjing E. Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)	886-2-81811918
Songshan Branch	1F., No. 550, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	886-2-23466711
Shinfu Branch	1F., No. 9, Songgao Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	886-2-27221668
Tianmu Branch	1F., No. 90, Sec. 6, Jhongshan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28322888
Shihlin Branch	1F., No. 307, Jhongjheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28839900
North Tianmu Branch	1F., No. 10, Tianmu W. Rd., Shilin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28766100
Jiantan Branch	1F, No. 150, Sec. 4, Chengde Rd., Shilin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28827979
Shihpai Branch	1F., No. 46, Sec. 2, Shihpai Rd., Beitou District, Taipei City 112, Taiwan (R.O.C.)	886-2-28213366
Beitou Branch	1F., No. 217, Guangming Rd., Beitou District, Taipei City 112, Taiwan (R.O.C.)	886-2-28983039
Rueiguang Branch	No. 514, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-27985600
Chenggong Branch	1F., No. 161, Sec. 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-87911686
Neihu Branch	1F., No. 358, Sec. 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-27938668
Donghu Branch	No. 460, Sec. 5, Chenggong Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	886-2-26312288
Mujha Branch	1F., No. 69, Sec. 3, Mujha Rd., Wunshan District, Taipei City 116, Taiwan (R.O.C.)	886-2-29375890
Wunshan Branch	1F., No. 248, Sec. 4, Sinhai Rd., Wunshan District, Taipei City 116, Taiwan (R.O.C.)	886-2-29335358
Jingmei Branch	No. 405, Sec. 6, Roosevelt Rd., Wenshan District, Taipei City 116, Taiwan (R.O.C.)	886-2-29329838
Keelung Branch	1F., No. 150, Sinyi Rd., Sinyi District, Keelung City 201, Taiwan (R.O.C.)	886-2-24221166
Pucian Branch	No. 409, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	886-2-29550666
Bansin Branch	1F., No. 293-1, Sec. 1, Jhongshan Rd., Banciao District, New Taipei City 220, Taiwan (R.O.C.)	886-2-89611500
Banciao Branch	1F., No. 187, Sec. 1, Wunhua Rd., Banciao District, New Taipei City 220, Taiwan (R.O.C.)	886-2-29606600
Chongcing Branch	1F., No. 290, Chongcing Rd., Banciao District, New Taipei City 220, Taiwan (R.O.C.)	886-2-29634567
Sinbantecyu Branch	1F., No. 88, Sec. 2, Sianmin Blvd., Banqiao District, New Taipei City 220, Taiwan (R.O.C.)	886-2-29619666
Jiangcui Branch	No. 242, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	886-2-22578999
Sijhih Branch	1F., No. 210, Sec. 2, Datong Rd., Sijhih District, New Taipei City 221, Taiwan (R.O.C.)	886-2-26489699
Sindian Branch	No. 150, Sec. 1, Beixin Rd., Xindian District, New Taipei City 231, Taiwan (R.O.C.)	886-2-29129988
North Sindian Branch	1F., No. 25, Mincyuan Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.)	886-2-29135000
Baociang Branch	1F., No. 31, Baociang Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.)	886-2-29123366
Yonghe Branch	1F., No. 215, Sec. 1, Jhongshan Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.)	886-2-89235008
Shuanghe Branch	1F., No. 588, Jhongjheng Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.)	886-2-29233333

Branch name	Address	Telephone
Nashihjiao Branch	1F., No. 65, Jhongjheng Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.)	886-2-29498838
Banhe Branch	1F., No. 726, Jhongjheng Rd., Jhonghe District, New Taipei City 235, Taiwan (R.O.C.)	886-2-82261288
Jhonghe Branch	1F., No. 261, Sec. 2, Zhongshan Rd., Zhonghe District, New Taipei City 235, Taiwan (R.O.C.)	886-2-22452277
Tucheng Branch	1F., No.286, Sec. 2, Jhongyang Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	886-2-22630888
Jincheng Branch	1F., No. 16, Sec. 3, Jincheng Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	886-2-22601177
Sanxia Branch	No. 113, Daxue Rd., Sanxia Dist., New Taipei City 237, Taiwan (R.O.C.)	886-2-26724088
Shulin Branch	1F., No. 122, Sec. 1, Jhongshan Rd., Shulin District, New Taipei City 238, Taiwan (R.O.C.)	886-2-26812345
Sanhe Branch	1F., No. 119, Sec. 4, Sanhe Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-22863286
Sanchong Branch	1F., No. 208, Jhengyi N. Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-29828121
Erchongpu Branch	1F., No. 70-1, Sec. 1, Guangfu Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-29959876
Chongyang Branch	1F., No. 66, Sec. 1, Chongyang Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-89881199
Chongsin Branch	1F., No. 42-1, Sec. 2, Chongsin Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-89726189
Sinjhuang Branch	1F., No. 320, Jhongjheng Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	886-2-29929696
Danfong Branch	1F., No. 879-15, Jhongjheng Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	886-2-29066888
Xinfu Branch	No. 333, Zhongyuan Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	886-2-89916999
North Sinjhuang Branch	1F., No. 57, Sec. 2, Jhonghua Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	886-2-22776789
Minan Branch	1F., No. 179, Min-an Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	886-2-22068887
East Linkou Branch	1F., No. 677, Jhongshan Rd., Linkou Dist., New Taipei City 244, Taiwan (R.O.C.)	886-2-26019397
Lujhou Branch	1F., No. 211, Jhongshan 1st Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.)	886-2-28482008
East Lujhou Branch	1F., No. 135, Minzu Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.)	886-2-22839300
North Lujhou Branch	1F., No. 355, Changrong Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.)	886-2-22881999
Danshuei Branch	1F., No. 123, Jhongshan Rd., Danshuei District, New Taipei City 251, Taiwan (R.O.C.)	886-2-86318822
Yilan Branch	1F., No. 271, Sec.2, Jhongshan Rd., Yilan City ,Yilan County 260, Taiwan (R.O.C.)	886-3-9351122
Lohdong Branch	1F., No. 232, Singdong S. Rd., Luodong Township, Yilan County 265, Taiwan (R.O.C.)	886-3-9574320
Hsinchu Branch	1F., No. 158, Jhongjheng Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5222687
Guangfu Branch	No. 35, Ln. 19, Guanxin Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5790678
Jhuke Branch	1F., No. 2, Jinshan St., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5638080
East Hsinchu Branch	1F., No. 32, Jianjhong Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5749190
Baoshan Branch	No. 301, Shihpin Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5628877
Liou Jia Jhuang Branch	No. 36, Sec. 2, Wenxing Rd., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	886-3-5506789
Jhupei Branch	1F., No. 49, Guangming 6th Rd., Jhubei City, Hsinchu County 302, Taiwan (R.O.C.)	886-3-6560222
Jhongyuan Branch	1F., No. 203, Sec. 2, Jhongbei Rd., Jhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	886-3-4662211

Branch name	Address	Telephone
Neili Branch	1F., No. 262, Sec. 1, Zhonghua Rd., Jhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	886-3-4611998
Jhongli Branch	1F., No. 500, Yanping Rd., Jhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	886-3-4223131
Nan JungLi Branch	No. 68, Huannan Rd., Pingzhen Dist., Taoyuan City 324, Taiwan (R.O.C.)	886-3-4028788
Yiwun Branch	No. 1247, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886-3-3567785
Taoyuan Branch	1F., No. 32, Sec. 1, Chenggong Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886-3-3373266
South Taoyuan Branch	1F., No. 845, Jhongshan Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886-3-3600533
North Taoyuan Branch	1F., No. 124, Jingguo Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886-3-3150566
Linkou Branch	1F., No. 233, Fuxing 1st Rd., Guishan Dist., Taoyuan City 333, Taiwan (R.O.C.)	886-3-3962777
Bade Branch	1F., No. 965, Sec. 1, Jieshou Rd., Bade Dist., Taoyuan City 334, Taiwan (R.O.C.)	886-3-3716565
Nankan Branch	1F., No. 257, Jhongjheng Rd., Lujhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	886-3-3212211
Toufen Branch	1F., No. 951, Jhonghua Rd., Toufen City, Miaoli County 351, Taiwan (R.O.C.)	886-3-7695678
Taichung Branch	1F., No. 50, Minzu Rd., Central District, Taichung City 400, Taiwan (R.O.C.)	886-4-22292161
Keboguan Branch	1F., No. 239, Sec. 2, Taiwan Blvd., West Dist., Taichung City 403, Taiwan (R.O.C.)	886-4-23101258
Chunggang Branch	1F., No. 536, Sec. 2, Taiwan Blvd., West Dist., Taichung City 403, Taiwan (R.O.C.)	886-4-23149999
Intercontinental Branch	1F, No. 418, Sec. 3, Chongde Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)	886-4-24229391
Wunsin Branch	1F., No. 875, Sec. 4, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	886-4-22469988
Shizheng Branch	No. 88, Sec. 1, Huizhong Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	886-4-22545333
Liming Branch	1F., No. 173, Sec. 3, Liming Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	886-4-27082200
Situn Branch	1F., No. 859, Sec. 4, Taiwan Blvd., Situn Dist., Taichung City 407, Taiwan (R.O.C.)	886-4-23551000
Nantun Branch	No. 168, Sec. 2, Wucyuan W. Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	886-4-24712268
Taiping Branch	No. 500, Yuxian Rd., Taiping Dist., Taichung City 411, Taiwan (R.O.C.)	886-4-23958285
Hueijhong Branch	No. 88, Sec. 3, Hueijhong Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	886-4-23891269
Dali Branch	No. 201, Sec. 2, Guoguang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	886-4-24073777
Fongyuan Branch	1F., No. 545, Jhongjheng Rd., Fongyuan District, Taichung City 420, Taiwan (R.O.C.)	886-4-25201010
Nantou Branch	1F., No. 220, Jhongshan St., Nantou City, Nantou County 540, Taiwan (R.O.C.)	886-49-2207711
Changhua Branch	1F., No. 76, Siaoyang Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	886-4-7279933
Yuanlin Branch	1F., No. 372, Jhongjheng Rd., Yuanlin City, Changhua County 510, Taiwan (R.O.C.)	886-4-8368676
Chiayi Branch	1F., No. 241, Minsheng N. Rd., Chiayi City 600, Taiwan (R.O.C.)	886-5-2286600
Douliou Branch	1F., No. 2, Singhua St., Douliou City, Yunlin County 640, Taiwan (R.O.C.)	886-5-5360099
Central Tainan Branch	1F., No. 167, Sec. 1, Minsheng Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	886-6-2412318
Tainan Branch	1F., No. 159, Sec. 1, Fucian Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	886-6-2152345
West Tainan Branch	1F., No. 212, Sec. 4, Jinhua Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.)	886-6-2263636

Branch name	Address	Telephone
Jhonghua Branch	1F., No. 195, Sec. 2, Jhonghua E. Rd., East District, Tainan City 701, Taiwan (R.O.C.)	886-6-3353535
East Tainan Branch	1F., No. 290, Sec. 2, Changrong Rd., East District, Tainan City 701, Taiwan (R.O.C.)	886-6-2085522
South Tainan Branch	1F., No. 236, Sec. 2, Jiankang Rd., South District, Tainan City 702, Taiwan (R.O.C.)	886-6-2919999
Yan Hang Branch	1F., No. 111, Jhongzheng N. Rd., Yongkang Dist., Tainan City 710, Taiwan (R.O.C.)	886-6-2539199
Yongkang Branch	1F., No. 425, Jhonghua Rd., Yongkang District, Tainan City 710, Taiwan (R.O.C.)	886-6-2025787
Rende Branch	1F., No. 478, Zhongshan Rd., Rende District, Tainan City 717, Taiwan (R.O.C.)	886-6-2798099
Jiali Branch	1F., No. 410, Jhongshan Rd., Jiali District, Tainan City 722, Taiwan (R.O.C.)	886-6-7221335
Sinying Branch	1F., No. 137, Jhongshan Rd., Sinying District, Tainan City 730, Taiwan (R.O.C.)	886-6-6336789
Sinsing Branch	1F., No. 206, Minsheng 1st Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	886-7-2262325
Minzu Branch	1F., No. 97, Minzu 2nd Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	886-7-2386567
Kaohsiung Branch	1F., No. 168, Jhongjheng 4th Rd., Cianjin District, Kaohsiung City 801, Taiwan (R.O.C.)	886-7-2318141
East Kaohsiung Branch	1F., No. 29, Cingnian 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	886-7-5351885
South Kaohsiung Branch	1F., No. 21, Yisin 2nd Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.)	886-7-3366768
Gaomeiguan Branch	No. 25, 27, Mingcheng 4th Rd., Gushan Dist., Kaohsiung City 804, Taiwan (R.O.C.)	886-7-5500850
Jiouru Branch	1F., No. 551, Jiouru 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	886-7-3805558
Sanmin Branch	1F., No. 366, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	886-7-3161155
North Kaohsiung Branch	1F., No. 52, Mingcheng 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	886-7-3461199
Youchang Branch	1F., No. 803-3, Houchang Rd., Nanzih District, Kaohsiung City 811, Taiwan (R.O.C.)	886-7-3681699
Boai Branch	1F., No. 88, Bo-ai 2nd Rd., Zuoying District, Kaohsiung City 813, Taiwan (R.O.C.)	886-7-5567909
Gangshan Branch	1F., No. 388, Gangshan Rd., Gangshan District, Kaohsiung City 820, Taiwan (R.O.C.)	886-7-6235500
Fongshan Branch	1F., No. 85-1, Jhongshan Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	886-7-7451199
Wujia Branch	1F., No. 699, Wujia 2nd Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	886-7-8215101
Cingnian Branch	1F., No. 315, Sec. 2, Cingnian Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	886-7-7776668
Pingtung Branch	1F., No. 450, Zihyou Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	886-8-7383000
Taitung Branch	1F., No. 279, Jhongshan Rd., Taitung City, Taitung County 950, Taiwan (R.O.C.)	886-8-9339898
Hualien Branch	1F., No. 376, Jhongshan Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	886-3-8340566
East Hualien Branch	1F., No. 1-7, Gongyuan Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	886-3-8351101
Cingpu Branch	1F., No. 111, Sec. 2, Cingpu Rd., Jhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	886-3-2871608
Shanhua Branch	No. 133, Jhongshan Rd., Shanhua Dist., Tainan City 741, Taiwan (R.O.C.)	886-6-5830702

## 7.2. Overseas services outlets

### Branches

Unit	Address	Telephone	Fax
Hong Kong Branch	Room 2801, 28F and Room 2104-10, 21F, Two International Finance Centre, 8 Finance St., Central, Hong Kong	852-29161582	852-29161777
Kowloon Branch	20F, Manhattan Place, No. 23 Wang Tai Rd., Kowloon Bay, Kowloon, Hong Kong	852-29161582	852-28050899
Shanghai Branch	27F, Shanghai World Financial Center, 100 Century Av., Pudong New Area, Shanghai 200120, PRC	86-21-20805888	86-21-68778788
Shanghai Changning Sub-Branch	Unit 01, 04A, 04B, 29F, No. 1438, Hongqiao Rd., Changning Dist., Shanghai 201103, PRC	86-21-20805998	86-21-62870078
Shanghai Hongqiao Sub-Branch	Room 1101, 1104, 1105, 11F, 818 Shen Chang Rd., Shanghai 201106, PRC	86-21-38766006	86-21-38766030
Guangzhou Branch	6F, International Finance Place, No. 8 Huaxia Rd., Pearl River New Town, Guangzhou 510623, PRC	86-20-38560388	86-20-38560333
Xiamen Branch	29F, Ganghang Building, No. 29 North Donggang Rd., China (Fujian) Pilot Free Trade Zone, Xiamen Subdistrict, 361013, PRC	86-592-5669686	86-592-5668738
Shenzhen Branch	Unit 401A/ 402A2b, Kerry Plaza, No. 1, Zhong Xin Si Rd., Futian CBD, Shenzhen, 518048, PRC	86-755-25767918	86-755-25767900
Singapore Branch	8 Marina View, #29-01, Asia Square Tower 1, Singapore 018960	65-63514888	65-65325999
New Delhi Branch	Gr. Floor & 2nd Floor, Aria Tower, JW Marriott Hotel, Delhi-Aerocity, Asset Area-4, New Delhi-110037, India	91-11-43688888	91-11-43688873
Sriperumbudur Branch	Plot No. 42 Chennai Bangalore Highways NH4, Sriperumbudur, Kancheepuram District, Tamil Nadu-602105, India	91-44-67147700	91-44-67147799
Ho Chi Minh City Branch	Room 1, 2, 3, 9 Floor 7 and room 1-9, Floor 9, MPLaza Saigon Building, 39 Le Duan Street, District 1, Ho Chi Minh City, Vietnam	84-28-39101888	84-28-39101999
Tokyo Branch	Kioi Tower 28F, Tokyo Garden Terrace Kioicho, 1-3 Kioicho, Chiyoda-ku, Tokyo 102-0094, Japan	81-3-32889888	81-3-35568892
New York Branch	11F, #521 Fifth Av., New York, NY 10175, USA	1-212-4578888	1-212-4576666

## Subsidiaries

Unit	Address	Telephone	Fax
PT Bank CTBC Indonesia	Tamara Center, 15th-17th Floor, Jl Jenderal Sudirman Kav. 24, Jakarta, 12920, Indonesia	62-21-25578787	62-21-30402286
CTBC Bank (Philippines) Corp.	16th-19th Floor, Fort Legend Towers, 31st St., Corner 3rd Av., Bonifacio Global City, Taguig City, 1634 Philippines	63-2-89889287	63-2-85767935
CTBC Bank Corp. (Canada)	Suite #350-2608 Granville St., Vancouver, B.C., V6H 3V3, Canada	1-778-3096800	1-778-3091556
CTBC Bank Corp. (USA)	801 S. Figueroa St., Suite 2300 (22-23F), Los Angeles, CA 90017, USA	1-310-7912828	1-424-2774698
The Tokyo Star Bank, Ltd.	2-3-5 Akasaka, Minato-Ku, Tokyo, 107-8480, Japan	81-3-35863111	81-3-32241510
LH Financial Group Public Company Limited	1 Q. House Lumpini Building, 5th Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok Thailand 10120	66-23590000	66-26777223

## Representative offices

Unit	Address	Telephone	Fax
Bangkok Rep. Office	Suite 803, 8F, GPF Witthayu, Tower A, 93/1 Wireless Rd., Lumpini, Pathumwan, Bangkok 10330, Thailand	66-2-2543139	66-2-2566480
Hanoi Rep. Office	East-3002, 30F, LOTTE Center Hanoi, No. 54 Lieu Giai St., Cong Vi Ward, Ba Dinh District, Hanoi, Vietnam	84-24-38249088	84-24-38249099
Los Angeles Rep. Office	17851 Colima Rd., Suite A2, City of Industry, CA91748, USA	1-626-8397660	1-626-9120868
Beijing Rep. Office	B-111, The Grand Pacific Building, 8a, Guanghai Rd., Chao Yang District, Beijing, 100026, PRC	86-10-65813700	86-10-65815701
Sydney Rep. Office	Suite 2702, Level 27, 259 George St., Sydney, NSW 2000, Australia	61-2-92513655	61-2-92513644
Yangon Rep. Office	Unit #506, No. 53, Strand Rd., Pabedan Township, Yangon, Myanmar	95-1-2307348	95-1-2307347
Kuala Lumpur Rep. Office	Lot 11-09, Level 11, Menara Hap Seng 2, Letter Box 21, Plaza Hap Seng, No. 1 Jalan P. Ramlee 50250 Kuala Lumpur, Malaysia	60-3-20223299	60-3-20223277

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

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

**Address: No. 166, 168, 170, 186, 188, Jingmao 2nd Rd., Nangang Dist., Taipei City  
115, Taiwan, R.O.C.**  
**Telephone: 886-2-3327-7777**

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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## Representation Letter

The entities that are required to be included in the consolidated financial statements of CTBC Bank Co., Ltd. for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard No. 10 “Consolidated Financial Statements” , endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements of the affiliates is fully included in the consolidated financial statements. Consequently, CTBC Bank Co., Ltd. and subsidiaries do not prepare a separate set of consolidated financial statements of the affiliated enterprises.

Company name: CTBC Bank Co., Ltd.  
Chairman: Li, Ming-Shieh  
Date: March 14, 2024



安侯建業聯合會計師事務所

KPMG

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## Independent Auditors' Report

To the Board of Directors of CTBC Bank Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of CTBC Bank Co., Ltd. (“the Bank”) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023 and 2022. The consolidated financial statements for the year ended December 31, 2023 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and pronouncements as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China; the consolidated financial statements for the year ended December 31, 2022 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and pronouncements as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants, Jin Kuan Yin No. 10802731571 issued by the Financial Supervisory Commission, and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Bank and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Emphasis of Matter

The judicial cases are stated in Note 9(c). Part of judicial cases are still under investigation by the judiciary, and the results remain uncertain. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters which should communicate through the auditors' report were as follows:



## 1. Assessment of the fair value of financial instruments

Please refer to Note 4(f) for the related accounting policies of the assessment of the fair value of financial instruments, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6(aq) for the other details.

Description of key audit matter:

Parts of the financial instruments owned by the Bank and its subsidiaries as of December 31, 2023 were valued via evaluation model due to the lack of transaction prices at active market, and parts of the referred input values could not be obtained from the public market. Thus, it demands significant professional judgments from the management by using different valuation techniques and assumptions for input values. Therefore, the assessment of fair value of financial instruments is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Testing the management's control procedures over the classification, measurement and disclosure of fair value of financial instruments, including evaluating how the management determines the classification of financial instruments, choosing the appropriate evaluation method and deciding the prime parameter hypothesis, and confirming that the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards (IFRSs). For financial instruments with active market prices, we used sampling test to assess the appropriateness of public quoted prices. As to financial instruments using evaluation model to measure their fair value, we used sampling test to confirm the appropriateness of the evaluation method and the prime input values used by the management.

## 2. Impairment of loans and receivables

Please refer to Note 4(f) for the related accounting policies of impairment of loans and receivables, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6(h), (i), (j) and (aq) for the other details.

Description of key audit matter:

The management assessed the expected credit loss (ECL) of loans and receivables by identifying whether the credit risk of credit assets has significantly increased since initial recognition, then dividing ECL into 12-month ECL and lifetime ECL, and dividing them into collective assessment and individual assessment to measure them by using different impairment methods. For collective assessment, the impairment is calculated by establishing an impairment model and using the past loss experience, current market conditions and forward-looking estimation on assets with similar credit risk characteristic to form basic estimation. For individual assessment, the measurement is based on expected future recoverable cash flows. The aforementioned measurement methods involved significant professional judgments and estimation by the management; therefore, the impairment of loans and receivables is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Understanding the methodology and related control procedures on how the management assesses and measures the impairment amount of loans and receivables. For collective assessment, we assessed the impairment model adopted by the management and reviewed the appropriateness of the calculation of the impairment parameters (including probability of default, loss given default, exposure at default and recovery rate) via sampling. For individual assessment, we used sampling test to assess the appropriateness of the estimation of future recoverable amounts and the value of collateral. Meanwhile, we assessed whether the allowance for loans and receivables meets the regulation requirement.



## **Other Matter**

Individual financial statements of the Bank were additionally prepared, and we have expressed an unqualified opinion with emphasis of matter and other matter on it for user reference.

## **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 for the year ended December 31, 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and pronouncements as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and the preparation and fair presentation of the consolidated financial statements for the year ended December 31, 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and pronouncements as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including audit committee) are responsible for overseeing the Bank and its subsidiaries' financial reporting process.

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional 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 Bank and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 audit resulting in this independent auditors' report are Chen, Chun-Kuang and Chen, Fu-Jen.

KPMG

Taipei, Taiwan (Republic of China)  
March 14, 2024

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

**Consolidated Balance Sheets**

**December 31, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022		December 31, 2023		December 31, 2022			
	Amount	%	Amount	%	Amount	%	Amount	%		
<b>ASSETS</b>										
Cash and cash equivalents (note 4, 6(a) and (f), and 7)	\$ 76,976,809	1	83,113,633	2						
Due from Central Bank and call loans to banks (note 6(b) and 7)	557,119,951	9	496,634,588	9	21000	Deposits from Central Bank and other banks (note 6(s) and 7)	\$ 93,282,929	2	97,583,731	2
Financial assets measured at fair value through profit or loss (note 4, 6(c), (u) and (aq), and 7)	429,175,757	7	209,728,802	4	21500	Due to Central Bank and other banks (note 6(t))	18,694,367	-	16,612,984	-
Financial assets measured at fair value through other comprehensive income (note 4, 6(d), (u) and (aq), and 8)	274,988,259	5	232,273,806	4	22000	Financial liabilities measured at fair value through profit or loss (note 4, 6(c) and (aq), and 7)	77,048,779	1	71,038,076	1
Investment in debt instruments at amortized cost (note 4, 6(e), (u) and (aq), and 8)	863,706,956	14	980,645,990	18	22300	Financial liabilities-hedging (note 4, 6(f) and (aq))	39,720	-	503,026	-
Financial assets-hedging (note 4, 6(f) and (aq))	298,360	-	18,389	-	23000	Securities sold under repurchase agreements (note 4 and 6(u))	203,950,225	3	133,892,143	2
Securities purchased under resale agreements (note 4, 6(g), and 7)	42,052,943	1	10,141,185	-	23000	Payables (note 6(v) and 7)	98,275,359	2	87,328,626	2
Receivables-net (note 4, 6(h), (j) and (aq), 7 and 8)	189,142,788	3	168,442,073	3	23500	Current income tax liabilities (note 4)	6,844,803	-	5,401,616	-
Current income tax assets (note 4)	1,474,531	-	1,075,676	-	24000	Deposits and remittances (note 6(w) and 7)	5,000,082,385	84	4,614,615,833	84
Loans-net (note 4, 6(i), (j) and (aq), 7 and 8)	3,456,020,602	57	3,210,623,468	57	25513	Financial debentures (note 6(c) and (x))	53,453,643	1	55,431,884	1
Investment under equity method-net (note 4 and 6(k))	3,588,167	-	3,112,237	-	25597	Commercial papers issued-net (note 6(y))	5,865,460	-	2,659,613	-
Other financial assets-net (note 4, 6(j), (m) and (aq), and 8)	1,933,876	-	2,196,120	-	25600	Other financial liabilities (note 6(z))	63,296,876	1	50,565,469	1
Premises and equipment-net (note 4 and 6(o))	40,909,148	1	41,041,630	1	26000	Provisions (note 4, 6(j), (aa) and (ad))	4,675,120	-	4,814,272	-
Right-of-use assets-net (note 4 and 6(p))	17,726,506	-	17,161,009	-	29300	Lease liabilities (note 4, 6(ac) and 7)	16,357,527	-	15,570,532	-
Investment property-net (note 4 and 6(n))	4,773,557	-	4,819,089	-	29500	Deferred tax liabilities (note 4 and 6(ae))	5,195,124	-	3,856,659	-
Intangible assets-net (note 4 and 6(q))	30,294,053	1	30,389,881	1		Other liabilities (note 6(ab))	17,921,938	-	16,290,299	-
Deferred tax assets (note 4 and 6(ae))	12,033,553	-	10,472,858	-		<b>Total Liabilities</b>	<u>5,664,984,255</u>	<u>94</u>	<u>5,176,164,763</u>	<u>93</u>
Other assets-net (note 4 and 6(r))	44,080,746	1	35,282,300	1		<b>Stockholders' Equity - Parent Company:</b>				
						Capital stock:				
					31101	Common stock (note 6(af))	147,962,186	2	147,962,186	3
					31500	Capital surplus (note 6(af))	30,139,671	-	29,872,413	1
						Retained earnings:				
					32001	Legal reserve	127,316,868	2	116,085,819	2
					32003	Special reserve	30,273,312	1	25,767,513	-
					32005	Undistributed earnings (note 6(af))	40,812,502	1	37,436,876	1
					32500	Other equity interest (note 6(af))	(18,713,225)	-	(19,433,920)	-
					38000	<b>Non-controlling interests (note 6(f))</b>	<u>23,520,993</u>	<u>-</u>	<u>23,317,084</u>	<u>-</u>
						<b>Total Equity</b>	<u>381,312,307</u>	<u>6</u>	<u>361,007,971</u>	<u>7</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,046,296,562</u>	<u>100</u>	<u>5,537,172,734</u>	<u>100</u>		<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 6,046,296,562</u>	<u>100</u>	<u>5,537,172,734</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2023		2022		Change %
	Amount	%	Amount	%	
41000 Interest income (note 6(aj) and 7)	\$ 163,589,766	120	105,887,992	91	54
51000 Less: Interest expenses (note 6(aj) and 7)	(85,810,569)	(62)	(30,802,029)	(26)	179
<b>Net interest income (note 6(aj))</b>	<u>77,779,197</u>	<u>58</u>	<u>75,085,963</u>	<u>65</u>	4
<b>Net non-interest income</b>					
49100 Service fee and commission income (note 6(ak) and 7)	39,170,830	28	34,748,164	29	13
49200 Gains on financial assets or liabilities measured at fair value through profit or loss (note 6(al))	18,559,952	13	7,599,644	6	144
49310 Realized gains on financial assets measured at fair value through other comprehensive income	1,745,689	1	336,496	-	419
49450 Gains on derecognition of financial assets measured at amortized cost (note 6(e))	23,323	-	52,274	-	(55)
49600 Foreign exchange gains	1,399,110	1	1,737,125	1	(19)
49700 Provision for impairment losses on assets	(597,995)	-	(33,131)	-	(1,705)
49750 Proportionate share of gains from associates or joint ventures under equity method (note 6(k))	366,681	-	180,227	-	103
49800 Other net non-interest income	2,064,896	1	1,624,622	1	27
49815 (Losses) gains on investment property	(16,214)	-	135,227	-	(112)
49899 Public-welfare lottery payment	(2,700,000)	(2)	(2,700,000)	(2)	-
<b>Net revenue</b>	<u>137,795,469</u>	<u>100</u>	<u>118,766,611</u>	<u>100</u>	16
58200 <b>Provision for bad debt expenses, commitment and guarantee liability provision (note 6(j))</b>	<u>(8,763,521)</u>	<u>(6)</u>	<u>(8,177,843)</u>	<u>(7)</u>	7
<b>Operating expenses:</b>					
58500 Employee benefits expenses (note 6(am) and (ao))	(40,375,126)	(29)	(32,765,305)	(28)	23
59000 Depreciation and amortization expenses (note 6(an))	(7,183,320)	(5)	(7,023,618)	(6)	2
59500 Other general and administrative expenses (note 6(ap) and 7)	(28,448,599)	(21)	(23,362,240)	(20)	22
<b>Total operating expenses</b>	<u>(76,007,045)</u>	<u>(55)</u>	<u>(63,151,163)</u>	<u>(54)</u>	20
<b>Net income before tax from continuing operations</b>	<u>53,024,903</u>	<u>39</u>	<u>47,437,605</u>	<u>39</u>	12
61003 <b>Less: Income tax expenses (note 6(ac))</b>	<u>10,238,067</u>	<u>7</u>	<u>8,958,641</u>	<u>8</u>	14
<b>Net income</b>	<u>42,786,836</u>	<u>32</u>	<u>38,478,964</u>	<u>31</u>	11
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
65200 Remeasurement (losses) gains related to defined benefit plans	(42,212)	-	408,611	-	(110)
65205 Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	(361,105)	-	2,329,242	2	(116)
65204 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(1,296,433)	(1)	(3,902,920)	(3)	67
65206 Proportionate share of other comprehensive income (losses) from associates or joint ventures under the equity method - Items that will not be reclassified subsequently to profit or loss	3,270	-	(2,420)	-	235
65220 Less: Income tax related to items that will not be reclassified to profit or loss	(388,038)	-	449,017	-	(186)
<b>Subtotal</b>	<u>(1,308,442)</u>	<u>(1)</u>	<u>(1,616,504)</u>	<u>(1)</u>	19
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
65300 Exchange differences of overseas subsidiaries' financial reports translation	(1,901,132)	(1)	6,098,642	6	(131)
65308 Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	1,820,875	1	(8,448,201)	(7)	122
65306 Proportionate share of other comprehensive income (losses) from associates or joint ventures under the equity method - Items that are or may be reclassified subsequently to profit or loss	182,935	-	(532,867)	-	134
65320 Less: Income tax related to items that are or may be reclassified to profit or loss	(256,841)	-	(231,290)	-	(11)
<b>Subtotal</b>	<u>359,519</u>	<u>-</u>	<u>(2,651,136)</u>	<u>(1)</u>	114
65000 <b>Other comprehensive incomes (losses)</b>	<u>(948,923)</u>	<u>(1)</u>	<u>(4,267,640)</u>	<u>(2)</u>	78
66000 <b>Total comprehensive income</b>	<u>\$ 41,837,913</u>	<u>31</u>	<u>34,211,324</u>	<u>29</u>	22
<b>Net Income attributable to:</b>					
67101 Parent company	\$ 41,332,709	31	37,141,880	30	11
67111 Non-controlling interest	1,454,127	1	1,337,084	1	9
	<u>\$ 42,786,836</u>	<u>32</u>	<u>38,478,964</u>	<u>31</u>	11
<b>Comprehensive income attributable to:</b>					
67301 Parent company	\$ 41,533,155	31	32,931,107	27	26
67311 Non-controlling interest	304,758	-	1,280,217	2	(76)
	<u>\$ 41,837,913</u>	<u>31</u>	<u>34,211,324</u>	<u>29</u>	22
<b>Earnings per share (unit: NT dollars) (note 6(ai))</b>	<u>\$ 2.79</u>		<u>2.51</u>		

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CTBC BANK CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Stockholders' Equity - Parent Company										
	Capital stock			Retained earnings			Other equity interest				Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	Stockholders' equity-parent company	Non-controlling interests	
<b>Balance at January 1, 2022</b>	\$ 147,962,186	29,808,171	107,112,133	16,966,072	29,912,366	(16,570,637)	1,688,088	(45,651)	316,832,728	22,134,405	338,967,133
Net income	-	-	-	-	37,141,880	-	-	-	37,141,880	-	38,478,964
Other comprehensive income (losses)	-	-	-	-	324,535	4,712,752	(11,111,453)	1,863,393	(4,210,773)	1,337,084	38,478,964
Total comprehensive income (losses)	-	-	-	-	37,466,415	4,712,752	(11,111,453)	1,863,393	32,931,107	(56,867)	(4,267,640)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	8,973,686	-	(8,973,686)	-	-	-	-	-	-
Cash dividends of common share	-	-	-	8,801,441	(8,801,441)	-	-	-	(12,137,190)	-	(12,137,190)
Changes in non-controlling interests	-	-	-	-	(12,137,190)	-	-	-	-	(97,538)	(97,538)
Share-based payment transactions	-	-	-	-	-	-	-	-	64,242	-	64,242
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2022	147,962,186	29,872,413	116,085,819	25,767,513	37,436,876	(11,857,885)	(9,393,777)	1,817,742	337,690,887	23,317,084	361,007,971
Net income	-	-	-	-	41,332,709	(1,793,453)	2,319,634	(288,884)	41,332,709	1,454,127	42,786,836
Other comprehensive income (losses)	-	-	-	-	(36,851)	(1,793,453)	2,319,634	(288,884)	(200,446)	(1,149,369)	(948,923)
Total comprehensive income (losses)	-	-	-	-	41,295,858	(1,793,453)	2,319,634	(288,884)	41,533,155	304,758	41,837,913
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	11,231,049	-	(11,231,049)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,505,799	(4,505,799)	-	-	-	-	-	-
Cash dividends of common share	-	-	-	-	(21,699,986)	-	-	-	(21,699,986)	-	(21,699,986)
Share-based payment transactions	-	-	267,258	-	-	-	-	-	267,258	-	267,258
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(483,398)	-	483,398	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(100,849)	(100,849)
<b>Balance at December 31, 2023</b>	\$ 147,962,186	30,139,671	127,316,868	30,273,312	40,812,502	(13,651,338)	(6,590,745)	1,528,858	357,791,314	23,520,993	381,312,307

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities:</b>		
<b>Net Income (Losses) Before Tax</b>	\$ 53,024,903	47,437,605
<b>Adjustments:</b>		
<b>Income and expenses items:</b>		
Depreciation expense	5,532,485	5,356,074
Amortization expense	1,676,753	1,696,266
Provision for (reversal of) expected credit loss / bad debt expenses, commitment and guarantee liability provision	8,763,521	8,177,843
Net losses (gains) on financial assets or liabilities measured at fair value through profit or loss	(4,674,027)	(5,670,429)
Interest expense	85,810,569	30,802,029
Interest income	(163,589,766)	(105,887,992)
Dividend income	(1,686,188)	(2,020,090)
Net change in other provisions	(32,039)	49,701
Share-based payment transactions	267,258	64,242
Proportionate share of losses (gains) from associates and joint ventures under the equity method	(366,681)	(180,227)
Losses (gains) on disposal and retirement of premises and equipment	31,619	27,558
Losses (gains) on disposal of investment properties	(6,413)	(158,954)
Losses (gains) on disposal and retirement of intangible assets	22,127	13,376
Provision for (reversal of) impairment losses on financial assets	558,556	24,344
Provision for (reversal of) impairment losses on non-financial assets	39,439	8,787
Losses (gains) on disposal of foreclosed properties	3,536	(23,842)
Other adjustments	403,511	1,022,072
<b>Subtotal of income and expense items</b>	<u>(67,245,740)</u>	<u>(66,699,242)</u>
<b>Changes in Operating Assets and Liabilities:</b>		
<b>Net Changes in Operating Assets:</b>		
(Increase) decrease in due from Central Bank and call loans to banks	(33,825,353)	(40,432,636)
(Increase) decrease in financial assets measured at fair value through profit or loss	(214,859,326)	(36,895,951)
(Increase) decrease in financial assets measured at fair value through other comprehensive income	(42,740,765)	39,740,711
(Increase) decrease in investments in debt instruments at amortized cost	116,931,236	(32,579,237)
(Increase) decrease in hedging financial assets	(279,971)	244,478
(Increase) decrease in receivables	(17,900,091)	322,742
(Increase) decrease in loans	(252,639,966)	(481,477,969)
(Increase) decrease in other financial assets	365,290	1,800,771
(Increase) decrease in other assets	(10,127,940)	(4,944,600)
<b>Net Changes in Operating Assets</b>	<u>(455,076,886)</u>	<u>(554,221,691)</u>
<b>Net Changes in Operating Liabilities:</b>		
Increase (decrease) in deposits from Central Bank and other banks	(4,300,803)	42,633,482
Increase (decrease) in financial liabilities measured at fair value through profit or loss	5,691,639	26,876,800
Increase (decrease) in hedging financial liabilities	(463,306)	501,096
Increase (decrease) in payables	3,472,448	5,854,269
Increase (decrease) in deposits and remittances	385,466,555	503,031,167
Increase (decrease) in other financial liabilities	13,504,227	16,047,872
Increase (decrease) in employee benefits reserve	(304,567)	(313,560)
Increase (decrease) in other liabilities	1,631,640	5,348,110
<b>Net Changes in Operating Liabilities</b>	<u>404,697,833</u>	<u>599,979,236</u>
<b>Net Changes in Operating Assets and Liabilities</b>	<u>(50,379,053)</u>	<u>45,757,545</u>
<b>Sum of Adjustments</b>	<u>(117,624,793)</u>	<u>(20,941,697)</u>
Cash provided by (used in) Operating Activities	(64,599,890)	26,495,908
Interest received	159,324,664	100,483,774
Dividends received	1,705,051	2,135,304
Interest paid	(68,265,442)	(22,637,207)
Income taxes refund (paid)	(8,840,861)	(10,303,940)
<b>Net Cash Flows Provided by (Used in) Operating Activities</b>	<u>19,323,522</u>	<u>96,173,839</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments under equity method	\$ (24,961)	(24,403)
Purchase of premises and equipment	(2,553,870)	(1,844,930)
Disposal of premises and equipment	4,242	4,415
Purchase of intangible assets	(1,351,189)	(1,911,117)
Disposal of foreclosed properties	314,468	93,207
Disposal of investment properties	20,172	453,137
Dividends received	30,374	-
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<u>(3,560,764)</u>	<u>(3,229,691)</u>
<b>Cash Flows from Financing Activities:</b>		
Increase in due to Central Bank and other banks	2,081,384	1,344,006
Increase in commercial papers payable	3,225,676	-
Decrease in commercial papers payable	-	(3,807,446)
Repayment of financial debentures	(2,000,000)	(4,111,000)
Increase in securities sold under repurchase agreements	70,058,083	40,914,305
Increase in designated as financial liabilities measured at fair value through profit or loss	107,366	2,351,680
Decrease in designated as financial liabilities measured at fair value through profit or loss	(72,313)	-
Payment of lease liabilities	(2,868,273)	(2,638,456)
Cash dividends paid	(21,800,835)	(12,234,728)
Interest paid	(10,090,513)	(3,201,870)
<b>Net Cash Flows Provided by (Used in) Financing Activities</b>	<u>38,640,575</u>	<u>18,616,491</u>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	(1,968,390)	3,053,858
<b>Increase (decrease) in Cash and Cash Equivalents</b>	52,434,943	114,614,497
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<u>469,338,197</u>	<u>354,723,700</u>
<b>Cash and Cash Equivalents at the End of Period</b>	<u>\$ 521,773,140</u>	<u>469,338,197</u>
<b>Composition of Cash and Cash Equivalents:</b>		
Cash and cash equivalents recognized in balance sheet	\$ 76,976,809	83,113,633
Due from Central Bank and call loans to bank which meet IAS 7 definition of cash and cash equivalents	402,743,388	376,083,379
Securities purchased under resell agreements which meet IAS 7 definition of cash and cash equivalents	42,052,943	10,141,185
<b>Cash and Cash Equivalents at the End of Period</b>	<u>\$ 521,773,140</u>	<u>469,338,197</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history:**

CTBC Bank Co., Ltd. (the “Bank”) was originally incorporated in March 1966 as “China Securities Investment Corporation.” In December 1970, the Bank changed its organization and was renamed China Trust Co., Ltd. Twenty-one years later, on July 2, 1992, it was approved to conduct commercial banking business and changed its name to CTBC Bank Co., Ltd.

In order to restructure overall resources, lower costs, expand the business scope, enhance competitiveness, and improve the quality of financial services and operating efficiency, on September 30, 2003, the Bank’s Board of Directors resolved to acquire Grand Commercial Bank, a wholly owned subsidiary of CTBC Financial Holding Co., Ltd., and to merge with it, with the Bank as the surviving entity. The acquisition date of record was December 1, 2003.

On August 1, 1991, Grand Commercial Bank was approved to conduct commercial banking business, and it began operations on December 30, 1991. As of November 30, 2003, Grand Commercial Bank had a business department, a trust department, a domestic banking unit, an offshore banking unit, and 42 domestic branches.

In order to develop the business units, enhance competitiveness, and provide customers with more convenient and varied financial services, the Bank assumed the outstanding assets, liabilities and operations of Fengshan Credit Cooperative (“FSCC”) and Enterprise Bank of Hualien (“EBH”) on October 1, 2004, and September 8, 2007, respectively.

In order to enhance the effectiveness of the overall operation of CTBC Financial Holding Company and to reduce operational risk and cost, the Bank merged with Chinatrust Bills Finance Corp., a wholly owned subsidiary of CTBC Financial Holding Co., Ltd., by issuing common shares in a 0.77-for-1 exchange for the shares of Chinatrust Bills Finance Corp. on April 26, 2008. The Bank is the surviving entity from this merger.

In order to restructure overall resources and fulfill operating efficiency, the Bank merged with CTBC Insurance Brokers Co., Ltd., a wholly owned subsidiary of CTBC Financial Holding Co., Ltd. by issuing common shares in a 10.47-for-1 exchange for the shares of CTBC Insurance Brokers Co., Ltd. on November 30, 2015. The Bank is the surviving entity from this merger.

The Bank has been approved to conduct business in the following areas:

- (a) Checking accounts, savings accounts, and time deposits;
- (b) Short, medium, and long-term loans;
- (c) Note discounting;
- (d) Investment in marketable securities;
- (e) Domestic foreign exchange business;
- (f) Banker’s acceptances;

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (g) Issuance of domestic standby letters of credit;
- (h) Domestic endorsement guarantees business;
- (i) Collection and payment agency;
- (j) Agency for government bonds, treasury bills, corporate bonds, and securities transactions;
- (k) Agency transactions and proprietary trading of short-term bills;
- (l) Credit card-related products;
- (m) Agency for sale of gold nuggets, gold coins, and silver coins;
- (n) Financial derivative businesses as approved by the Financial Supervisory Commission;
- (o) Custody and warehouse services;
- (p) Renting of safe-deposit boxes;
- (q) Financial advisory services on corporate banking;
- (r) Foreign exchange business in connection with exports and imports, fund remittance and repatriation, foreign currency deposits and loans; guarantee for secured repayment, and attestation on exports and imports;
- (s) Non-discretionary trust funds for investment in foreign and domestic marketable securities;
- (t) Account receivable factoring business as approved by the Financial Supervisory Commission;
- (u) Endorsement and issuance of corporate bonds;
- (v) Issuance of financial debentures;
- (w) Underwriting, agency transactions, and proprietary trading of marketable securities;
- (x) Proprietary trading of government bonds;
- (y) All businesses related thereto as specified in the license or other agency services as approved by the Financial Supervisory Commission;
- (z) Trust and fiduciary services;
- (aa) Margins on foreign currency transactions;
- (ab) Issuance of cash value cards;
- (ac) Public welfare lottery sales;

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ad) Futures proprietary trading business; and

(ae) Other businesses as approved by the Financial Supervisory Commission.

The Bank's headquarters coordinate corporate-wide operations and establishes domestic and overseas banking units to expand business. As of December 31, 2023, the Bank had 154 domestic branches, 14 foreign branches and 7 overseas representative offices, whereas its subsidiaries had 199 overseas offices.

The Bank's parent company and ultimate parent company is CTBC Financial Holding Co., Ltd.

**(2) Approval date and procedures of the consolidated financial statements:**

The consolidated financial statements were approved by the Board of Directors on March 14, 2024.

**(3) New standards, amendments and interpretations adopted:**

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Bank and subsidiaries have initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Bank and subsidiaries have initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(b) The impact of IFRS issued by the FSC but not yet effective

The Bank and subsidiaries assess that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Bank and subsidiaries Bank, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	A full gain or loss is recognized in accounting when sale or contribution of assets between an investor and its associate or joint venture occurred, if it’ s considered as the loss of control of a subsidiary that constitutes a business. A deferred unrealized gain or loss computed by shareholding ratio is recognized when the transaction that involves assets does not constitute a business.	Effective date to be determined by IASB

The Bank and subsidiaries are evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Bank and subsidiaries complete its evaluation.

The Bank and subsidiaries do not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17
- Amendments to IAS 21 “Lack of Exchangeability”

**(4) Summary of material accounting policies:**

- (a) Assertion of compliance

The consolidated financial reports for the year ended December 31, 2023 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, IFRSs, IASs, interpretations and pronouncements as accepted by the FSC (“ IFRS Accounting Standards as accepted by the FSC”) ; the consolidated financial reports for the year ended December 31, 2022 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and IFRS Accounting Standards as accepted by the FSC.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Basis of compilation

The consolidated financial reports have been prepared on a historical cost basis except for the following material items in the balance sheet:

- (i) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
- (ii) Financial instruments measured at fair value through other comprehensive income;
- (iii) Hedging derivative financial instruments measured at fair value;
- (iv) Cash-settled share-based payment agreements liability measured at fair value; and
- (v) Defined benefit assets, which are recognized as the net amount of pension plan assets plus unrecognized prior service cost and unrecognized actuarial losses, minus unrecognized actuarial gains and present value of defined benefits obligation.

(c) Basis of consolidation

(i) Basis of compilation for consolidated financial reports

The consolidated financial reports encompass the Bank itself and controlled entities. All significant of the Bank and subsidiaries intra-group transactions are written-off.

(ii) The control of a special purpose entity (“SPE”) by the Bank and subsidiaries may be indicated if the following criteria are met simultaneously.

- 1) The entity has powers to obtain the majority of the benefits of the SPE’s activities through voting rights or other rights;
- 2) By having a right to the majority of the SPE’s benefits, the entity is exposed to the SPE’s business risks;
- 3) The entity is capable of using its leverage over the SPE to influence the benefits of the SPE.

(iii) Subsidiaries and special purpose entities included in the consolidated financial reports:

Name of Investor Company	Name of Subsidiary	Primary Business	Percentage of Ownership		Description
			December 31, 2023	December 31, 2022	
CTBC Bank Co., Ltd.	CTBC Bank (Philippines) Corp.	Commercial banking and financing business	99.72 %	99.72 %	
CTBC Bank Co., Ltd.	PT Bank CTBC Indonesia	Commercial banking and financing business	99.00 %	99.00 %	
CTBC Bank Co., Ltd.	CTBC Bank Corp. (Canada)	Commercial banking and financing business	100.00 %	100.00 %	
CTBC Bank Co., Ltd.	The Tokyo Star Bank, Ltd.	Commercial banking and financing business	100.00 %	100.00 %	
CTBC Bank Co., Ltd.	CTBC Capital Corp.	Investment business	100.00 %	100.00 %	
CTBC Bank Co., Ltd.	LH Financial Group Public Company Limited	Investment business	46.61 %	46.61 %	

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of Investor Company	Name of Subsidiary	Primary Business	Percentage of Ownership		Description
			December 31, 2023	December 31, 2022	
CTBC Capital Corp.	CTBC Bank Corp. (USA)	Commercial banking and financing business	100.00 %	100.00 %	
The Tokyo Star Bank, Ltd.	Tokyo Star Business Finance, Ltd.	Financing and assurance business	100.00 %	100.00 %	
LH Financial Group Public Company Limited	Land and Houses Fund Management Company Limited	Fund management business	99.99 %	99.99 %	
LH Financial Group Public Company Limited	Land and Houses Bank Public Company Limited	Commercial banking and financing business	99.99 %	99.99 %	
LH Financial Group Public Company Limited	Land and Houses Securities Public Company Limited	Securities business	99.90 %	99.90 %	
Land and Houses Securities Public Company Limited	Land and Houses Advisory Company Limited	Securities investment consultant business	99.99 %	99.99 %	(Note)

Note: The subsidiary had not been actively engaged in its main business in temporary since July 1, 2012.

(d) Foreign currency

- (i) A foreign currency transaction, which is denominated or requires settlement in a foreign currency, shall be recorded on initial recognition in the functional currency by applying the foreign currency spot exchange rate between the functional currency and the foreign currency at the date of the transaction.
- (ii) At each balance sheet date, foreign currency monetary items shall be translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.
- (iii) Foreign currency differences arising on the settlement of a foreign currency transaction are recognized in current profit or loss. Foreign currency differences arising on the retranslation of monetary items, except for differences arising on the retranslation of monetary items designated as hedging instruments in a hedge of the net investments in foreign operations or in a qualifying cash flow hedge are recognized directly in other comprehensive income, are recognized in profit or loss when it incurred.
- (iv) When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange difference of that gain or loss shall be recognized in other comprehensive income. Otherwise, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange difference of that gain or loss shall be recognized in profit or loss.
- (v) Functional currency and presentation currency

The functional currency of the Bank and subsidiaries is the currency of the primary economic environment in which they operate. The consolidated financial reports are presented in New Taiwan Dollars, the functional currency of the Bank.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Cash and cash equivalents

The statements of cash flows are compiled based upon cash and cash equivalents. Cash comprises cash on hand, savings accounts, checking accounts, and unrestricted time deposits or negotiable certificates of deposit which may be terminated anytime without impairing the principal. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and will mature within a short period so that interest rate fluctuations have little effect on their values. Cash equivalents include short-term bills with maturities within three months from the investment date.

Cash and cash equivalents comprise time deposits that are used by the Bank and subsidiaries in the management of its short-term cash commitments and are not for investment or other purposes. Additionally, the aforementioned deposits are readily convertible to fixed amount of cash and are subject to an insignificant risk of changes in their fair value.

(f) Financial instruments

Financial assets held by the Bank and subsidiaries are recorded on the trading date, the fair value is recorded at the time of initial recognition. Except for financial instruments classified as fair value through profit or loss (FVTPL), other financial instruments are initially recognized at acquiring or issuing cost plus transaction costs. However, if the handling fee arising from the sale and purchase does not reach the principle of materiality, it will be charged to current expenses. Upon disposition, the cost of sale of equity securities is determined by the moving-average method, and the cost of sale of debt securities is determined by the first-in, first-out (FIFO) method.

(i) Financial assets

Financial assets are classified into the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and measured at amortized cost.

1) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss, if one of the following conditions is met:

a) Financial assets held for trading

i) Its main purpose is to sell or repurchase in the near future.

ii) When it was originally recognized, it was part of the identifiable financial commodity investment of a group of merged management with evidence showing the mode of operation in which this combination is actually a short-term profit in the near term.

b) Financial assets that are not measured at amortized cost or fair value through other comprehensive income.

c) In addition to being designated as a hedged item by hedge accounting, financial assets designated as at fair value through profit or loss at initial recognition.

d) Derivative financial instrument

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

At each balance sheet date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized in current profit or loss.

- 2) Financial assets measured at fair value through other comprehensive income
- a) Financial assets measured at fair value through other comprehensive income, if both of the following conditions are met and financial assets were not designated as financial assets measured at fair value through profit or loss:
- i) The financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
1. Principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.
  2. However, in some cases, the time value of money element may be modified (i.e., imperfect). In such cases, the Bank and subsidiaries must assess the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The fair value of debt instruments measured at fair value through other comprehensive income shall be remeasured at each balance sheet date. The resulting gain or loss from such remeasurement is recognized directly in other comprehensive income. Interest on a debt instrument shall be recorded under the accrual basis, with the relevant premium/discount amortized by using the effective-interest-rate method. Credit losses on the financial instrument shall be recognized as well. If, in a subsequent period, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The balance of impaired adjustment amount in other comprehensive income after the reversal shall not be negative. A gain or loss on financial assets is recognized directly in other comprehensive income, except for foreign exchange gains or losses arising from monetary financial assets, until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is charged to profit or loss.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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- b) At initial recognition, an irrevocable election is made to present changes in the fair value of an equity instrument that is not held for trading in other comprehensive income. When the equity instrument is derecognized, the amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the cumulative gain or loss may be transferred within equity or into retained earnings directly. Dividends are recognized in profit or loss unless the dividend represents the recovery of part of the investment costs clearly.

3) Financial assets at amortized cost

Financial assets measured at amortized cost include cash and cash equivalents, debt instruments measured at amortized cost, securities under repurchase/resell agreements, loans and receivables, deposits pledged and other financial assets that are not measured at fair value, etc.

Financial assets measured at amortized cost are initially recognized at whose fair value plus transaction costs. After initial recognition, the amortized cost minus impairment loss are determined by using the effective-interest-rate method. The interest income and impairment loss are recognized in profit or loss. Until the financial assets are derecognized, at which time the cumulative gain or loss is charged to profit or loss.

a) Debt instruments at amortized cost

The debt instrument investments held by the Bank and subsidiaries shall be measured at amortized cost if both of the following conditions are met:

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

The Bank and subsidiaries, whose business model is to hold assets in order to collect contractual cash flows, may sell financial assets when there is an increase in the assets' credit risk. Sales made for other reasons may be consistent with a business model whose objective is to hold financial assets in order to collect contractual cash flows if those sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent). For debt instruments measured at amortized cost, the effective-interest-rate method shall be used to calculate amortized cost and interest revenue. Credit-impaired loss shall be recognized for assets measured at amortized cost. If, in a subsequent period, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The carrying amount after the reversal shall not exceed the recoverable amount.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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b) Securities under repurchase/resell agreements

Securities sold/purchased with a commitment to repurchase/resell at predetermined price are treated as financing transactions. The difference between the cost and the repurchase/resell price is treated as interest expenses/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under resell agreements.

c) Loans and receivables

At initial recognition, loans and receivables include incremental direct transaction costs, and the subsequent measurement recognizes interest revenues through the effective interest method on accrual basis, under which the loans and receivables are carried at amortized cost less impairment losses. Loans are reclassified as a non-accrual account if either of the following conditions is met, and interest collected while accruing of interest has been suspended is included in earnings only to the extent of cash actually received.

- Collection of payment of principal or interest accrued is considered highly unlikely; or
- Payment of principal or interest accrued is over 3 or 6 months past due; or
- Payment of principal, interest accrued and other suspense account of credit card is over 90 days past due.

Loans and receivables are assessed on each reporting day and the credit risk of loans and receivables have been significantly increased since the initial recognition. Comparing the risk of breach of contract on the reporting date and the original date of recognition, and considering the credit risk from the original recognition, the significant increase of reasonable and verifiable information as a basis for the estimation of default risk and expected loss rate. In accordance with the expected credit losses and with reference to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans” and relevant regulations issued by the FSC. The provision will be determined based on the higher of the amount calculated in accordance with regulatory requirements.

Nonaccrual accounts deemed uncollectible are written off upon approval of the Board of Directors. The recovery of written-off loans and accounts receivable is accounted for under the reversal of the allowance for credit losses.

Off-balance-sheet loan commitments and financial guarantee contracts should be evaluated for the possibility of bad debts and the provisions of guarantee or financial commitments should be recognized.

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4) Financial asset impairment

The Bank and subsidiaries should consider the past events, the current situation and the forecast of future economic conditions, to identify whether the credit risk of financial instruments has significantly increased since the initial recognition; After the credit risk has increased significantly, these financial instruments should be recognized lifetime expected credit loss; If there is no significant increase in credit risk after recognition, the impairment loss should be measured against the 12-month expected credit loss. For the judgment and forward-looking adjustment method after the recognition of whether the credit risk has increased significantly, please refer to Note 6(aq).

5) Derecognition of financial assets

The Bank and subsidiaries shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Bank and subsidiaries transfer substantially all the risks and rewards of ownership of the financial assets.

Securities lending agreement or repurchase transactions, where bonds or stocks are taken as collateral, shall not be derecognized, because the Bank and subsidiaries have retained substantially all the risks and rewards of ownership. The transaction of asset-backed securitization applies to such situation when the Bank and subsidiaries still retain partial risks.

6) Reclassification of financial assets

The Bank and subsidiaries reclassify all affected financial assets in accordance with regulations only when changing the business model of managing financial assets.

(ii) Financial liabilities

Financial liabilities held by the Bank and subsidiaries include financial liabilities measured at fair value through profit or loss (including the instruments designated as at fair value through profit or loss), financial liabilities measured at amortized cost and hedge derivatives.

1) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, if one of the following conditions is met:

- a) A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as an instrument held for trading as well. Financial liabilities held for trading include obligations to deliver financial assets borrowed by a short seller.
- b) A financial liability designated as measured at fair value through profit or loss on initial recognition, except that designated as a hedged item in accordance with the hedge accounting.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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Financial liabilities falling under this category are measured at fair value in the balance sheet at the balance sheet date. Moreover, the changes in fair value are recognized as current profit or loss. While for financial liabilities designated at fair value through profit or loss, its fair value changed in the liability's credit risk should be recognized under other comprehensive income, except for avoiding accounting mismatch or in the circumstances of loan commitments and financial guarantee contract to provide a loan that should be accounted as current profit or loss.

Under certain circumstances, the Bank and subsidiaries may not recognize profit or loss of a financial asset or a financial liability at initial recognition, if a fair value is not derived from a quoted market price in an active market and is based on the evaluation method with data retrieved from unobservable market. In the above scenario, the recognition of the difference between fair value at initial recognition and transaction price is deferred. After initial recognition, the entity shall recognize the aforesaid deferred difference as a gain or a loss only to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability.

2) Financial liabilities measured at amortized cost

Financial liabilities are classified at financial liabilities measured at amortized cost, except for financial liabilities measured at fair value through profit or loss, hedged derivatives financial liabilities, financial debentures, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

3) Derecognition of a financial liability

The Bank and subsidiaries shall remove a financial liability from its statement of financial position when, and only when, it is extinguished.

4) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities will be offset and recognized in the net amount on the balance sheet only when the Bank and subsidiaries have statutory rights to offset and intend to net settle or realize assets and to pay off liabilities at the same time.

5) The Bank and subsidiaries shall not reclassify any financial liability.

(iii) Derivatives and hedging accounting

Derivative instruments are initially recognized at fair value on contract date and subsequently measured at fair value. Fair value includes quoted price in an active market, occurring market transaction prices or model valuation technique. All derivatives instruments are recognized as assets with positive fair value and as liabilities with negative fair value.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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The Bank and subsidiaries should account for financial liabilities embedded in derivatives if the economic characteristics and risks of the embedded derivatives are closely related to the economic characteristics of the host contract. If not, the host contract is not a financial liability that is measured at fair value through profit or loss. Unless choosing to designate an overall hybrid contract to measure financial liabilities at fair value through profit or loss, the Bank and subsidiaries should recognize the host contract and embedded derivatives separately. In addition, the embedded derivative is recognized as a financial liability as measured at fair value through profit or loss.

When a fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation are in conformity with all the conditions for applying hedge accounting, the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items. The related accounting treatments are as follows:

- 1) Fair value hedge: Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments against the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment are recognized through profit or loss in the current period.
  - 2) Cash flow hedge: Where a derivative financial instrument is designated as a hedge of the variability in cash flow of a recognized asset or liability or a highly probable forecast transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognized directly under other comprehensive income. When the hedged transaction actually affects the profit or loss, the gain or loss previously recognized under other comprehensive income shall be recognized through current profit or loss. Any gain or loss from the change in fair value relating to an ineffective portion of the hedge transaction is recognized immediately through profit or loss in the current period.
  - 3) Hedge of a net investment in a foreign operation: The effective portion of any gain or loss on a hedging instrument relating to a hedge against foreign currency fluctuation in a foreign operation is recognized directly in other comprehensive income until the disposal of the foreign operation, at the time which the cumulative gain or loss recognized directly under other comprehensive income is recognized in profit or loss in the current period.
- (iv) Financial guarantee contracts

The Bank and subsidiaries recognize financial guarantee liabilities initially at their fair value at the date of providing guarantee. The Bank and subsidiaries receive commission income with non-arm's-length transaction at contract date; this is, the income could represent the fair value of financial guarantee contract. The advanced service fee is recognized as a deferred item and amortized by straight-line method over the life of the financial guarantee.

Financial guarantee contracts shall be subsequently measured by the Bank and subsidiaries at the higher of:

- 1) The amount determined in accordance with "Provisions"; and
- 2) The amount initially recognized less, when appropriate, cumulative amortization recognized from deferred revenues.

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(g) Investment properties

Investment properties could be recognized by the Bank and subsidiaries only to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use by the Bank and subsidiaries. If these portions could be sold separately, the Bank and subsidiaries account for the portions separately. The portion that is held for use is treated following "Premises and equipment", and another portion that is held to earn rentals or for capital appreciation or both is regarded as investment property. If the portions could not be sold separately, and if an insignificant portion is held for use, then the whole property is regarded as investment property.

Investment property shall be recognized as an asset when, and only when it is probable that the future economic benefits that are associated with the investment property will flow to the Bank and subsidiaries, and the cost of the investment property can be measured reliably. Subsequent expenditure is capitalized as cost only when it is probable that the future economic benefits that are associated with the investment property will flow to the Bank and subsidiaries, and the cost of the investment property can be measured reliably. Regular repair costs are recognized as expenses in the period they are incurred.

If the recognition criteria are met, the Bank and subsidiaries recognize the cost of replacement in the carrying amount of the replaced investment property at the time the cost is incurred. The carrying amount of the part that is replaced is derecognized.

After initial recognition, real estate property is subsequently measured by cost model, and amortized by the depreciable amount. Its depreciation method, useful life and residual value can be referred to the regulation of "Premises and equipment".

When the use of a property changes such that it is reclassified as premises and equipment, the book value at the date of reclassification becomes its cost for subsequent accounting.

(h) Non-financial asset impairment

At each balance sheet date, the recoverable amount of an asset is estimated and compared with the carrying amount whenever there is an indication that the non-financial asset may be impaired. An impairment loss is recognized when the recoverable amount, higher of fair market value or value in use, is less than the carrying amount. For assets other than goodwill, a reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(i) Assets held for sale

For an asset or a disposal group to be classified as held for sale, it needs to be disposed through sale rather than through continuing use to recover its carrying amount. Assets or disposal groups that meet the criteria to be classified as such must be subject only to terms that are usual and customary and be available for immediate sale, which is highly probable, within one year of such classification. After being classified as held for sale, it is measured at the lower of carrying amount and fair value less costs to sell.

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Amortization or depreciation on intangible assets, premises and equipment ceases once they are classified as held for sale.

(j) Investments in associates

Investments in associates in which the Bank or its subsidiaries are able to exercise significant influence and subsidiaries the Bank has control over are accounted for under the equity method and initially recognized at cost. Goodwill, deducting accumulated impairment loss, related to an associate is included in the carrying amount of the investment. The equity method discontinues to be used from the date when it ceases to have significant influence, and the book value is taken as the new cost of the investment.

The Bank or its subsidiaries have significant influence if holding, directly or indirectly 20% or more of the voting right of the investee. However, an exception will apply if the Bank or its subsidiaries can specify that it has no significant influence over an investee.

After the date of acquisition the Bank or its subsidiaries' share of the profit or loss of the associates is recognized in profit or loss. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment may also be necessary for changes in the Bank or its subsidiaries' proportionate interest in the associates arising from changes in the associates' other comprehensive income. If the Bank or its subsidiaries' share of losses of an associate equals or exceeds their interest in the associate (including non-guarantee long-term receivables), the Bank or its subsidiaries discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Bank or its subsidiaries has incurred legal or constructive obligations or made payments on behalf of the associate.

Changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances the carrying amounts of the parent's ownership interest and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity.

(k) Interest in joint ventures

The joint agreements include joint operations and joint ventures, and have the following characteristics:

- (i) The parties are bound by a contractual arrangement;
- (ii) The contractual arrangement gives two or more of those parties joint control of the arrangement.

The Bank or its subsidiaries distinguish between joint operations and joint ventures by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. In joint operations, the Bank or its subsidiaries account for its share of the joint assets, liabilities, revenues and expenses in accordance with the contractual arrangement. In joint ventures, the Bank or its subsidiaries account for its investment using the equity method.

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(l) Cash surrender value of life insurance

The Bank's U.S. subsidiary purchased single-premium life insurance under which the executive officers and directors are the insured, while the subsidiary is the owner and beneficiary thereof. The cash surrender value indicates the amount that would be received if the life insurance is terminated prior to the maturity date, and is accounted for under "other assets."

(m) Premises and equipment

The Bank and subsidiaries' premises and equipment are recognized after deducting any accumulated depreciation and accumulated impairment losses from historical cost. The historical cost includes any costs directly attributable to acquiring the assets.

Subsequent expenditure of premises and equipment shall be recognized as an asset or be included in the carrying amount of assets, when, and only when it is probable that the future economic benefits that are associated with premises and equipment will flow to the Bank or its subsidiaries, and the cost of premises and equipment can be measured reliably. The carrying amount of those parts that are replaced is derecognized. A major improvement or repair expense that can extend the benefits over afterward period is regarded as capital expenditure; while frequent maintenance or repairs are charged to current expenses.

If the Bank and subsidiaries have obligations to dismantle, remove and restore the premises and equipment, the obligation for which the Bank and subsidiaries incur either when the item is acquired or as a consequence of having used the item during a particular period shall be recognized as the cost of the premises and equipment as well as a liability.

Depreciation is computed using the straight-line method; the useful lives are calculated based on the normal economic lives. Each part of an item of premises and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The residual value and the useful life of an asset shall be reviewed or adequately adjusted at each financial year-end. Useful lives of major premises and equipment are as follows:

Buildings and premises	2~56 years
Transportation equipment	4~6 years
Miscellaneous equipment	2~20 years

The gain or loss arising from the disposition of an item of premises and equipment shall be recognized in current profit or loss and determined as the difference between the disposal proceeds and the carrying amount of the item.

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

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(n) Intangible assets

(i) Computer software

Computer software system expenses, which are recorded on the basis of the actual cost of acquisition, are amortized using a straight-line method over a period of 3 to 15 years. Its amortization method, useful life and residual value are referred to the regulation of properties and equipment. The Bank and subsidiaries use cost model to proceed subsequently measurement.

(ii) Goodwill

The Bank and subsidiaries account a business combination by applying the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities assumed by the acquirer and the equity interests issued by the acquirer. In addition, other expense directly contributed to the acquisition is included. The acquirer shall measure the identifiable assets acquired from business combination and the liabilities or contingent liabilities assumed at their acquisition-date fair values without considering non-controlling interest. The acquirer shall recognize goodwill as of the acquisition date measured as the excess of the consideration transferred over the fair value of net identifiable assets held according to holding proportion. Adversely, the difference may result in directly recognizing a gain on a purchase.

Goodwill relating to cash-generating units is tested for impairment periodically each year. An impairment loss is recognized when the recoverable amount is less than the carrying amount. Impairment losses cannot be reversed once an impairment loss has been recognized.

(o) Leases

(i) Identifying a lease

At inception of a contract, the Bank and subsidiaries assess whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time.

(ii) As a lessor

The leases are classified as finance leases, if the Bank and subsidiaries transfer substantially the entire risks and rewards incidental to the ownership of the assets. Otherwise, the leases are classified as operating leases.

- 1) Operating lease: Lease payments or receivables under an operating lease shall be recognized in current profit or loss using a straight-line method over the lease term.
- 2) Finance lease: As lessors, the Bank and subsidiaries shall derecognize assets held under a finance lease at contract date and recognize them as lease payment receivable at an amount equal to the present value of lease payments. The difference between gross amount and present value of lease payment is recognized as unrealized interest income and transferred to interest income of current period on an accrual basis. Lease revenue is calculated based on the interest rate implicit in the lease on the remaining balance of lease payment receivables and recognized in current profit or loss over the lease term.

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(iii) As a lessee

The Bank and subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date. The initial amount of the right-of-use asset comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Refer to “Premises and equipment” for the review of useful life and the impairment assessment policy.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or the Bank and subsidiaries’ incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- 1) Fixed payments, including payments that may, in form, contain variability but that, in substance, are unavoidable.
- 2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) Amounts expected to be payable under a residual value guarantee; and
- 4) Amounts expected for the exercise price under a purchase option, lease payments under an extension option, and penalties for early termination, if the Bank and subsidiaries are reasonably certain to exercise or early terminate.

The lease liability is measured by the effective interest method to recognize the interest expense, and remeasured to reflect the changes as follows:

- 1) The lease term changes;
- 2) The future lease payments change to reflect a change in an index or rate; or
- 3) If there is a change in the Bank and subsidiaries’ estimate of the amount expected to be payable under a residual value guarantee, or if the Bank and subsidiaries change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured to reflect above changes, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank and subsidiaries do not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank and subsidiaries recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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(p) Foreclosed properties

Foreclosed properties received are stated at acquired cost, and the difference between it and the nominal value of the original claim is reflected as a credit loss. On the balance sheet date, if the foreclosed properties received are still unsold, they shall be evaluated at the lower of carrying amount and net fair market value. If there is sufficient evidence indicating that the net fair market value is lower than the carrying amount of foreclosed properties, the difference after reassessment is accounted for under impairment loss on assets. Gain or loss on disposal of foreclosed properties is recognized in current profit or loss as well.

(q) Provisions

The Bank and subsidiaries recognize provisions only if all of the following conditions are met:

- (i) An entity has a present, legal or constructive obligation, as a result of a past event;
- (ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (iii) A reliable estimate can be made of the amount of the obligation.

The Bank and subsidiaries shall not recognize provisions for future operating losses.

Where there are a number of similar obligations the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized.

The amount of a provision is measured subsequently as the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The deficiency is recognized as profit or loss of the current period.

(r) Revenue recognition

The Bank and subsidiaries' incomes are recognized on an accrual basis. Please refer to Note 4(f)(i)3) for more information on interest income from receivables and loans.

(s) Employee benefit

- (i) Short-term employee benefit: The Bank or its subsidiaries expect to settle all short-term non-discounted benefits in 12 months after the end of annual financial reporting date in which the services are rendered by employees, and recognize as current expenses.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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- (ii) Post-employment benefit: The Bank and subsidiaries' pension plan comprises defined contribution plan and defined benefit plan.
- 1) A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.
  - 2) A defined benefit plan is a post-employment benefit plan under which benefit is paid to an employee on the basis of their ages, service periods and compensated salaries at the date of retirement. The Bank recognizes remeasurements of the defined benefit plan which are incurred by the change of actual experience and actuarial assumption in other comprehensive income, and recognize pension asset or liability in balance sheet in which asset or liability is the amount of actuarial present value of defined benefits obligation deducting fair value of plan assets. The calculation of defined benefits obligation is performed annually by an actuary using the projected unit credit method. The actuarial present value of defined benefits obligation is calculated by discounting future cash flow at the yield rate on AA credit rated bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. In accordance with the article 30 of the Regulations Governing the Preparation of Financial Reports by Public Bank's, when the interest incurred from retiree deposits with favorable rates exceed the interest generated from market rate, it should be considered the actuarial amount according to defined benefit plan regulated on IAS 19 "Employee Benefits" since the employee's retirement date. Otherwise, the parameter of actuarial assumption of competent authority should be followed (if have). The interim amount of defined benefit plan is determined based on the pension cost rate, which is the actuarial rate at the end of last fiscal year, and the amount, which is from the beginning of the year to the end of current period. In addition, an adjustment would be made if significant market fluctuation, significant decrease, pay-off or other significant one-time event occurs after the end of period.
  - 3) The defined contribution plan of overseas unit is in accordance with respective authorities' regulation.
- (iii) Termination benefits: Termination benefits are incurred when the Bank or its subsidiaries terminate employment prior to qualifying for retirement, or the employees accepted voluntary redundancy to get termination benefits in return. Termination benefits are recognized as a liability when the Bank and subsidiaries are committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to provide termination benefits or make an offer of termination benefits to encourage voluntary redundancy. Termination benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

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(t) Share-based payment transactions

The Bank and subsidiaries' accounting treatments of share-based payment are as below.

- (i) Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, and the corresponding increase in owners' equity is recognized. The vesting period is estimated based on the ultimate vesting conditions that must be satisfied. The vesting conditions include service conditions and performance conditions, including market conditions. In valuing equity-settled payments, no account is taken of any vesting conditions other than market conditions.
- (ii) For cash-settled share-based payment transactions, a liability equal to the portion of the goods or services received is recognized at its current fair value determined at each balance sheet date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period.

Fair value of the share options at the grant date is measured with the use of an option pricing model based on management's best estimate of the exercise price, expected term, underlying share price, expected volatility, expected dividend yield, risk-free interest rate, and any other inputs to the model.

(u) Compensations of employees and directors

The Bank's employees' and directors' (including independent directors) compensations are recognized as current expenses. Any difference lies between the actual allocation amount and the amount previously recognized in the financial report is considered as change in accounting estimates which is then recognized as profit or loss in next year.

(v) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss. Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the years calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years. Income tax expense is measured by interim reporting period net income before tax multiplied by best estimate effective annual tax rate. And the best estimate effective annual tax rate is determined by the management. Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities may be offset against each other if the following criteria are met by the Bank and subsidiaries:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) Levied by the same taxing authority; or

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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- 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such deferred tax assets shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the deferred tax assets can be utilized.

As a subsidiary of CTBC Financial Holding Co., Ltd., the Bank files a consolidated corporate income tax return with its parent company and subsidiaries. The difference between the consolidated income tax and the Bank's ordinary income tax is adjusted at the parent-company level, and the Bank recognizes such difference as payables or receivables.

(w) **Contingent liabilities**

A contingent liability is defined as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or its subsidiaries; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Bank and subsidiaries shall not recognize a contingent liability; instead, contingent liability shall be appropriately disclosed.

(x) **Operating segments**

An operating segment is a component of the Bank and subsidiaries that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank and its affiliates). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

The prime responsibility of the Bank's parent company CTBC Financial Holding Co., Ltd. is the management of its subsidiaries, whose operational performance and resource allocation are executed under board approval of the parent company. The Bank and subsidiaries periodically report actual financial results to the Group's Management Board, and thereby leading to its role as the chief operating decision maker.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing these consolidated financial statements, management must make judgements, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

The management should continuously evaluate the estimates and assumptions. Changes in accounting estimates are recognized at the occurrence and the impacted future periods.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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Please refer to the following for accounting policies and management judgments which have significant impacts on the financial statements of the Bank and subsidiaries.

(a) Impairment of financial assets

The impairment of financial assets of the Bank and subsidiaries is recognized as the 12-month expected credit loss or the lifetime credit loss by identifying whether the credit risk of financial instruments has been significantly increased since the initial recognition. To evaluate the expected credit losses for 12-month and lifetime, the Bank and subsidiaries consider the default probability (Probability of default, “PD”) of financial assets or issuers or counterparties, and loss given default rate (“LGD”) multiplying the exposure at default (“EAD”), taking into account the time value of money as well evaluate 12-month and lifetime loss. The Bank and subsidiaries consider historical experiences, current market conditions and forward-looking estimates to decide the assumptions and input values to be used in determining the impairment loss. For the details of the relevant assumptions and input values, please refer to Note 6(aq).

(b) Assessment of goodwill impairment

Assessment of goodwill impairment depends on subjective judgment by the Bank and subsidiaries, including identifying cash-generating units, allocating goodwill to related cash generating units, and deciding recoverable amount of related cash generating units. The management of the Bank and subsidiaries shall estimate the expected future cash flow from cash generating units and decide proper discount rate for calculating present value. If the actual cash flow is less than expected, significant impairment losses may incur.

(c) Assessment of the fair value of financial instruments

The Bank and subsidiaries hold certain financial instruments without active markets, including financial instruments lacking active market quotes and financial instruments that turned out to be inactive due to market conditions (e.g., low market liquidity). When a market is inactive, there are usually only a few or no observable market data available to measure the fair value of financial instruments. Determination of the existence of an active market for a financial instrument requires management’s judgement. If the market for an investment held by the Bank and subsidiaries are not active, the fair value of the instrument is determined using valuation techniques. The Bank and subsidiaries use quotes from independent third parties or prices derived from internally developed models to determine the fair value of those financial instruments. When the fair value may be publicly obtained from independent sources it shall be adopted first. Overall, the Bank and subsidiaries would decide a source or a technique as a fair value determination method that can reflect the price achieved between market participants through regular trading as of the reporting date. Valuation techniques include adoption of recent arm’s-length transactions, reference to other instruments with a substantially identical basis, application of discounted cash flow analysis, etc., which may also include a number of assumptions related to each variable (such as credit risk and interest rate). Adoption of different valuation techniques or assumptions may lead to significant discrepancies in fair value determination results.

Please refer to Note 6(aq) for the estimated fair value of the above financial instruments.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 35,965,235	34,151,538
Petty cash and revolving fund	23,200	21,949
Checks for clearance	3,991,286	3,617,422
Cash in transit	2,427,771	2,579,482
Due from other banks	34,569,317	31,597,849
Cash equivalents	-	11,145,393
Total	<b>\$ 76,976,809</b>	<b>83,113,633</b>

(b) Due from Central Bank and call loans to banks

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Required reserve—Account A	\$ 205,505,053	160,198,075
Required reserve—Account B	93,560,269	88,211,850
Required reserve—Foreign Currency	771,449	660,222
Due from Central Bank	111,551,804	104,303,229
Call loans to banks	145,731,376	143,261,212
Total	<b>\$ 557,119,951</b>	<b>496,634,588</b>

The reserves for deposits are calculated at prescribed rates, using the average monthly balances of various deposit accounts, and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposits in “Required reserve—Account A” are interest free and can be withdrawn at any time; deposits in “Required reserve—Account B” are interest bearing and cannot be withdrawn except for the monthly adjustment to the required reserve permitted by relevant regulations.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Financial instruments measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss of the Bank and subsidiaries were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Mandatorily measured at fair value through profit or loss		
Commercial paper	\$ 308,399,156	136,904,452
Negotiable certificates of deposits	32,664,769	9,437,159
Government bonds	6,690,307	1,651,146
Corporate bonds	13,156,774	1,145,006
Convertible bonds	-	1,393,836
Financial debentures	8,573,019	509,012
Stocks	1,885,378	262,141
Treasury bills	396,738	-
Beneficiary certificates	426,188	428,791
Derivative financial assets	56,509,201	58,073,077
Other securities and bonds	435,431	-
Valuation adjustment of financial assets	<u>38,796</u>	<u>(75,818)</u>
Total	<u>\$ 429,175,757</u>	<u>209,728,802</u>

Please refer to Note 6(u) for information with regard to repurchase conditions for financial assets measured at fair value through profit or loss shown above.

Financial liabilities measured at fair value through profit or loss of the Bank and subsidiaries were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Derivative financial liabilities	\$ 68,014,318	62,322,676
Financial liabilities designated at fair value through profit or loss	<u>9,034,461</u>	<u>8,715,400</u>
Total	<u>\$ 77,048,779</u>	<u>71,038,076</u>

The aforementioned financial liabilities designated at fair value through profit or loss were issued by the Bank, with the related terms and conditions disclosed in Note 6(x). The amounts of fair value and its changes which were attributable to changes in the credit risk were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial debentures at fair value	\$ 9,034,461	8,715,400
Cumulative changes in fair value that is attributable to changes in the credit risk	(1,911,073)	(2,272,178)
The difference between book value and the amount payable upon maturity as specified in the contract	4,751,722	5,026,430

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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The Bank assesses changes in fair value that was not attributable to changes in market conditions that give rise to swing of market risk to evaluate changes in fair value due to shift of credit risk. For the years ended December 31, 2023 and 2022, there was no transfer of the cumulative gain or loss within equity.

The fair value of the callable financial debentures issued by the Bank was evaluated based on the internal evaluation model, with evaluation variables retrieved from parameters unobservable in the market. In consideration of the discrepancy between evaluated price and transaction price, the Bank has recognized reserve for day one profits. The changes in reserve for day one profits were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 218,692	152,973
Current increase	2,900	113,665
Current decrease	(45,753)	(67,451)
Foreign exchange gains	622	19,505
Ending balance	<b>\$ 176,461</b>	<b>218,692</b>

(d) Financial assets measured at fair value through other comprehensive income

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Debt investments measured at fair value through other comprehensive income		
Negotiable certificates of deposits	\$ 10,064,960	1,270,253
Treasury bills	12,110,774	3,286,103
Government bonds	101,753,710	50,240,315
Corporate bonds	8,887,321	19,298,344
Financial debentures	75,011,369	97,900,218
Asset-backed securities	35,387,403	30,322,890
Other securities and bonds	17,113,333	14,760,641
Valuation adjustment of financial assets	<u>(7,552,020)</u>	<u>(8,818,057)</u>
Subtotal	<u>252,776,850</u>	<u>208,260,707</u>
Equity investments measured at fair value through other comprehensive income		
Stocks	\$ 10,458,531	9,484,277
Beneficiary certificates	17,432,229	20,233,122
Valuation adjustment of financial assets	<u>(5,679,351)</u>	<u>(5,704,300)</u>
Subtotal	<u>22,211,409</u>	<u>24,013,099</u>
Total	<b>\$ 274,988,259</b>	<b>232,273,806</b>

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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The changes in allowance for credit losses attributed to the financial assets above were as follows:

	<b>For the year ended December 31, 2023</b>					
	<b>12-month ECL</b>	<b>Lifetime ECL (Collectively assessed)</b>	<b>Lifetime ECL (Individually assessed)</b>	<b>Lifetime ECL (Not purchased or originated credit- impaired financial assets)</b>	<b>Lifetime ECL (Purchased or originated credit- impaired financial assets)</b>	<b>The provision of impairment in accordance with IFRS 9 (Total)</b>
Beginning balance	\$ 31,783	222,250	-	-	-	254,033
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to the credit-impaired financial assets	(68)	(179,942)	-	180,010	-	-
– The financial assets that have been derecognized	(17,120)	-	-	-	-	(17,120)
New financial assets originated or purchased	11,872	-	-	-	-	11,872
Foreign exchange and other movement	328	560,250	-	(410)	-	560,168
Ending balance	<b>\$ 26,795</b>	<b>602,558</b>	<b>-</b>	<b>179,600</b>	<b>-</b>	<b>808,953</b>
	<b>For the year ended December 31, 2022</b>					
	<b>12-month ECL</b>	<b>Lifetime ECL (Collectively assessed)</b>	<b>Lifetime ECL (Individually assessed)</b>	<b>Lifetime ECL (Not purchased or originated credit- impaired financial assets)</b>	<b>Lifetime ECL (Purchased or originated credit- impaired financial assets)</b>	<b>The provision of impairment in accordance with IFRS 9 (Total)</b>
Beginning balance	\$ 38,566	166,000	-	-	-	204,566
Changes in financial instruments that have been identified at the beginning of the period:						
– The financial assets that have been derecognized	(12,028)	-	-	-	-	(12,028)
New financial assets originated or purchased	5,442	-	-	-	-	5,442
Foreign exchange and other movement	(197)	56,250	-	-	-	56,053
Ending balance	<b>\$ 31,783</b>	<b>222,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254,033</b>

For the years ended December 31, 2023 and 2022, the dividends of the Bank and subsidiaries related to equity investments at fair value through other comprehensive income were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Amounts derecognized during the reporting period	\$ 195,047	437,462
Amounts held by the end of the reporting period	1,393,228	1,487,706
Total	<b>\$ 1,588,275</b>	<b>1,925,168</b>

The Bank and subsidiaries disposed the equity investments measured at fair value through other comprehensive income based on investment consideration for the years ended December 31, 2023 and 2022. The gains (losses) of disposal were recognized in Retained Earnings. The information of fair value at the date of derecognition and gains (losses) on disposal was as follows:

	<b>The fair value at the date of derecognition</b>		<b>Losses on disposal</b>	
	<b>For the years ended December 31,</b>		<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Stocks	<b>\$ 4,097,197</b>	<b>6,767,202</b>	<b>(1,364,329)</b>	<b>(60,889)</b>

Please refer to Notes 6(u) and 8 for information with regard to the repurchase conditions for, or restrictions on, financial assets measured at fair value through other comprehensive income shown above.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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The Bank and subsidiaries derecognized investment in debt instruments measured at amortized cost for mandatory redemption of bond issuers, and for the purpose of credit risk management and fund management etc., for the years ended December 31, 2023 and 2022. The information of the gains on disposal was as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Government bonds	\$ 400	380
Corporate bonds	30	51,894
Total	<b>\$ 430</b>	<b>52,274</b>

Please refer to Notes 6(u) and 8 for information with regard to the repurchase conditions for, or restrictions on, investment in debt instruments measured at amortized cost shown above.

(f) Financial instruments—hedging

Hedging derivative financial assets of the Bank were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Fair value hedge:		
Non-delivery forwards	\$ -	18,389
Hedge of a net investment in a foreign operation:		
Currency swaps	298,360	-
Total	<b>\$ 298,360</b>	<b>18,389</b>

Hedging derivative financial liabilities of the Bank were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Fair value hedge:		
Non-delivery forwards	\$ -	2,310
Hedge of a net investment in a foreign operation:		
Currency swaps	39,720	500,716
Total	<b>\$ 39,720</b>	<b>503,026</b>

(i) For the years ended December 31, 2023 and 2022, the hedging financial instruments of the Bank have no ineffective portion of hedging.

(ii) Fair value hedge

The Bank entered into non-delivery forwards; these contracts are principally to hedge against the foreign exchange fluctuation of capital of the international banking department.

<b>Hedged items</b>	<b>Designated hedging instruments</b>		
	<b>Financial instruments designated as hedging instruments</b>	<b>Fair value</b>	
		<b>December 31, 2023</b>	<b>December 31, 2022</b>
Capital of international banking department in USD	Non-delivery forwards	\$ -	16,079

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The information of the Bank designated as the hedged items on December 31, 2022 was as follows:

	The carrying amount of the hedged items		The cumulative amount of adjustment included in the carrying amount of the hedged item at fair value hedge		The separate line items of the hedged items included in the balance sheet	The change in the fair value of the ineffective portion of hedging items	Provision of cash flow hedge
	Assets	Liabilities	Assets	Liabilities			
<b>December 31, 2022</b>							
<b>Fair value hedge:</b>							
Currency swaps	\$ 1,077,270	-	(2,490)	-	Cash and cash equivalents	-	-

(iii) Hedge of a net investment in a foreign operation

In order to minimize the risk from overseas equity-method investments, the Bank entered into currency swaps to hedge against foreign exchange fluctuation.

Hedged items	Financial instruments designated as hedging instruments	Designated hedging instruments	
		Fair value	
		December 31, 2023	December 31, 2022
CTBC Bank Co., Ltd.-Ho Chi Minh City Branch	Currency swaps	\$ 26,085	(8,779)
CTBC Capital Corp.	Currency swaps	272,275	(60,437)
CTBC Bank Corp. (Canada)	Currency swaps	(758)	(2,488)
The Tokyo Star Bank, Ltd.	Currency swaps	(38,962)	(429,012)

The amounts applicable to the hedge accounting that affects the statements of comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	Recognized in other comprehensive income	Recognized in profit or loss of the ineffective portion of hedging	The separate line items of the hedged items included in the statements of comprehensive income	Provision of hedge reclassified to profit or loss		
				The hedged items no longer expected to occur and transfer	The hedged items have affected profit or loss and transferred	The separate line items affected by reclassification
<b>December 31, 2023</b>						
<b>Hedge of net investment</b>						
Currency swaps						
—Hedge of a net investment in a foreign operation	\$ 618,256	-	-	-	-	-
<b>December 31, 2022</b>						
<b>Hedge of net investment</b>						
Currency swaps						
—Hedge of a net investment in a foreign operation	\$ (675,993)	-	-	-	-	-

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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- (iv) The amount, timing and uncertainty of the aforementioned hedging instruments affecting the Bank's future cash flow were as follows:

	Maturity date				
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years
<b>December 31, 2023</b>					
<b>Hedge of net investment</b>					
Exchange transaction					
Notional Amount	USD 470,500	-	-	-	-
Range of FX (NTD/USD)	31.280~31.516				
Notional Amount	CAD 10,000	-	-	-	-
Range of FX (NTD/CAD)	23.160				
Notional Amount	JPY 52,970,726	-	-	-	-
Range of FX (NTD/JPY)	0.2163~0.2167				
<b>December 31, 2022</b>					
<b>Fair value hedge</b>					
Non-delivery forwards					
Notional Amount	-	-	USD 35,000	-	-
Range of FX (NTD/USD)			30.150~31.650		
<b>Hedge of net investment</b>					
Exchange transaction					
Notional Amount	USD 420,500	-	-	-	-
Range of FX (NTD/USD)	30.490~30.660				
Notional Amount	CAD 10,000	-	-	-	-
Range of FX (NTD/CAD)	22.420				
Notional Amount	JPY 52,970,726	-	-	-	-
Range of FX (NTD/JPY)	0.2236~0.2248				

- (g) Securities purchased under resell agreements

	December 31, 2023	December 31, 2022
Securities purchased under resell agreements	\$ <u>42,052,943</u>	<u>10,141,185</u>
Face value of securities	\$ <u>42,118,474</u>	<u>10,199,650</u>

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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(h) Receivables — net

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable	\$ 732,399	29,077
Accounts receivable	122,455,610	110,367,954
Accounts receivable factoring	24,962,368	22,158,795
Interest receivable	20,498,345	16,387,389
Acceptances receivable	10,823,122	10,635,611
Accrued income	31,574	26,589
Other receivables	<u>12,320,796</u>	<u>11,318,037</u>
Subtotal	191,824,214	170,923,452
Less: Allowance for credit losses	<u>(2,681,426)</u>	<u>(2,481,379)</u>
Total	<b><u>\$ 189,142,788</u></b>	<b><u>168,442,073</u></b>

Please refer to Note 8 for information with regard to the restrictions on other receivables shown above.

Please refer to Note 6(j) for changes in allowance for credit losses of receivables listed above.

Please refer to Note 6(aq) for credit risk and market risk information listed above. Receivables of the Bank and subsidiaries should be included in impairment assessment, excluding that of credit card receivables, which is accounted for under provisions. Total receivables do not encompass investments in security-related and other receivables whose impairment assessments are consistent with corresponding assets.

(i) Loans — net

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Corporate loans	\$ 946,177,433	881,227,007
Micro business loans	6,420,378	11,672,000
Mortgage loans	1,090,810,145	951,062,232
Automobile loans	-	79
Consumer loans	<u>251,329,444</u>	<u>222,651,702</u>
Subtotal of NTD loans	2,294,737,400	2,066,613,020
Foreign currency loans	1,207,085,151	1,187,485,006
Non-accrual loans	<u>12,323,429</u>	<u>10,904,558</u>
Subtotal	3,514,145,980	3,265,002,584
Less: Allowance for credit losses	(56,520,213)	(52,619,803)
Less: Adjustment of discount and premium	<u>(1,605,165)</u>	<u>(1,759,313)</u>
Total	<b><u>\$ 3,456,020,602</u></b>	<b><u>3,210,623,468</u></b>

Please refer to Note 6(aq) for the industry information.

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Non-performing loans of the Bank and subsidiaries were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Non-performing loans	<b>\$ 18,253,613</b>	<b>15,842,204</b>

Suspended interest on non-accrual loans of the Bank and subsidiaries were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Suspended interest on non-accrual loans	<b>\$ 310,959</b>	<b>213,533</b>

For the years ended December 31, 2023 and 2022, there were no loans written off without recourse.

Please refer to Note 8 for information with regard to the restrictions on the loans shown above.

Please refer to Note 6(j) for changes in allowance for credit losses of loans listed above.

Please refer to Note 6(aq) for credit risk and market risk information listed above.

(j) Allowance for credit losses

The changes in allowance for credit losses, attributed to receivables, loans, other financial assets, and financing guarantee etc., were as follows:

(i) Receivables

	<b>For the year ended December 31, 2023</b>							
	<b>12-month ECL</b>	<b>Lifetime ECL (Collectively assessed)</b>	<b>Lifetime ECL (Individually assessed)</b>	<b>Lifetime ECL (Not purchased or originated credit- impaired financial assets)</b>	<b>Lifetime ECL (Purchased or originated credit- impaired financial assets)</b>	<b>The provision of impairment in accordance with IFRS 9 (Total)</b>	<b>Additional provision of impairment in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”</b>	<b>Total</b>
Beginning balance	\$ 752,969	127,433	48,902	1,117,363	136,451	2,183,118	298,261	2,481,379
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(20,452)	21,535	18	(1,101)	-	-	-	-
— Transfer to the credit-impaired financial assets	(80,855)	(86,800)	(828)	168,483	-	-	-	-
— Transfer to 12-month ECL	36,696	(29,644)	-	(7,052)	-	-	-	-
— The financial assets that have been derecognized	(57,055)	(10,391)	(98)	(15,381)	(5)	(82,930)	-	(82,930)
New financial assets originated or purchased	145,676	30,997	6,694	115,722	28	299,117	-	299,117
Additional provision of impairment in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	-	-	(43,622)	(43,622)
Write-offs	-	-	-	(1,161,292)	-	(1,161,292)	-	(1,161,292)
Recoveries of amounts previously written off	-	-	-	94,621	-	94,621	-	94,621
Foreign exchange and other movement	(38,442)	117,374	(18,258)	1,000,897	32,582	1,094,153	-	1,094,153
Ending balance	<b>\$ 738,537</b>	<b>170,504</b>	<b>36,430</b>	<b>1,312,260</b>	<b>169,056</b>	<b>2,426,787</b>	<b>254,639</b>	<b>2,681,426</b>

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2022

	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9 (Total)	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 828,158	83,788	1,105	962,576	1	1,875,628	406,541	2,282,169
Changes in financial instruments that have been identified at the beginning of the period:								
– Transfer to lifetime ECL	(11,682)	12,561	-	(879)	-	-	-	-
– Transfer to the credit-impaired financial assets	(44,406)	(57,997)	(2)	102,404	1	-	-	-
– Transfer to 12-month ECL	23,743	(15,917)	(1)	(7,825)	-	-	-	-
– The financial assets that have been derecognized	(187,876)	(7,258)	(323)	(8,317)	-	(203,774)	-	(203,774)
New financial assets originated or purchased	155,226	25,092	48,589	18,392	130,543	377,842	-	377,842
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non- accrual Loans"	-	-	-	-	-	-	(108,280)	(108,280)
Write-offs	-	-	-	(798,391)	-	(798,391)	-	(798,391)
Recoveries of amounts previously written off	-	-	-	795,628	-	795,628	-	795,628
Foreign exchange and other movement	(10,194)	87,164	(466)	53,775	5,906	136,185	-	136,185
Ending balance	<u>\$ 752,969</u>	<u>127,433</u>	<u>48,902</u>	<u>1,117,363</u>	<u>136,451</u>	<u>2,183,118</u>	<u>298,261</u>	<u>2,481,379</u>

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Loans

For the year ended December 31, 2023								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9 (Total)	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 15,215,246	3,681,880	580,545	10,918,090	48,622	30,444,383	22,175,420	52,619,803
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(648,794)	938,916	19,843	(307,408)	(2,557)	-	-	-
— Transfer to the credit-impaired financial assets	(392,987)	(857,392)	(100,949)	1,351,328	-	-	-	-
— Transfer to 12-month ECL	844,743	(610,460)	(4,659)	(229,624)	-	-	-	-
— The financial assets that have been derecognized	(3,984,562)	(1,537,470)	(32,302)	(1,037,461)	(4,852)	(6,596,647)	-	(6,596,647)
New financial assets originated or purchased	6,169,152	835,930	32,035	1,780,332	15,729	8,833,178	-	8,833,178
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-	315,214	315,214
Write-offs	(54,799)	-	-	(4,497,068)	-	(4,551,867)	-	(4,551,867)
Recoveries of amounts previously written off	6,453	-	-	1,499,017	-	1,505,470	-	1,505,470
Foreign exchange and other movement	(1,577,860)	1,238,723	170,063	4,562,938	1,198	4,395,062	-	4,395,062
Ending balance	<u>\$ 15,576,592</u>	<u>3,690,127</u>	<u>664,576</u>	<u>14,040,144</u>	<u>58,140</u>	<u>34,029,579</u>	<u>22,490,634</u>	<u>56,520,213</u>
For the year ended December 31, 2022								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9 (Total)	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 13,096,784	2,423,366	309,476	10,076,109	11,362	25,917,097	20,491,702	46,408,799
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(1,088,937)	1,189,339	25,111	(125,207)	(306)	-	-	-
— Transfer to the credit-impaired financial assets	(247,680)	(510,192)	(23,852)	775,359	6,365	-	-	-
— Transfer to 12-month ECL	516,527	(372,011)	(735)	(143,781)	-	-	-	-
— The financial assets that have been derecognized	(3,835,044)	(1,162,499)	(88,248)	(1,181,426)	(138)	(6,267,355)	-	(6,267,355)
New financial assets originated or purchased	5,918,514	1,114,109	3,290	1,168,477	34,377	8,238,767	-	8,238,767
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-	1,683,718	1,683,718
Write-offs	(3,683)	-	-	(3,684,906)	-	(3,688,589)	-	(3,688,589)
Recoveries of amounts previously written off	82,350	-	-	1,261,468	-	1,343,818	-	1,343,818
Foreign exchange and other movement	776,415	999,768	355,503	2,771,997	(3,038)	4,900,645	-	4,900,645
Ending balance	<u>\$ 15,215,246</u>	<u>3,681,880</u>	<u>580,545</u>	<u>10,918,090</u>	<u>48,622</u>	<u>30,444,383</u>	<u>22,175,420</u>	<u>52,619,803</u>

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Short term advances, non-accrual loans and others

For the year ended December 31, 2023								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9 (Total)	Additional provision of impairment in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Beginning balance	\$ 28,829	312	-	447,803	-	476,944	3,066	480,010
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(56)	623	-	(567)	-	-	-	-
— Transfer to the credit-impaired financial assets	(293)	(244)	-	537	-	-	-	-
— Transfer to 12-month ECL	1,888	(34)	-	(1,854)	-	-	-	-
— The financial assets that have been derecognized	(42,421)	(265)	-	(104,809)	-	(147,495)	-	(147,495)
New financial assets originated or purchased	44,608	249	-	52,269	-	97,126	-	97,126
Additional provision of impairment in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	-	-	(1,517)	(1,517)
Write-offs	-	-	-	(327,290)	-	(327,290)	-	(327,290)
Recoveries of amounts previously written off	-	-	-	4,214	-	4,214	-	4,214
Foreign exchange and other movement	(4,455)	(211)	-	195,878	-	191,212	-	191,212
Ending balance	<u>\$ 28,100</u>	<u>430</u>	<u>-</u>	<u>266,181</u>	<u>-</u>	<u>294,711</u>	<u>1,549</u>	<u>296,260</u>
For the year ended December 31, 2022								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9 (Total)	Additional provision of impairment in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Beginning balance	\$ 14,447	283	-	261,855	-	276,585	3,768	280,353
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(148)	606	-	(458)	-	-	-	-
— Transfer to the credit-impaired financial assets	(313)	(130)	-	443	-	-	-	-
— Transfer to 12-month ECL	1,720	(44)	-	(1,676)	-	-	-	-
— The financial assets that have been derecognized	(25,343)	(438)	-	(25,549)	-	(51,330)	-	(51,330)
New financial assets originated or purchased	60,827	248	-	275,357	-	336,432	-	336,432
Additional provision of impairment in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	-	-	(702)	(702)
Write-offs	-	-	-	(92,835)	-	(92,835)	-	(92,835)
Foreign exchange and other movement	(22,361)	(213)	-	30,666	-	8,092	-	8,092
Ending balance	<u>\$ 28,829</u>	<u>312</u>	<u>-</u>	<u>447,803</u>	<u>-</u>	<u>476,944</u>	<u>3,066</u>	<u>480,010</u>

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Financing commitment and guarantee reserve

For the year ended December 31, 2023								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9 (Total)	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 428,424	14,029	-	15,854	1,239	459,546	649,006	1,108,552
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(6,041)	6,049	-	(8)	-	-	-	-
— Transfer to the credit-impaired financial assets	(2,633)	(446)	-	3,079	-	-	-	-
— Transfer to 12-month ECL	8,470	(7,544)	-	(926)	-	-	-	-
— The financial assets that have been derecognized	(94,740)	(2,373)	-	(557)	-	(97,670)	-	(97,670)
New financial assets originated or purchased	184,450	802	39	71,767	8,409	265,467	-	265,467
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-	48,000	48,000
Write-offs	-	-	-	(126)	-	(126)	-	(126)
Recoveries of amounts previously written off	-	-	-	268	-	268	-	268
Foreign exchange and other movement	(66,503)	15,384	-	(2,549)	(198)	(53,866)	-	(53,866)
Ending balance	<u>\$ 451,427</u>	<u>25,901</u>	<u>39</u>	<u>86,802</u>	<u>9,450</u>	<u>573,619</u>	<u>697,006</u>	<u>1,270,625</u>
For the year ended December 31, 2022								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9 (Total)	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 404,932	14,767	-	143,589	59	563,347	702,078	1,265,425
Changes in financial instruments that have been identified at the beginning of the period:								
— Transfer to lifetime ECL	(1,940)	1,945	-	(5)	-	-	-	-
— Transfer to the credit-impaired financial assets	(2,130)	(643)	-	2,773	-	-	-	-
— Transfer to 12-month ECL	3,802	(3,118)	-	(684)	-	-	-	-
— The financial assets that have been derecognized	(128,971)	(2,793)	-	(2,973)	-	(134,737)	-	(134,737)
New financial assets originated or purchased	186,508	627	-	187	1,170	188,492	-	188,492
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	-	-	(53,072)	(53,072)
Write-offs	-	-	-	(2,167)	-	(2,167)	-	(2,167)
Recoveries of amounts previously written off	-	-	-	219	-	219	-	219
Foreign exchange and other movement	(33,777)	3,244	-	(125,085)	10	(155,608)	-	(155,608)
Ending balance	<u>\$ 428,424</u>	<u>14,029</u>	<u>-</u>	<u>15,854</u>	<u>1,239</u>	<u>459,546</u>	<u>649,006</u>	<u>1,108,552</u>

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Investment under equity method—net

	<b>December 31, 2023</b>			
	<b>Cost of Investment</b>		<b>%</b>	<b>Book value</b>
	<b>(thousand dollar)</b>			
<u>Associates:</u>				
Grand Bills Finance Corporation	NTD	1,010,880	21.15	\$ 1,876,998
AZ-Star Co., Ltd.	JPY	12,000	40.00	21,374
AZ-Star 3 Investment Limited Partnership	JPY	2,066,407	23.56	521,312
<u>Joint venture:</u>				
Xiamen Jinmeixin Consumer Finance Co., Ltd.	RMB	170,000	34.00	<u>1,168,483</u>
Total				<u><u>\$ 3,588,167</u></u>

	<b>December 31, 2022</b>			
	<b>Cost of Investment</b>		<b>%</b>	<b>Book value</b>
	<b>(thousand dollar)</b>			
<u>Associates:</u>				
Grand Bills Finance Corporation	NTD	1,010,880	21.15	\$ 1,634,203
AZ-Star Co., Ltd.	JPY	12,000	40.00	23,292
AZ-Star 3 Investment Limited Partnership	JPY	1,953,768	23.56	373,400
<u>Joint venture:</u>				
Xiamen Jinmeixin Consumer Finance Co., Ltd.	RMB	170,000	34.00	<u>1,081,342</u>
Total				<u><u>\$ 3,112,237</u></u>

For the years ended December 31, 2023 and 2022, the amounts of profit and loss from associates recognized under equity-method investments were as below:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Associates	\$ 259,548	55,990
Joint venture	<u>107,133</u>	<u>124,122</u>
Total	<u><u>\$ 366,681</u></u>	<u><u>180,112</u></u>

(i) Information of insignificant associates:

The following was the collected prorated financial information of the associates that were individually insignificant to the Bank and subsidiaries. The financial information was derived from the consolidated financial report.

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net income from continuing operations	\$ 259,548	55,990
Other comprehensive income (losses)	<u>186,290</u>	<u>(535,546)</u>
Comprehensive income (losses)	<u><u>\$ 445,838</u></u>	<u><u>(479,556)</u></u>

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Joint venture

Xiamen Jinmeixin Consumer Finance Co., Ltd. was jointly invested by the Bank, GOME Holdings Group Co., Ltd. and Xiamen Jin Yuan Financial Holding Co., Ltd. The investment was joint ventures accounted for using equity method.

The amounts of the investments in individually insignificant joint venture accounted for using equity method by the Bank and subsidiaries were shown below:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net income from continuing operations	\$ 107,133	124,122
Other comprehensive (losses) income	(19,992)	13,132
Comprehensive income	<b>\$ 87,141</b>	<b>137,254</b>

(l) Subsidiary with material non-controlling interests

The non-controlling interests of the subsidiaries that are material to the Bank and subsidiaries are as follows:

<b>Name of Subsidiaries</b>	<b>Main Operating Location/Registered Country of the Company</b>	<b>Proportion of ownership interests and voting rights of non-controlling interests</b>	
		<b>December 31, 2023</b>	<b>December 31, 2022</b>
LH Financial Group Public Company Limited	Thailand	53.39 %	53.39 %

The summarized financial information of LH Financial Group Public Company Limited was as follows. The financial information was prepared in accordance with the IFRS Accounting Standards accepted by FSC and has reflected the adjustment of fair value and the difference of accounting policies made by the Bank and subsidiaries on the acquisition date. Such financial information was the amount without writing off the transaction between the Bank and subsidiaries:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total assets	\$ 301,990,545	278,884,172
Total liabilities	(258,086,958)	(235,353,986)
Net assets	<b>\$ 43,903,587</b>	<b>43,530,186</b>
Book value of non-controlling interests	<b>\$ 23,441,442</b>	<b>23,242,072</b>

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net revenue	\$ <u>7,476,574</u>	<u>7,082,674</u>
Net income	\$ 2,717,102	2,501,676
Other comprehensive losses	(2,500,514)	(2,308,715)
Total comprehensive income	\$ <u>216,588</u>	<u>192,961</u>
Net income attributable to non-controlling interests	\$ <u>1,450,753</u>	<u>1,335,741</u>
Comprehensive income attributable to non-controlling interests	\$ <u>115,654</u>	<u>103,049</u>

(m) Other financial assets — net

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Short term advances	\$ 1,133,152	1,395,539
Less: Allowance for credit losses—short-term advances	(109,711)	(87,086)
Deposits pledged	663,183	671,853
Non-accrual loans transferred from non-loan financial assets	177,598	114,759
Less: Allowance for credit losses—non-accrual loans transferred from non-loan financial assets	(111,885)	(73,674)
Others	<u>181,539</u>	<u>174,729</u>
Total	\$ <u>1,933,876</u>	<u>2,196,120</u>

Please refer to Note 6(j) for information with regard to the changes of short-term advances and allowance for credit losses of non-accrual loans transferred from non-loan financial assets shown above.

Please refer to Note 8 for information with regard to the restrictions on the other financial assets shown above.

(n) Investment property — net

<b>December 31, 2023</b>				
<b>Asset</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment</b>	<b>Book value</b>
Land	\$ 4,007,661	-	31,627	3,976,034
Buildings	<u>1,427,530</u>	<u>622,416</u>	<u>7,591</u>	<u>797,523</u>
Total	\$ <u>5,435,191</u>	<u>622,416</u>	<u>39,218</u>	<u>4,773,557</u>
Fair value				\$ <u>6,648,530</u>

<b>December 31, 2022</b>				
<b>Asset</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment</b>	<b>Book value</b>
Land	\$ 4,025,386	-	36,013	3,989,373
Buildings	<u>1,441,256</u>	<u>603,021</u>	<u>8,519</u>	<u>829,716</u>
Total	\$ <u>5,466,642</u>	<u>603,021</u>	<u>44,532</u>	<u>4,819,089</u>
Fair value				\$ <u>6,699,243</u>

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Changes in the cost were as follows:

	<u>January 1, 2023</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2023</u>
Land	\$ 4,025,386	-	17,725	-	4,007,661
Buildings	1,441,256	-	13,726	-	1,427,530
Total	<u>\$ 5,466,642</u>	<u>-</u>	<u>31,451</u>	<u>-</u>	<u>5,435,191</u>

	<u>January 1, 2022</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2022</u>
Land	\$ 4,274,887	-	249,501	-	4,025,386
Buildings	1,641,399	-	200,143	-	1,441,256
Total	<u>\$ 5,916,286</u>	<u>-</u>	<u>449,644</u>	<u>-</u>	<u>5,466,642</u>

Changes in accumulated depreciation were as follows:

	<u>January 1, 2023</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2023</u>
Buildings	\$ <u>603,021</u>	<u>25,918</u>	<u>6,523</u>	<u>-</u>	<u>622,416</u>

	<u>January 1, 2022</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2022</u>
Buildings	\$ <u>648,821</u>	<u>28,722</u>	<u>74,522</u>	<u>-</u>	<u>603,021</u>

Changes in accumulated impairment were as follows:

	<u>January 1, 2023</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2023</u>
Land	\$ 36,013	-	4,386	-	31,627
Buildings	8,519	-	928	-	7,591
Total	<u>\$ 44,532</u>	<u>-</u>	<u>5,314</u>	<u>-</u>	<u>39,218</u>

	<u>January 1, 2022</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others</u>	<u>December 31, 2022</u>
Land	\$ 51,893	-	15,880	-	36,013
Buildings	12,905	-	4,386	-	8,519
Total	<u>\$ 64,798</u>	<u>-</u>	<u>20,266</u>	<u>-</u>	<u>44,532</u>

The fair value of investment property is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The value of investment properties is estimated through application of market value method.

The Bank and subsidiaries recognized provision for and reversal of impairment losses due to the disposal and changes in market environment.

The Bank and subsidiaries have no pledged investment properties.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Premises and equipment – net

<u>December 31, 2023</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net</u>
Land	\$ 13,621,353	-	41,383	13,579,970
Buildings	33,258,144	11,028,569	23,493	22,206,082
Transportation equipment	82,299	46,789	1	35,509
Miscellaneous equipment	11,090,481	6,742,831	472	4,347,178
Construction in progress	442,123	-	-	442,123
Prepayment for equipment	298,286	-	-	298,286
<b>Total</b>	<b><u>\$ 58,792,686</u></b>	<b><u>17,818,189</u></b>	<b><u>65,349</u></b>	<b><u>40,909,148</u></b>

<u>December 31, 2022</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net</u>
Land	\$ 13,614,913	-	41,383	13,573,530
Buildings	32,953,396	10,064,048	23,493	22,865,855
Transportation equipment	82,136	39,120	2	43,014
Miscellaneous equipment	10,370,634	6,354,993	1,262	4,014,379
Construction in progress	480,657	-	-	480,657
Prepayment for equipment	64,195	-	-	64,195
<b>Total</b>	<b><u>\$ 57,565,931</u></b>	<b><u>16,458,161</u></b>	<b><u>66,140</u></b>	<b><u>41,041,630</u></b>

Changes in the cost were as follows:

	<u>January 1, 2023</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2023</u>
Land	\$ 13,614,913	8,740	-	(2,300)	13,621,353
Buildings	32,953,396	562,677	170,293	(87,636)	33,258,144
Transportation equipment	82,136	9,177	9,614	600	82,299
Miscellaneous equipment	10,370,634	1,750,949	989,919	(41,183)	11,090,481
Construction in progress	480,657	534,682	571,240	(1,976)	442,123
Prepayment for equipment	64,195	755,882	521,682	(109)	298,286
<b>Total</b>	<b><u>\$ 57,565,931</u></b>	<b><u>3,622,107</u></b>	<b><u>2,262,748</u></b>	<b><u>(132,604)</u></b>	<b><u>58,792,686</u></b>

	<u>January 1, 2022</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2022</u>
Land	\$ 13,543,962	58,407	-	12,544	13,614,913
Buildings	32,720,480	315,696	188,907	106,127	32,953,396
Transportation equipment	77,249	14,988	12,135	2,034	82,136
Miscellaneous equipment	10,263,037	1,390,579	1,381,900	98,918	10,370,634
Construction in progress	357,919	435,853	314,250	1,135	480,657
Prepayment for equipment	40,407	255,633	231,860	15	64,195
<b>Total</b>	<b><u>\$ 57,003,054</u></b>	<b><u>2,471,156</u></b>	<b><u>2,129,052</u></b>	<b><u>220,773</u></b>	<b><u>57,565,931</u></b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Changes in accumulated depreciation were as follows:

	<b>January 1, 2023</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>Others (exchange difference)</b>	<b>December 31, 2023</b>
Buildings	\$ 10,064,048	1,163,459	159,575	(39,363)	11,028,569
Transportation equipment	39,120	14,782	7,368	255	46,789
Miscellaneous equipment	6,354,993	1,372,039	958,463	(25,738)	6,742,831
<b>Total</b>	<b>\$ 16,458,161</b>	<b>2,550,280</b>	<b>1,125,406</b>	<b>(64,846)</b>	<b>17,818,189</b>

	<b>January 1, 2022</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>Others (exchange difference)</b>	<b>December 31, 2022</b>
Buildings	\$ 9,013,835	1,121,567	160,258	88,904	10,064,048
Transportation equipment	33,875	14,009	9,624	860	39,120
Miscellaneous equipment	6,388,715	1,252,675	1,364,879	78,482	6,354,993
<b>Total</b>	<b>\$ 15,436,425</b>	<b>2,388,251</b>	<b>1,534,761</b>	<b>168,246</b>	<b>16,458,161</b>

Changes in accumulated impairment were as follows:

	<b>January 1, 2023</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>Others (exchange difference)</b>	<b>December 31, 2023</b>
Land	\$ 41,383	-	-	-	41,383
Buildings	23,493	-	-	-	23,493
Transportation equipment	2	-	-	(1)	1
Miscellaneous equipment	1,262	-	723	(67)	472
<b>Total</b>	<b>\$ 66,140</b>	<b>-</b>	<b>723</b>	<b>(68)</b>	<b>65,349</b>

	<b>January 1, 2022</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>Others (exchange difference)</b>	<b>December 31, 2022</b>
Land	\$ 41,383	-	-	-	41,383
Buildings	23,450	8,493	8,450	-	23,493
Transportation equipment	2	-	-	-	2
Miscellaneous equipment	1,913	639	1,215	(75)	1,262
<b>Total</b>	<b>\$ 66,748</b>	<b>9,132</b>	<b>9,665</b>	<b>(75)</b>	<b>66,140</b>

For the description of recognized changes in impairment losses of premises and equipment above, please refer to Note 6(n).

The Bank and subsidiaries have no pledged premises and equipment.

(p) Right-of-use assets

<b>December 31, 2023</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment</b>	<b>Net</b>
Superficies	\$ 9,914,850	1,304,961	-	8,609,889
Buildings	15,666,687	7,639,141	-	8,027,546
Transportation equipment	232,842	109,629	-	123,213
Miscellaneous equipment	1,190,893	225,035	-	965,858
<b>Total</b>	<b>\$ 27,005,272</b>	<b>9,278,766</b>	<b>-</b>	<b>17,726,506</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>December 31, 2022</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net</u>
Superficies	\$ 9,914,850	1,038,234	-	8,876,616
Buildings	14,627,242	6,771,141	-	7,856,101
Transportation equipment	193,443	106,958	-	86,485
Miscellaneous equipment	1,337,515	995,708	-	341,807
<b>Total</b>	<b>\$ 26,073,050</b>	<b>8,912,041</b>	<b>-</b>	<b>17,161,009</b>

Changes in the cost were as follows:

	<u>January 1, 2023</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2023</u>
Superficies	\$ 9,914,850	-	-	-	9,914,850
Buildings	14,627,242	3,120,812	1,832,454	(248,913)	15,666,687
Transportation equipment	193,443	94,607	54,685	(523)	232,842
Miscellaneous equipment	1,337,515	810,487	907,863	(49,246)	1,190,893
<b>Total</b>	<b>\$ 26,073,050</b>	<b>4,025,906</b>	<b>2,795,002</b>	<b>(298,682)</b>	<b>27,005,272</b>

	<u>January 1, 2022</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2022</u>
Superficies	\$ 9,690,150	228,936	4,236	-	9,914,850
Buildings	13,316,782	2,343,114	1,238,988	206,334	14,627,242
Transportation equipment	184,878	51,380	48,371	5,556	193,443
Miscellaneous equipment	1,017,762	350,347	6,738	(23,856)	1,337,515
<b>Total</b>	<b>\$ 24,209,572</b>	<b>2,973,777</b>	<b>1,298,333</b>	<b>188,034</b>	<b>26,073,050</b>

Changes in accumulated depreciation were as follows:

	<u>January 1, 2023</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2023</u>
Superficies	\$ 1,038,234	266,727	-	-	1,304,961
Buildings	6,771,141	2,468,362	1,470,015	(130,347)	7,639,141
Transportation equipment	106,958	55,646	52,613	(362)	109,629
Miscellaneous equipment	995,708	170,531	907,863	(33,341)	225,035
<b>Total</b>	<b>\$ 8,912,041</b>	<b>2,961,266</b>	<b>2,430,491</b>	<b>(164,050)</b>	<b>9,278,766</b>

	<u>January 1, 2022</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2022</u>
Superficies	\$ 776,136	266,334	4,236	-	1,038,234
Buildings	5,440,465	2,419,886	1,198,073	108,863	6,771,141
Transportation equipment	94,296	52,521	42,382	2,523	106,958
Miscellaneous equipment	812,866	207,614	6,737	(18,035)	995,708
<b>Total</b>	<b>\$ 7,123,763</b>	<b>2,946,355</b>	<b>1,251,428</b>	<b>93,351</b>	<b>8,912,041</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Changes in accumulated impairment were as follows:

	<u>January 1, 2022</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2022</u>
Buildings	\$ -	3,036	3,036	-	-

For the description of recognized changes in impairment losses of right-of-use assets above, please refer to Note 6(n).

In May 2006, the Bank acquired the superficies of lots 43, 43-1, 45 and 45-1 of Jingmao Section, Nankang, Taipei, from Taiwan Fertilizer Co., Ltd. for 50 years through a public tender. The acquisition cost amounted to \$3,364,140 (including business tax and other related expenses of the superficies). The rental is determined annually at the rate of 8% of the government assessed present value. Please refer to Note 8 for information on performance guarantee deposits.

(q) Intangible assets—net

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Goodwill	\$ 10,385,891	10,385,891
Computer software	6,053,896	6,149,445
Business rights	13,779,247	13,779,247
Others	75,019	75,298
Total	<u>\$ 30,294,053</u>	<u>30,389,881</u>

Goodwill of the Bank and subsidiaries was acquired from business combination.

The Bank merged LH Financial Group Public Company Limited and acquired business right, which was generated via obtaining the right of management in bank business regarding to its branches' channel. There are potential economic benefits arising from the business right, wherein the economic benefits were recognized in fair value on the acquisition date.

Changes in intangible assets were as follows:

	<u>January 1, 2023</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2023</u>
Goodwill	\$ 10,385,891	-	-	-	10,385,891
Computer software	6,149,445	2,764,180	2,749,828	(109,901)	6,053,896
Business rights	13,779,247	-	-	-	13,779,247
Others	75,298	-	1,038	759	75,019
Total	<u>\$ 30,389,881</u>	<u>2,764,180</u>	<u>2,750,866</u>	<u>(109,142)</u>	<u>30,294,053</u>

	<u>January 1, 2022</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Others (exchange difference)</u>	<u>December 31, 2022</u>
Goodwill	\$ 10,385,891	-	-	-	10,385,891
Computer software	5,580,451	2,942,157	2,344,883	(28,280)	6,149,445
Business rights	13,779,136	-	-	111	13,779,247
Others	71,353	-	1,078	5,023	75,298
Total	<u>\$ 29,816,831</u>	<u>2,942,157</u>	<u>2,345,961</u>	<u>(23,146)</u>	<u>30,389,881</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Other assets – net

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Prepayments	\$ 12,088,930	12,630,342
Foreclosed properties received – net	8,156,750	1,216,451
Temporary payments	478,227	350,250
Refundable deposits – net	19,328,606	17,831,851
Cash surrender value of life insurance	2,691,540	2,004,957
Others	1,336,693	1,248,449
<b>Total</b>	<b>\$ 44,080,746</b>	<b>35,282,300</b>

(s) Deposits from Central Bank and other banks

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Deposits from Central Bank	\$ 259,502	1,096,177
Deposits from other banks	22,530,404	17,488,118
Deposits from post offices	110,133	122,353
Overdraft against other banks	359,580	239,873
Due to other banks	70,023,310	78,637,210
<b>Total</b>	<b>\$ 93,282,929</b>	<b>97,583,731</b>

(t) Due to Central Bank and other banks

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financing from Central Bank	\$ 7,353,472	709,867
Financing from other banks	11,340,895	15,903,117
<b>Total</b>	<b>\$ 18,694,367</b>	<b>16,612,984</b>

Financing from Central Bank:

LH Financial Group Public Company Limited

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Borrowings (THB in thousands)	\$ 8,188,722	798,500
Interest rate	0.01%	0.01%
Maturity date	June 23, 2028	December 13, 2027
Interest payment	at the maturity date	at the maturity date

Financing from other banks:

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

LH Financial Group Public Company Limited

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Inter bank borrowings (THB in thousands)	\$ 12,628,722	17,885,781
Interest rate	0.10~2.87%	0.10~1.90%
Maturity date	November 22, 2024	November 22, 2024

(u) Securities sold under repurchase agreements

<b>December 31, 2023</b>				
<b>Assets</b>	<b>Par value</b>	<b>Selling price (Note)</b>	<b>Designated repurchase amount</b>	<b>Designated repurchase date</b>
Financial assets measured at fair value through profit or loss	\$ 10,035,000	10,027,065	10,032,004	Before January 26, 2024
Financial assets measured at fair value through other comprehensive income	60,031,406	52,325,508	52,536,690	Before February 16, 2024
Investment in debt instruments at amortized cost	206,116,821	141,597,652	142,162,773	Before February 16, 2024
<b>Total</b>	<b>\$ 276,183,227</b>	<b>203,950,225</b>	<b>204,731,467</b>	

<b>December 31, 2022</b>				
<b>Assets</b>	<b>Par value</b>	<b>Selling price (Note)</b>	<b>Designated repurchase amount</b>	<b>Designated repurchase date</b>
Financial assets measured at fair value through profit or loss	\$ 19,359,000	19,340,314	19,359,000	Before January 30, 2023
Financial assets measured at fair value through other comprehensive income	31,409,325	27,547,333	27,785,592	Before February 16, 2023
Investment in debt instruments at amortized cost	137,553,219	87,004,496	87,615,861	Before February 23, 2023
<b>Total</b>	<b>\$ 188,321,544</b>	<b>133,892,143</b>	<b>134,760,453</b>	

Note: Recognized under securities sold under repurchase agreements.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable	\$ 11,790,193	10,567,750
Accounts payable factoring	8,437,435	7,918,588
Accrued expenses	25,646,819	20,799,213
Interest payable	17,306,322	9,832,036
Acceptances payable	10,821,959	10,603,028
Collection payable	6,865,002	6,515,196
Miscellaneous lottery accounts payable	4,868,040	9,937,857
Other payables	<u>12,539,589</u>	<u>11,154,958</u>
Total	<u>\$ 98,275,359</u>	<u>87,328,626</u>

(w) Deposits and remittances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
NTD deposits		
Checking accounts	\$ <u>11,502,653</u>	<u>12,986,660</u>
Demand deposits		
Demand deposits	369,932,174	354,622,506
Demand savings deposits	1,282,123,763	1,200,656,471
Public treasury deposits	<u>17,339,074</u>	<u>17,189,242</u>
Subtotal of demand deposits	<u>1,669,395,011</u>	<u>1,572,468,219</u>
Time deposits		
Time deposits	418,769,011	360,602,826
Time savings deposits	667,633,239	575,393,017
Negotiable certificates of deposits	20,515,300	719,700
Public treasury deposits	36,072,160	54,129,073
Others	<u>9,774,500</u>	<u>2,744,500</u>
Subtotal of time deposits	<u>1,152,764,210</u>	<u>993,589,116</u>
Subtotal of NTD deposits	<u>2,833,661,874</u>	<u>2,579,043,995</u>
Foreign currency deposits	2,164,719,082	2,033,427,140
Stored value cards	165	162
Remittances under custody	78,290	43,794
Remittances outstanding	<u>1,622,974</u>	<u>2,100,742</u>
Total	<u>\$ 5,000,082,385</u>	<u>4,614,615,833</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Financial debentures

Bonds	December 31, 2023	December 31, 2022
2008-1	\$ -	2,000,000
2014-1	20,000,000	20,000,000
2014-2 (Note 1)	15,000,000	15,000,000
2015-2	12,000,000	12,000,000
2015-3	2,300,000	2,300,000
2018-1 (Note 2)	6,915,375	6,909,300
2020-1	1,000,000	1,000,000
2021-1 (Note 2)	4,302,900	4,299,120
2021-2	1,000,000	1,000,000
2021-3 (Note 2)	75,301	76,770
2022-1 (Note 2)	2,458,800	2,456,640
2023-2 (Note 2)	6,147	-
2023-7 (Note 2)	9,220	-
2023-8 (Note 2)	9,220	-
2023-9 (Note 2)	9,220	-
LHBANK315A	2,155,200	2,133,600
Unamortized discount	(1,557)	(1,716)
Less: Financial liability designated at fair value through profit or loss (Note 2)	(13,786,183)	(13,741,830)
<b>Total</b>	<b>\$ 53,453,643</b>	<b>55,431,884</b>

Bonds	Terms of transactions			Bond issued Type
	Issue date	Maturity date	Interest rate	
2008-1	04/10/2008	04/10/2023	3.49%	Unsecured subordinated financial debentures
2014-1	06/18/2014	N/A	A=3.70%, B=4.00%	Perpetual non accumulated subordinated financial debentures
2014-2(Note 1)	06/26/2014	06/26/2029	A=2.00%, B=The prime rate plus 0.45%.	Unsecured subordinated financial debentures
2015-2	06/10/2015	N/A	3.60%	Perpetual non accumulated subordinated financial debentures
2015-3	06/18/2015	06/18/2025	B=2.00%, C=2.05%	Unsecured subordinated financial debentures
2018-1(Note 2)	03/29/2018	03/29/2048	0%	Unsecured financial debentures
2020-1	11/06/2020	11/06/2025	0.43%	Unsecured financial debentures
2021-1(Note 2)	04/27/2021	04/27/2051	0%	Unsecured financial debentures
2021-2	05/18/2021	05/18/2026	0.43%	Unsecured financial debentures
2021-3(Note 2)	08/30/2021	08/30/2026	Combination of fixed interest rate and structured interest rate (CMS Spread)	Unsecured financial debentures
2022-1(Note 2)	04/27/2022	04/27/2052	0%	Unsecured financial debentures

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Bonds	Terms of transactions			Bond issued Type
	Issue date	Maturity date	Interest rate	
2023-2(Note 2)	09/07/2023	04/12/2024	14.67%	Unsecured financial debentures
2023-7(Note 2)	09/25/2023	04/01/2024	13.13%	Unsecured financial debentures
2023-8(Note 2)	10/25/2023	01/31/2024	14.40%	Unsecured financial debentures
2023-9(Note 2)	11/09/2023	11/15/2024	14.50%	Unsecured financial debentures
LHBANK315A	05/21/2021	05/21/2031	3.75%	Unsecured subordinated financial debentures

Note 1: The prime rate is based on page code 6165 of Reuters, the fixed interest rate of 90-day CP/BA at 11:00 am on the interest reset date. If no quotation is available on page code 6165 of Reuters, no page is displayed, or no prime rate is retrievable from Reuters, the Bank would change the resource of the rate. The Bank would set the prime rate as Secondary Market Fixing Rate of 90-day TAIBIR 02 from the “TAIBIR Section” in the webpage of Taiwan Depository and Clearing Corporation.

Note 2: Financial debentures of 2018-1, 2021-1, 2021-3, 2022-1, 2023-2, 2023-7, 2023-8 and 2023-9 are recognized as financial liabilities designated at fair value through profit or loss. For more information, please refer to Note 6(c).

(y) Commercial paper payable-net

The information of commercial paper payable issued by the Bank and subsidiaries was as below:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Commercial paper payable	\$ 5,892,676	2,667,000
Less: Discount on commercial paper payable	(27,216)	(7,387)
<b>Total</b>	<b>\$ 5,865,460</b>	<b>2,659,613</b>
Rate range	2.35~2.80%	1.60~2.20%
Duration	June 30, 2023 ~ June 5, 2024	January 20, 2022 ~ May 22, 2023

(z) Other financial liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Structured products	\$ 63,296,185	50,565,469
Others	691	-
<b>Total</b>	<b>\$ 63,296,876</b>	<b>50,565,469</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(aa) Provisions

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Settlement compensation provision	\$ 103,351	150,137
Employee benefits provision	2,939,925	3,202,280
Guarantee reserve	819,798	769,199
Financing commitment provision	450,827	339,353
Other provisions	361,219	353,303
<b>Total</b>	<b>\$ 4,675,120</b>	<b>4,814,272</b>

(ab) Other liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Amount received in advance	\$ 853,322	1,021,838
Payable in custody	613,829	150,246
Deferred income	2,504,460	2,426,307
Guarantee deposits received	11,238,421	10,328,536
Temporary receipt	2,449,153	2,084,549
Others	262,753	278,823
<b>Total</b>	<b>\$ 17,921,938</b>	<b>16,290,299</b>

(ac) Lease liabilities

	<b>Summary</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Superficies	Superficies	\$ 6,880,318	6,994,246
Buildings	Leased Buildings	8,370,316	8,137,175
Transportation equipment	Leased official cars	126,558	91,119
Miscellaneous equipment	Leased office equipment	980,335	347,992
<b>Total</b>		<b>\$ 16,357,527</b>	<b>15,570,532</b>

A few real estates include lease extension options to extend the lease while some of them are not reasonably assured that options will be exercised, so the measurement of lease liabilities did not reflect the terms.

Maturity analysis of lease liabilities (undiscounted) for the Bank and subsidiaries was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Less than one year	\$ 2,867,486	2,682,377
Between one and five years	5,225,094	6,700,278
More than five years	12,410,377	10,945,411
<b>Total</b>	<b>\$ 20,502,957</b>	<b>20,328,066</b>

For the years ended December 31, 2023 and 2022, the total cash outflows of leases were \$3,833,246 and \$3,547,309, respectively.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ad) Employee benefits

(i) Defined contribution plan

The Bank's defined contribution plan follows the Labor Pension Act of the R.O.C. and makes monthly cash contributions to the employees' individual pension accounts at the Bureau of Labor Insurance at the rate of 6% of the employees' monthly salary. Under this plan, the Bank has no legal or constructive obligation to make other payments after the Bank makes the fixed amount of contribution to the Bureau of Labor Insurance.

For the years ended December 31, 2023 and 2022, the pension expense under defined contribution plan of the Bank and subsidiaries amounted to \$841,141 and \$784,300, respectively, and were contributed to the Bureau of Labor Insurance or labor agencies designated by local authorities in the case of overseas units.

(ii) Employee benefits provision

Employee benefits provisions recognized by the Bank in the balance sheet were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Defined benefits plan	\$ 1,542,447	1,911,609
Retiree deposits with favorable rates and other post-employment benefits	568,191	537,533
Total	<b>\$ 2,110,638</b>	<b>2,449,142</b>

1) Defined benefits plan

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Present value of defined benefits obligation	\$ 7,242,852	7,559,338
Fair value of plan assets	(5,700,405)	(5,647,729)
Net defined benefit liability	<b>\$ 1,542,447</b>	<b>1,911,609</b>

The Bank's defined benefits plan contributes to designated depository account with Bank of Taiwan. Payments of pension benefits to employees who are covered by the Labor Standards Act are calculated based on the employee's average monthly salary for the last 6 months prior to approved retirement and base point (b.p.) entitlement based on years of service.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

a) Composition of plan assets

The Bank's labor pension fund contributed in compliance with Labor Standard Act is managed by Bureau of Labor Funds, Ministry of Labor. According to Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund with regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statement shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Please refer to the website of Bureau of Labor Funds, Ministry of Labor for information on labor pension fund assets utilization including earning rate and fund assets allocation.

b) Movements in present value of the defined benefits obligation

The movements in present value of defined benefits obligation for the Bank for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Defined benefits obligation at January 1	\$ 7,559,338	8,138,228
Current service costs and interest	161,691	136,940
Remeasurements of net defined benefit liability		
Actuarial gains and losses arising from changes in demographic assumptions	17,421	38,955
Actuarial gains and losses arising from changes in financial assumption	-	(209,633)
Actuarial gains and losses arising from experience adjustments	158,798	91,064
Benefits paid by the plan	<u>(654,396)</u>	<u>(636,216)</u>
Defined benefits obligation at December 31	<b><u>\$ 7,242,852</u></b>	<b><u>7,559,338</u></b>

c) Movements in fair value of defined benefit plan assets

The movements in fair value of the defined benefit plan assets for the Bank for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value of plan assets at January 1	\$ 5,647,729	5,418,127
Interest income	66,292	27,603
Remeasurements of net defined benefit liability		
Return on plan assets (exclude current interest)	174,388	320,267
Contribution paid to defined benefit plans	466,392	517,948
Benefits paid by the plan	<u>(654,396)</u>	<u>(636,216)</u>
Fair value of plan assets at December 31	<b><u>\$ 5,700,405</u></b>	<b><u>5,647,729</u></b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

d) Expense recognized in profit or loss

The expenses recognized in profit or loss for the Bank for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current service costs	\$ 76,649	96,249
Net interest of net defined benefit liability	18,750	13,088
Total	<b>\$ 95,399</b>	<b>109,337</b>

e) Remeasurement of net defined benefit liability recognized in other comprehensive income

The remeasurement of net defined benefit liability recognized in other comprehensive income for the Bank for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Cumulative amount at January 1	\$ (816,024)	(1,215,905)
Recognized during the period	(1,831)	399,881
Cumulative amount at December 31	<b>\$ (817,855)</b>	<b>(816,024)</b>

f) Primary actuarial assumptions

The following were the primary actuarial assumptions at the reporting date:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Discount rate	1.125 %	1.125 %
Increasing rate of future compensation levels	3.000 %	3.000 %

The Bank expected \$74,859 in contributions to be paid to defined benefit plans within a year after report date of 2023.

Weighted average duration base on defined benefits plan was 4.1 years.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

g) Sensitivity analysis

When adopted primary actuarial assumption changes, the effects of present value of defined benefits obligation as of December 31, 2023 and 2022 were as follows:

	<b>Present value of defined benefits obligation effects</b>	
	<b>Increase 0.25%</b>	<b>Decrease 0.25%</b>
December 31, 2023		
Discount rate	\$ (75,764)	77,360
Increasing rate of future compensation levels	67,986	(66,927)
December 31, 2022		
Discount rate	\$ (80,884)	82,620
Increasing rate of future compensation levels	72,684	(71,527)

The sensitivity analysis above analyzing the effects of changes in single assumptions is based on other assumptions remain unchanged. In practice, changes in many assumptions may link together. Sensitivity analysis and net pension liability of balance sheet were calculated under the same approach.

The methodology for sensitivity analysis and assumptions adopted are the same as last year.

2) Retiree deposits with favorable rates and other post-employment benefits

The reconciliations between present value of the Bank's defined benefits obligation and fair value of plan assets were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Present value of defined benefits obligation	\$ 568,191	537,533
Fair value of plan assets	-	-
Net defined benefit liability	<b>\$ 568,191</b>	<b>537,533</b>

The Bank's obligation to grant retirees, including current employees retiring in the future, fixed-amount deposits with favorable rates is based on the Bank's Regulations for Subsidizing the Retiree Benefits.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

a) Movements in present value of the defined benefits obligation

The movements in present value of defined benefits obligation for the Bank for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Defined benefits obligation at January 1	\$ 537,533	522,653
Current service costs and interest	24,820	21,247
Past service costs	30,282	27,990
Remeasurements of net defined benefit liability		
Actuarial gains and losses arising from changes in financial assumptions	2,767	(38,970)
Actuarial gains and losses arising from experience adjustments	6,024	33,476
Benefits paid by the plan	(33,235)	(28,863)
Defined benefits obligation at December 31	<b>\$ 568,191</b>	<b>537,533</b>

b) Expense recognized in profit or loss

The expense recognized in profit or loss for the Bank for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Past service costs	\$ 30,282	27,990
Current service costs	10,344	11,385
Net interest of net defined benefit liability	14,476	9,862
Total	<b>\$ 55,102</b>	<b>49,237</b>

c) Net remeasurement of defined benefit liability recognized in other comprehensive income

The net remeasurement of defined benefit liability recognized in other comprehensive income for the bank for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Cumulative amount at January 1	\$ (46,074)	(51,568)
Recognized during the period	(8,791)	5,494
Cumulative amount at December 31	<b>\$ (54,865)</b>	<b>(46,074)</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

d) Primary actuarial assumptions

	December 31, 2023		December 31, 2022	
	Favorable rates for employee deposits	Other post- employment benefits	Favorable rates for employee deposits	Other post- employment benefits
Discount rate	4.00 %	1.375%~1.625%	4.00 %	1.625%~1.750%
Expected rate of return on deposited fund	2.00 %	-	2.00 %	-
Withdrawal rate of retirement favorable deposit/utilization rate on subsidy for health examination and social networking	2.00 %	32%~67%	2.00 %	31%~79%
Probability of future changes in favorable rates deposits scheme	50.00 %	-	50.00 %	-

e) Sensitivity analysis

When adopted primary actuarial assumption changes, the effects of present value of the benefits obligation as of December 31, 2023 and 2022 were as follows:

	Present value of the benefits obligation effects	
	Increase 0.25%	Decrease 0.25%
<b>Favorable rates for employee deposits</b>		
December 31, 2023		
Discount rate	\$ (7,393)	7,729
Withdrawal rate of retirement favorable deposit	(7,854)	8,192
December 31, 2022		
Discount rate	(6,880)	7,195
Withdrawal rate of retirement favorable deposit	(7,310)	7,626
<b>Other post- employment benefits</b>		
December 31, 2023		
Discount rate	\$ (9,467)	10,012
December 31, 2022		
Discount rate	(9,004)	9,516

The sensitivity analysis above analyzing the effects of changes in single assumptions is based on other assumptions remain unchanged. In practice, changes in many assumptions may link together. Sensitivity analysis and net pension liability of balance sheet were calculated under the same approach.

The methodology for sensitivity analysis and assumptions adopted are the same as last year.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Defined benefits plan of overseas branches and subsidiaries

Defined benefits plan of overseas branches and subsidiaries recognized in consolidated balance sheets was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Defined benefits plan	\$ 829,287	753,138

For the years ended December 31, 2023 and 2022, expenses recognized by overseas branches and subsidiaries in profit and loss amounted to \$284,459 and \$252,150, respectively.

For the years ended December 31, 2023 and 2022, other comprehensive income recognized by overseas subsidiaries in actuarial profit and loss amounted to \$31,590 of loss and \$3,236 of profit, respectively.

(ae) Income tax

(i) Income tax

For the years ended December 31, 2023 and 2022, the income tax expenses (benefits) and related accounts were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current income tax expenses	\$ 9,885,193	7,406,780
Deferred income tax expenses (benefits)	352,874	1,551,861
Income tax expenses	<b>\$ 10,238,067</b>	<b>8,958,641</b>

For the years ended December 31, 2023 and 2022, the income tax expenses (benefits) recognized under other comprehensive income of the Bank and subsidiaries were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement (gains) losses related to defined benefit plans	\$ (10,390)	81,205
Proportionate share of other comprehensive (income) losses from associates or joint ventures under the equity method	(85)	259
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	(72,221)	465,849
Equity investments measured at fair value through other comprehensive income	(305,342)	(98,296)
Total	<b>\$ (388,038)</b>	<b>449,017</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences of overseas subsidiaries' financial reports translation	\$ (284,094)	207,764
Losses (gains) on valuation of debt instrument measured at fair value through other comprehensive income	27,253	(439,054)
Total	<b>\$ (256,841)</b>	<b>(231,290)</b>

The reconciliations of income tax expenses and net income before income tax of the Bank and subsidiaries were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net income before income tax	\$ 53,024,903	47,437,605
Straight income tax	11,870,536	10,416,646
Effects of foreign and domestic tax rate spread	137,816	177,861
Tax-exempt income	(1,187,672)	(1,544,869)
Adjustments of prior year's income tax	(26,477)	(168,937)
Others	(347,469)	268,882
Investment tax credit	(196,188)	(182,543)
Effects of change in tax rate	(12,479)	(8,399)
Income tax expense	<b>\$ 10,238,067</b>	<b>8,958,641</b>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

As of December 31, 2023 and 2022, the unrecognized deferred tax assets of the Bank and subsidiaries are as below:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Tax effect of deductible temporary differences	\$ 1,140,933	1,486,007
The carryforward of unused tax losses	289,950	98,884
Total	<b>\$ 1,430,883</b>	<b>1,584,891</b>

Tax losses are calculated based on the provisions of local Income Tax Act of the Subsidiaries. The net losses are allowed, as assessed by local tax authorities, to offset taxable income over a period of five years. These losses are not recognized as deferred tax assets because it is not probable that the subsidiaries will have sufficient taxable income in the future to use the temporary difference.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of December 31, 2023, the information of the Bank and subsidiaries' unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax losses</u>	<u>Expiry date</u>
2018	\$ 269	2023
2019	253	2024
2020	205,308	2025
2021	111,160	2026
2022	90,450	2027
2023	<u>1,042,312</u>	2028
	<u><u>\$ 1,449,752</u></u>	

2) Recognized deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the year ended December 31, 2023</u>				
	<u>Beginning Balance</u>	<u>Recognize in profit and loss</u>	<u>Recognize in other comprehensive income</u>	<u>Others</u>	<u>Ending Balance</u>
Proportion of gains and losses recognized from the investments in associates and joint ventures under equity method	\$ (1,763,154)	(484,282)	-	-	(2,247,436)
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	(454,436)	-	72,221	-	(382,215)
Unrealized gains and losses on foreign exchange and financial instruments	683,838	(561,347)	308,146	10,818	441,455
Allowance for credit losses	3,731,247	585,870	-	50,476	4,367,593
(Provision for) reversal of impairment losses on assets	27,601	(928)	-	(1,269)	25,404
Employee benefits liability	434,285	(48,900)	-	1,075	386,460
Settlement compensation provision	16,970	(219)	-	-	16,751
Guarantee reserve	77,560	14,015	-	(5,423)	86,152
Exchange differences of overseas subsidiaries' financial reports translation	2,125,542	-	284,094	-	2,409,636
Defined benefit plan actuarial gains and losses	171,604	(2,776)	10,390	(19)	179,199
Loss carryforward and others	1,549,993	130,992	(30,057)	(119,593)	1,531,335
Unrealized re-evaluation of financial debentures	(550,851)	(17,279)	-	-	(568,130)
Deferred fee income	<u>566,000</u>	<u>31,980</u>	<u>-</u>	<u>(5,755)</u>	<u>592,225</u>
<b>Deferred tax assets (liabilities)-net</b>	<u><b>\$ 6,616,199</b></u>	<u><b>(352,874)</b></u>	<u><b>644,794</b></u>	<u><b>(69,690)</b></u>	<u><b>6,838,429</b></u>
Information disclosed in balance sheet:					
Deferred tax assets	\$ 10,472,858				12,033,553
Deferred tax liabilities	<u>(3,856,659)</u>				<u>(5,195,124)</u>
Total	<u><b>\$ 6,616,199</b></u>				<u><b>6,838,429</b></u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	For the year ended December 31, 2022				
	Beginning Balance	Recognize in profit and loss	Recognize in other comprehensive income	Others	Ending Balance
Proportion of gains and losses recognized from the investments in associates and joint ventures under equity method	\$ (1,207,916)	(555,238)	-	-	(1,763,154)
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	11,413	-	(465,849)	-	(454,436)
Unrealized gains and losses on foreign exchange and financial instruments	425,034	(267,205)	506,628	19,381	683,838
Allowance for credit losses	3,856,361	(121,990)	-	(3,124)	3,731,247
(Provision for) reversal of impairment losses on assets	29,501	(1,212)	-	(688)	27,601
Employee benefits liability	500,369	(68,952)	-	2,868	434,285
Settlement compensation provision	17,561	(591)	-	-	16,970
Guarantee reserve	114,034	(41,897)	-	5,423	77,560
Exchange differences of overseas subsidiaries' financial reports translation	2,333,306	-	(207,764)	-	2,125,542
Defined benefit plan actuarial gains and losses	238,918	3,622	(81,205)	10,269	171,604
Loss carryforward and others	1,141,731	86,558	30,722	290,982	1,549,993
Unrealized re-evaluation of financial debentures	60,831	(611,682)	-	-	(550,851)
Deferred fee income	541,019	26,726	-	(1,745)	566,000
<b>Deferred tax assets (liabilities)-net</b>	<b>\$ 8,062,162</b>	<b>(1,551,861)</b>	<b>(217,468)</b>	<b>323,366</b>	<b>6,616,199</b>
Information disclosed in balance sheet:					
Deferred tax assets	\$ 10,241,692				10,472,858
Deferred tax liabilities	(2,179,530)				(3,856,659)
Total	<b>\$ 8,062,162</b>				<b>6,616,199</b>

(iii) Uncertainty over income tax treatments

For all the Bank's and subsidiaries' income tax return which have already returned but have not assessed, the Bank and subsidiaries evaluate some related factors, such as relevant interpretations letter and previous experience, and consider that it has already estimated income tax liabilities properly.

(iv) The Bank's income tax returns assessed and administrative remedies filed were as below:

The Bank has complied with collection authority to assess income tax return until the fiscal year of 2017.

Year	Recheck
2016	Other losses

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(af) Capital stock, capital surplus, and other equity interest

(i) Capital stock

As of December 31, 2023, the Bank's authorized capital was \$150,000,000, representing 15,000,000 thousand common shares with par value at NTD 10 per share, and paid in capital for common stock was \$147,962,186, with 14,796,218 thousand common shares issued.

(ii) Capital surplus

The components and sources of capital surplus were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Additional paid-in capital-stock	\$ 29,797,938	29,793,064
Share based payment transactions-Equity settled	326,626	64,242
Others	<u>15,107</u>	<u>15,107</u>
Total	<b><u>\$ 30,139,671</u></b>	<b><u>29,872,413</u></b>

In compliance with the Company Act, capital surplus can only be used to offset a deficit when surplus reserve is not sufficient to offset losses or to be distributed by issuing new shares or by cash pursuant to a resolution to be adopted by a shareholders' meeting as required in Article 241, Paragraph 1 of the Company Act. Furthermore, according to Article 72-1, Paragraph 1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be used to increase capital shall not exceed 10% of total paid-in capital. The capital surplus arising from a capital increase can be capitalized only in the following fiscal year after being registered by the Bank with the competent authority for approval.

Equity-based share-based payment is to award the employees the Bank and subsidiaries who meet performance criteria with restricted rights to receive new shares issued by CTBC Financial Holdings, the parent company of the Bank and subsidiaries. The nature of transaction is the capital investment of the parent company to the Bank, and the salary expenses and capital surplus are recognized during the vesting period.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other equity interest

Changes in the Bank and subsidiaries' other equity interest were as below:

	<u>Exchange differences of overseas subsidiaries' financial reports translation</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk</u>	<u>Total</u>
January 1, 2023	\$ (11,857,885)	(9,393,777)	1,817,742	(19,433,920)
Translation difference of exchange differences of overseas subsidiaries' net assets	(2,411,709)	-	-	(2,411,709)
Gains and losses on designated as hedging instruments in a hedge of the net investments in overseas subsidiaries	618,256	-	-	618,256
Proportionate share of other comprehensive income and losses from associates under equity method	-	186,631	-	186,631
Unrealized gains and losses from financial assets measured at fair value through other comprehensive income	-	2,290,415	-	2,290,415
Cumulative gains and losses reclassified to profit or loss on disposal of investments in debt instrument at fair value through other comprehensive income	-	(157,412)	-	(157,412)
Disposal of investments in equity instruments designated at fair value through other comprehensive income and losses	-	483,398	-	483,398
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	-	-	(288,884)	(288,884)
December 31, 2023	<u>\$ (13,651,338)</u>	<u>(6,590,745)</u>	<u>1,528,858</u>	<u>(18,713,225)</u>
	<u>Exchange differences of overseas subsidiaries' financial reports translation</u>	<u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u>	<u>Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk</u>	<u>Total</u>
January 1, 2022	\$ (16,570,637)	1,688,088	(45,651)	(14,928,200)
Translation difference of exchange differences of overseas subsidiaries' net assets	5,388,745	-	-	5,388,745
Gains and losses on designated as hedging instruments in a hedge of the net investments in overseas subsidiaries	(675,993)	-	-	(675,993)
Proportionate share of other comprehensive income and losses from associates under equity method	-	(536,584)	-	(536,584)
Unrealized gains and losses from financial assets measured at fair value through other comprehensive income	-	(12,163,540)	-	(12,163,540)
Cumulative gains and losses reclassified to profit or loss on disposal of investments in debt instrument at fair value through other comprehensive income	-	1,588,671	-	1,588,671
Disposal of investments in equity instruments designated at fair value through other comprehensive income and losses	-	29,588	-	29,588
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	-	-	1,863,393	1,863,393
December 31, 2022	<u>\$ (11,857,885)</u>	<u>(9,393,777)</u>	<u>1,817,742</u>	<u>(19,433,920)</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ag) Earnings distribution and dividend policy

As a subsidiary of CTBC Financial Holding Co., Ltd., the Bank is required to fulfill the operating fund demands of the parent company and to maintain its own capital adequacy ratio. Therefore, common stock dividends and bonuses are generally distributed as cash dividends. The Bank adopts a constant and balanced dividend policy through annual common stock dividends and distribution of bonuses.

The above-mentioned methodology is merely a guideline used to select an appropriate dividend policy. In consideration of current operations and capital budget planning for the next year, an appropriate dividend distribution ratio is selected.

Annual earnings, if any, are used to pay taxes, to make certain adjustments in accordance with financial accounting standards, and to offset cumulative losses. Then 30% of the remaining earnings are appropriated as legal reserve and set provision for or reversal of special reserve according to the regulations. Subsequent to all appropriations aforesaid, the remaining balance and the undistributed earnings at the beginning period should report to the Board of Directors for the discussion of dividend distribution ahead of seeking approval from shareholders. Before the legal reserve balance reaches an amount equal to total paid in capital, cash dividends are limited to 15% of total paid in capital. When the legal reserve balance reaches an amount equal to total paid in capital, or satisfies the Article 50, paragraph 2 of the Banking Law, if the Bank is sound in both its finance and business operations and has set aside legal reserve in compliance with the Company Act, the restrictions stipulated in the preceding paragraph shall not apply.

A resolution on 2022 earnings distribution of the Bank was approved by the Board of Directors, on behalf of shareholders' meeting on May 26, 2023, and cash dividend amounting to \$21,699,986 was distributed.

A resolution on 2021 earnings distribution of the Bank was approved by the Board of Directors, on behalf of shareholders' meeting on May 24, 2022, and cash dividend amounting to \$12,137,190 was distributed.

Relevant information approved by the Board of Directors on behalf of shareholders' meeting is available on Market Observation Post System or other sites.

(ah) Share based payment transactions

For the years ended December 31, 2023 and 2022, the Bank and subsidiaries had set out the measurement principles and specific requirements for the share-based payment transactions as below:

	<b>Management stock appreciation rights plan for the years</b>	
	<b>2019</b>	<b>2020</b>
Grant date	01.21.2020	02.05.2021
Grant number	266,154	205,432
Exercise period	12.31.2022	12.31.2023
Exercise price (in dollars)	22.44	19.35

The Bank and subsidiaries implement the above plan via cash settlements, yet absentee and resigned employees' stock appreciation rights will be deemed abandoned and forfeited.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Disclosures for the Bank and subsidiaries' Employee Stock Appreciation Rights Plan (SARs):

	<b>For the year ended December 31, 2023</b>	
	<b>Management stock appreciation rights plan for the years</b>	
	<b>2020</b>	
	<b>Number</b>	<b>Weighted- average exercise price</b>
Outstanding at the beginning of the period	224,923	16.81
Granted during the period	8,981	16.81
Forfeited during the period	5,910	16.81
Exercised during the period	227,994	16.81
Expired during the period	-	16.81
Outstanding at the end of the period	-	16.81
Exercisable at the end of the period	-	16.81

	<b>For the year ended December 31, 2022</b>			
	<b>Management stock appreciation rights plan for the years</b>			
	<b>2019</b>		<b>2020</b>	
	<b>Number</b>	<b>Weighted- average exercise price</b>	<b>Number</b>	<b>Weighted- average exercise price</b>
Outstanding at the beginning of the period	283,985	19.30	214,925	17.47
Granted during the period	16,664	19.30	12,413	17.47
Forfeited during the period	19,236	19.30	1,743	17.47
Exercised during the period	281,413	19.30	672	17.47
Expired during the period	-	19.30	-	17.47
Outstanding at the end of the period	-	19.30	224,923	17.47
Exercisable at the end of the period	-	19.30	-	17.47

For the year ended December 31, 2023, the weighted-average stock price executed under SARs for 2020 was \$28.44 (in dollars).

(ai) EPS

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net income attributable to common stockholders	<b>\$ 41,332,709</b>	<b>37,141,880</b>
Weighted-average outstanding shares of common stock (in thousands)	<b>14,796,218</b>	<b>14,796,218</b>
Basic EPS (in dollars)	<b>\$ 2.79</b>	<b>2.51</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(aj) Net interest income

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b><u>Interest income</u></b>		
Loan	\$ 116,456,184	78,774,161
Revolving credit	3,111,060	2,838,085
Securities	27,165,392	17,337,165
Due from Central Bank	2,468,154	1,754,605
Due from banks and call loans to banks	11,599,777	3,903,268
Others	<u>2,789,199</u>	<u>1,280,708</u>
Subtotal	<u>163,589,766</u>	<u>105,887,992</u>
<b><u>Interest expense</u></b>		
Deposits	69,847,859	24,530,519
Due to other banks	3,024,020	841,967
Borrowings and other financing	10,700,605	4,346,283
Lease liabilities	456,263	441,907
Others	<u>1,781,822</u>	<u>641,353</u>
Subtotal	<u>85,810,569</u>	<u>30,802,029</u>
Net interest income	<u>\$ 77,779,197</u>	<u>75,085,963</u>

Interest income and expense from financial assets and liabilities measured at fair value through profit or loss are excluded.

(ak) Service fee and commission income

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b><u>Commission income</u></b>		
Credit card business	\$ 6,590,077	5,884,124
Wealth management business	19,751,319	16,615,592
Credit business	3,441,743	3,062,297
Lottery business	5,931,564	5,509,049
Others	<u>8,198,366</u>	<u>7,818,530</u>
Subtotal of commission income	<u>43,913,069</u>	<u>38,889,592</u>
<b><u>Service fee</u></b>		
Credit card business	1,080,374	695,425
Wealth management business	377,643	340,664
Others	<u>3,284,222</u>	<u>3,105,339</u>
Subtotal of service fee	<u>4,742,239</u>	<u>4,141,428</u>
Service fee and commission income	<u>\$ 39,170,830</u>	<u>34,748,164</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(a) Gains and losses on financial assets or liabilities measured at fair value through profit or loss

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b><u>Disposal gains (losses)</u></b>		
Commercial paper	\$ 2,706	1,964
Treasury bills	1,599	50
Government bonds	100,960	(308,892)
Corporate bonds	63,588	(268,451)
Financial debentures	238,848	123,101
Convertible bonds	(82,875)	1,146
Beneficiary certificates	(872)	184,097
Negotiable certificates of deposits	48,591	5,736
Stocks	185,127	(890,558)
Other securities and bonds	1,092	32
Derivative financial instruments	<u>9,678,485</u>	<u>2,098,784</u>
Subtotal	<u>10,237,249</u>	<u>947,009</u>
<b><u>Valuation gains (losses)</u></b>		
Commercial paper	(128,708)	44,204
Treasury bills	312	-
Government bonds	6,363	40,732
Corporate bonds	17,997	25,137
Financial debentures	152,361	3,009,012
Convertible bonds	106,904	(111,912)
Beneficiary certificates	9	540
Negotiable certificates of deposits	2,823	1,560
Assets-backed securities	4	9
Stocks	78,708	5,409
Other securities and bonds	(1,669)	-
Derivative financial instruments	<u>4,438,923</u>	<u>2,655,738</u>
Subtotal	<u>4,674,027</u>	<u>5,670,429</u>
<b><u>Dividend income</u></b>	97,913	94,922
<b><u>Interest income</u></b>	4,191,700	1,443,782
<b><u>Interest expense</u></b>	<u>(640,937)</u>	<u>(556,498)</u>
Total	<u>\$ 18,559,952</u>	<u>7,599,644</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(am) Employee benefits expenses

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Salary expenses	\$ 33,594,643	28,810,415
Insurance expenses	2,311,945	2,072,880
Share based payment transactions-Cash-settled	1,630,272	(442,069)
Share based payment transactions-Equity-settled	267,258	64,242
Retirement expenses		
Defined contribution plan	841,141	784,300
Defined benefits plan	428,266	405,107
Other personnel expenses	<u>1,301,601</u>	<u>1,070,430</u>
Total	<b><u>\$ 40,375,126</u></b>	<b><u>32,765,305</u></b>

For the years ended December 31, 2023 and 2022, the numbers of the Bank and subsidiaries' employees were 18,806 and 17,767, respectively.

The Bank and subsidiaries recognized the changes in the fair value of cash-settled share-based payments in profit or loss over the vesting period. For the year ended December 31, 2022, the share-based payments expenses were reversed due to the changes in fair value.

(an) Depreciation and amortization expenses

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Housing	\$ 1,158,480	1,114,313
General equipment	444,299	444,517
Transportation equipment	14,782	14,009
Information equipment	<u>927,740</u>	<u>808,158</u>
Subtotal of depreciation expenses	<u>2,545,301</u>	<u>2,380,997</u>
Superficies	266,727	266,334
Buildings	2,468,362	2,419,886
Transportation equipment	55,646	52,521
Miscellaneous equipment	<u>170,531</u>	<u>207,614</u>
Subtotal of depreciation expenses for right-of-use assets	<u>2,961,266</u>	<u>2,946,355</u>
Amortization of information software	1,675,715	1,695,188
Other deferred expenses	<u>1,038</u>	<u>1,078</u>
Subtotal of amortization	<u>1,676,753</u>	<u>1,696,266</u>
Total	<b><u>\$ 7,183,320</u></b>	<b><u>7,023,618</u></b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ao) Compensations of employees

Annual earnings, if any, should be appropriated 0.05% as compensations of employees. However, if there is any cumulative loss, the Bank should offset cumulative losses in priority. Compensations of employees which are recognized as current period operating expenses based on the Bank's net income before tax excluding the amount of the compensations of employees at the end of the accounting period multiplied by the estimate of remuneration distribution set by the Bank's articles of incorporation. The estimated compensations of employees for the years ended December 31, 2023 and 2022 were \$25,091 and \$22,205, respectively. The actual compensations of employee of 2022 and 2021 amounted to \$22,205 and \$17,202 with no difference from the amount recognized in the annual financial report. Relevant information is available on Market Observation Post System.

(ap) Other general and administrative expenses

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Site usage and general equipment expenses	\$ 2,691,046	2,321,414
Information equipment expenses	3,450,404	2,830,316
General administration expenses	5,269,054	4,615,629
Marketing and promotion expenses	3,498,654	3,018,543
Other expenses	7,894,649	6,411,053
Business tax	<u>5,644,792</u>	<u>4,165,285</u>
Total	<b><u>\$ 28,448,599</u></b>	<b><u>23,362,240</u></b>

The total amount of rent expenses of exemption for short-term lease contracts and low value assets of the Bank and subsidiaries for the years ended December 31, 2023 and 2022 were \$508,710 and \$466,946, respectively.

(aq) Financial instruments

(i) Methods and assumptions used by the Bank and subsidiaries for fair value evaluation of financial instruments were as follows:

- 1) Fair value of short-term financial instruments is estimated by their book value on the balance sheet date. Since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, deposits from Central Bank and other banks, due to Central Bank and other banks, securities sold under repurchase agreements, payables, remittances, and other financial liabilities.
- 2) If there is a quoted price in an active market for the financial asset, including financial instruments measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, financial assets measured at amortized cost and financial instruments-hedging, the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices provided by financial institutions. The estimates, hypotheses and discount rates for valuation referring to quoted prices, from financial institutions, of financial instruments have substantially the same terms and characteristics, including the credit quality of debtors, the remaining

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

term over which the contractual interest rate is fixed, the remaining term to repayment of the principal, and the currency in which the payments are to be made. Fair value for an equity investment is determined based on either the price calculated using a valuation technique or its book value.

- 3) Loans and deposits are both classified as interest-bearing financial assets; therefore, the book value of financial assets is equivalent to their fair value. The net book value of the non-accrual account, after deducting provision for credit loss, is adopted as the fair value.
- 4) Fair value of long-term liabilities is estimated by the present value of expected future cash flows. The discount rate is based on rates of equivalent loans available elsewhere; that is, loans with similar maturity date and terms (close to the maturity date).
- 5) Derivatives usually adopt mark-to-model prices. The Discounted-Cash-Flow method is adopted for non-option derivatives, and the Black-Scholes Model is adopted for most options.
- 6) The exchange price is used for financial instruments traded on an exchange. Over the counter (OTC) positions use independent price/parameter quotes by reliable brokers or data vendors, such as Reuters, Bloomberg, etc. In general, the closing price, settlement price, mid-price at a fixed cut-off time, and the average price of several independent brokers could be used as market data for valuation purposes.
- 7) The Bank and subsidiaries would calculate credit valuation adjustment (CVA) by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying exposure at default (EAD) of the counterparty. On the contrary, debit valuation adjustment (DVA) is computed by applying probability of default of the Bank and subsidiaries considering loss given default of the Bank and subsidiaries before being multiplied by exposure at default of the Bank and subsidiaries.

The Bank and subsidiaries adopt IFRS 9 or take any observable data into account to evaluate the probability of impairment and loss rate of allowance for doubtful accounts as the estimates of PD and LGD. In addition, mark to market assessment of a derivative instrument from Over the Counter (OTC) is applied as EAD. For those accounts have showed significant increase in credit risk, would be the CVA assessed individually by taking into account of the changes of exposures, conditions of collaterals and the recovery probabilities.

- 8) Except the following listed items, the book value is considered to be a reasonable basis of estimated fair value if the Bank and subsidiaries do not measure a financial instrument at fair value.

<b>Financial assets</b>	<b>December 31, 2023</b>	
	<b>Book value</b>	<b>Fair value</b>
Investment in debt instruments at amortized cost	\$ 863,706,956	835,189,306

<b>Financial assets</b>	<b>December 31, 2022</b>	
	<b>Book value</b>	<b>Fair value</b>
Investment in debt instruments at amortized cost	\$ 980,645,990	945,776,816

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Fair value hierarchy information on financial instruments

1) The definition of fair value hierarchy

a) Level 1

Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

b) Level 2

Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market, including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows:

i) The quoted price for an identical financial instrument in an active market means the fair value from the market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices do not represent fair value at the measurement date), the difference in transaction terms for financial instruments, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.

ii) The quoted market price of the same or identical financial instruments in an inactive market.

iii) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs used (i.e., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).

iv) A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

c) Level 3

Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Fair value hierarchy information on financial instruments

Assets and Liabilities	December 31, 2023			
	Total	Level 1	Level 2	Level 3
<b><u>Instruments measured at fair value</u></b>				
<b><u>Instruments measured at fair value on a recurring basis</u></b>				
<b><u>Non-derivative financial instruments assets and liabilities</u></b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss				
Mandatorily measured at fair value through profit or loss				
Investment in equity instruments	\$ 2,394,903	1,999,314	-	395,589
Investment in debt instruments	370,270,887	6,329,118	363,941,702	67
Others	766	766	-	-
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments	22,211,409	17,989,842	55,614	4,165,953
Investment in debt instruments	252,776,850	90,836,820	161,856,193	83,837
<b>Liabilities:</b>				
Designated as financial liabilities measured at fair value through profit or loss	9,034,461	-	-	9,034,461
<b><u>Derivative financial instruments assets and liabilities</u></b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss	56,509,201	1,028,156	55,460,205	20,840
Financial assets—hedging	298,360	-	298,360	-
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss	68,014,318	-	68,003,537	10,781
Financial liabilities—hedging	39,720	-	39,720	-
<b><u>Instruments not measured at fair value</u></b>				
Investment in debt instruments at amortized cost	835,189,306	621,762,218	207,637,907	5,789,181
Investment property	6,648,530	-	-	6,648,530

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Assets and Liabilities	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<b><u>Instruments measured at fair value</u></b>				
<b><u>Instruments measured at fair value on a recurring basis</u></b>				
<b><u>Non-derivative financial instruments assets and liabilities</u></b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss				
Mandatorily measured at fair value through profit or loss				
Investment in equity instruments	\$ 696,878	353,652	-	343,226
Investment in debt instruments	150,958,847	1,560,671	149,398,108	68
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments	24,013,099	20,081,797	-	3,931,302
Investment in debt instruments	208,260,707	32,810,432	174,877,461	572,814
<b>Liabilities:</b>				
Designated as financial liabilities measured at fair value through profit or loss	8,715,400	-	-	8,715,400
<b><u>Derivative financial instruments assets and liabilities</u></b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss	58,073,077	1,125,314	56,941,522	6,241
Financial assets — hedging	18,389	-	18,389	-
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss	62,322,676	-	62,298,802	23,874
Financial liabilities — hedging	503,026	-	503,026	-
<b><u>Instruments not measured at fair value</u></b>				
Investment in debt instruments at amortized cost	945,776,816	773,218,778	165,589,808	6,968,230
Investment property	6,699,243	-	-	6,699,243

- 3) No instrument measured at fair value has been transferred between level 1 and level 2 by the Bank and subsidiaries for the years ended December 31, 2023 and 2022.
- 4) Statements of changes in financial assets which were classified to Level 3 based on fair value measurement.

Items	For the year ended December 31, 2023									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase			Current decrease			Ending balance
				Purchase or issue	Transfer into Level 3 and out of other levels	Transfer into Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer into other levels and out of Level 3	Transfer into Level 3 of financial liabilities and out of Level 3 of financial assets	
Financial assets measured at fair value through profit or loss										
Mandatorily measured at fair value through profit or loss	\$ 349,535	15,236	(21,999)	207,525	-	-	133,801	-	-	416,496
Financial assets measured at fair value through other comprehensive income	4,504,116	(3,795)	221,625	383,755	-	-	835,835	20,076	-	4,249,790
<b>Total</b>	<b>\$ 4,853,651</b>	<b>11,441</b>	<b>199,626</b>	<b>591,280</b>	<b>-</b>	<b>-</b>	<b>969,636</b>	<b>20,076</b>	<b>-</b>	<b>4,666,286</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Items	For the year ended December 31, 2022									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase			Current decrease			Ending balance
				Purchase or issue	Transfer into Level 3 and out of other levels	Transfer into Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer into other levels and out of Level 3	Transfer into Level 3 of financial assets and out of Level 3 of financial liabilities	
Financial assets measured at fair value through profit or loss										
Mandatorily measured at fair value through profit or loss	\$ 496,979	252,132	(11,841)	58,245	-	2,953	444,887	-	4,046	349,535
Financial assets measured at fair value through other comprehensive income	4,471,724	-	38,709	1,234,386	-	-	1,240,703	-	-	4,504,116
<b>Total</b>	<b>\$ 4,968,703</b>	<b>252,132</b>	<b>26,868</b>	<b>1,292,631</b>	<b>-</b>	<b>2,953</b>	<b>1,685,590</b>	<b>-</b>	<b>4,046</b>	<b>4,853,651</b>

The policy for when to recognize the transfers in or out of Level 3 is according to the actual date of the event or change in circumstances. For the year ended December 31, 2023, this transfer between Level 3 and Level 2 was due to a switch of valuation approach.

Unrealized gains (losses) associated with assets as of December 31, 2023 and 2022 which were recognized in current net income shown in the above table were \$21,349 of profit and \$201 of profit, respectively.

- 5) Statements of changes in financial liabilities which were classified to Level 3 based on fair value measurement.

Items	For the year ended December 31, 2023									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase			Current decrease			Ending balance
				Purchase or issue	Transfer into Level 3 and out of other levels	Transfer into Level 3 of financial liabilities and out of Level 3 of financial assets	Sale, disposal, or settlement	Transfer into other levels and out of Level 3	Transfer into Level 3 of financial assets and out of Level 3 of financial liabilities	
Financial liabilities measured at fair value through profit or loss										
Financial liabilities held for trading	\$ 23,874	(2,706)	-	3,279	-	-	13,666	-	-	10,781
Financial liabilities designated at fair value through profit or loss	8,715,400	(77,096)	361,105	107,365	-	-	72,313	-	-	9,034,461
<b>Total</b>	<b>\$ 8,739,274</b>	<b>(79,802)</b>	<b>361,105</b>	<b>110,644</b>	<b>-</b>	<b>-</b>	<b>85,979</b>	<b>-</b>	<b>-</b>	<b>9,045,242</b>

Items	For the year ended December 31, 2022									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase			Current decrease			Ending balance
				Purchase or issue	Transfer into Level 3 and out of other levels	Transfer into Level 3 of financial liabilities and out of Level 3 of financial assets	Sale, disposal, or settlement	Transfer into other levels and out of Level 3	Transfer into Level 3 of financial assets and out of Level 3 of financial liabilities	
Financial liabilities measured at fair value through profit or loss										
Financial liabilities held for trading	\$ 89,939	65,003	-	19,352	-	4,046	151,513	-	2,953	23,874
Financial liabilities designated at fair value through profit or loss	10,541,448	(1,844,004)	(2,329,242)	2,351,680	-	-	4,482	-	-	8,715,400
<b>Total</b>	<b>\$ 10,631,387</b>	<b>(1,779,001)</b>	<b>(2,329,242)</b>	<b>2,371,032</b>	<b>-</b>	<b>4,046</b>	<b>155,995</b>	<b>-</b>	<b>2,953</b>	<b>8,739,274</b>

The policy for when to recognize the transfers in or out of Level 3 is according to the actual date of the event or change in circumstances.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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Unrealized gains (losses) associated with liabilities as of December 31, 2023 and 2022 which were recognized in current net income shown in the above table were \$123,712 of profit and \$2,977,755 of profit, respectively.

- 6) Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions used

Valuation techniques used by the Bank and subsidiaries for fair value measurements of financial instruments are appropriate. However, the use of different valuation models or inputs could lead to different outcomes of fair value measurements. The following statement analyses Level 3 sensitivities for those unobservable inputs in valuation models that have a material impact on the valuation of Level 3 financial instrument. The Bank and subsidiaries' major Level 3 financial instruments include:

- a) Back-to-back derivative transactions: the movements of fair value between financial assets and liabilities can be fully offset for back-to-back trades, so there is no material impact on the income statement.
- b) Financial debentures issued by the Bank: the sensitivity analysis based on the assumption of one basis point change in the Bank's credit spread would have the following effects on the statement of other comprehensive income.

	<b>Impacts on the statement of other comprehensive income as fair value changes</b>	
	<b>Favorable changes</b>	<b>Unfavorable changes</b>
<b>December 31, 2023</b>		
<u>Liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Designated as financial liabilities measured at fair value through profit or loss	\$ <u>21,984</u>	<u>(21,954)</u>
<b>December 31, 2022</b>		
<u>Liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Designated as financial liabilities measured at fair value through profit or loss	\$ <u>21,777</u>	<u>(21,652)</u>

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7) Quantitative information about the significant unobservable inputs in Level 3

As of December 31, 2023 and 2022, the relationship between quantitative information about the significant unobservable inputs and fair value cannot be fully controlled practically, thus unobservable quantitative information of fair value were \$0 and \$6,241 of assets, and \$0 and \$6,238 of liabilities, respectively.

Quantitative information about the significant unobservable inputs was as follows:

	December 31, 2023				
	Fair value	Valuation techniques	Key unobservable inputs	Range of inputs	The relation between inputs and fair value
<b><u>Recurring fair value measurements</u></b>					
<b><u>Non-derivative financial instruments assets and liabilities</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 395,656	Net asset valuation method/ Market model	Net asset value /value multiple	Not applicable	The higher net asset value/value multiple, the higher fair value
Financial assets measured at fair value through other comprehensive income					
Investments in equity instruments	4,165,953	Net asset valuation method/ Market model	Net asset value /price-to-earning ratio/price-book ratio/price-to-sales ratio	Not applicable	The higher net asset value/price-to-earning ratio/price-book ratio/price-to-sales ratio, the higher fair value
Investment in debt instruments	83,837	Discounted cash flow model	Interest rate	0.70%	The higher interest rate, the lower fair value
<b>Liabilities:</b>					
Designated as financial liabilities measured at fair value through profit or loss	9,034,461	Interest rate option /equity option pricing model	Credit risk parameter	0.17%~1.99%	The higher credit risk parameter, the lower fair value
<b><u>Derivative financial instruments assets and liabilities</u></b>					
<b>Assets:</b>					
Financial assets measured at fair value through profit or loss	20,840	Interest rate option pricing model	Interest rate correlation coefficient	55.00~87.00%	The higher correlation coefficient, the lower fair value
<b>Liabilities:</b>					
Financial liabilities measured at fair value through profit or loss	10,781	Interest rate option /equity option pricing model	Interest rate /equity correlation coefficient	19.00~87.00%	The higher interest rate correlation coefficient, the higher fair value /The higher equity correlation coefficient, the lower fair value

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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		December 31, 2022				
		Fair value	Valuation techniques	Key unobservable inputs	Range of inputs	The relation between inputs and fair value
<b>Recurring fair value measurements</b>						
<b><u>Non-derivative financial instruments assets and liabilities</u></b>						
<b>Assets:</b>						
Financial assets measured at fair value through profit or loss						
	Mandatorily measured at fair value through profit or loss	\$ 343,294	Net asset valuation method/ Market model	Net asset value/ value multiple	Not applicable	The higher net asset value/value multiple, the higher fair value
Financial assets measured at fair value through other comprehensive income						
	Investments in equity instruments	3,931,302	Net asset valuation method/ Market model	Net asset value/ price-to-earning ratio/ price-book ratio/ price-to-sales ratio	Not applicable	The higher net asset value/price-to-earning ratio/ price-book ratio/ price-to-sales ratio, the higher fair value
	Investment in debt instruments	572,814	Discounted cash flow model	Interest rate	0.66%	The higher interest rate, the lower fair value
<b>Liabilities:</b>						
	Designated as financial liabilities measured at fair value through profit or loss	8,715,400	Interest rate option pricing model	Credit risk parameter	0.36~2.24%	The higher credit risk parameter, the lower fair value
<b><u>Derivative financial instruments assets and liabilities</u></b>						
<b>Liabilities:</b>						
	Financial liabilities measured at fair value through profit or loss	17,636	Interest rate option pricing model	Interest rate correlation coefficient	89.07~91.00%	The higher interest rate correlation coefficient, the higher fair value

8) The valuation process to level 3 financial instruments

Market risk management unit is responsible for independent model validation, with using and confirming the reliable for independent market data, calibrating valuation model on a regular basis, executing back testing, as well as applying any fair value adjustments if necessary to ensure the valuation results are reasonable.

(iii) Financial risk information

The Bank and subsidiaries have established the Risk Governance Policy to serve as its primary principle, which covers managerial conception, organizational structure, accountability, and risk management procedures. The major objective of the risk management of the Bank and subsidiaries is to limit potential risks within an acceptable level in order to achieve sustainable operation.

The major risks include credit risk, market risk, operational risk, liquidity risk and interest risk.

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

### **Notes to the Consolidated Financial Statements**

The organization structure of risk management consists of Board of Directors, Risk Management Committee, Senior Management and Risk Management Group. The scope of their authorities is illustrated as follows:

Board of Directors, who is responsible for the approval, review, supervision of risk strategies and risk policies, risk management frameworks, and creating the well balanced and independent risk management culture, serves as the primary guidance for all risks, ensure the operation of risk management and undertakes ultimate responsibility of overall risk management.

Risk Management Committee assists the Board in risk governance by communicating, reporting, and recommendations. We expect through the support from Board level in Bank's risk culture, along with supportive behavior and decision-making process, the whole organization can be influenced by Board's determination in risk management.

Senior Management establishes independent risk management functions and effective risks assessment mechanism in accordance with the policy direction of the Board of Directors to ensure that the Bank and subsidiaries operate properly. Senior Management establish an appropriate risk authorization system to supervise and ensure the proper operation of the system.

Risk Management Group is responsible for planning and managing the Bank's risk profiles which include credit, market, operations, interest and liquidity risks of the banking book, developing proper policies and strategies relating to risk identification, measurement, control, and management, and supervising the implementation of system implementation, as well as system operation effectiveness.

#### 1) Market Risk Management

##### Definition and sources of market risk management

Market risk is the risk that the Bank and subsidiaries' earnings, capital, or its ability to meet business objectives will be adversely affected by changes in the level, volatility, correlation, or liquidity of market risk factors, such as interest rate (including credit spread), foreign exchange, equity and commodity.

The market risk of the Bank and subsidiaries arises from either trading or non-trading portfolios. The trading portfolio includes positions arising from trading activities, which aim at benefiting from short-term price movements, such as proprietary trading and market making. The non-trading portfolio includes positions not held for the purpose of earning capital gains.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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The market risk management framework for trading and non-trading portfolios is described as follows:

a) Trading Portfolios Management

i) Objective

The Market Risk Management Policy is the cornerstone of managing market risk-taking activities in the Bank and subsidiaries. The Policy is developed to establish definite market risk management mechanisms of financial transaction, to facilitate market risk communication within the Bank and subsidiaries, and to provide proper management.

ii) Market Risk Management Procedure and Measurement

1. Management Procedures

a. Risk identification

Risk-taking unit shall identify the market risk of financial instruments, and this should be clearly stated in the relevant product program documentation. Market risk management unit (MRMU) executes the identification of market risk independently.

b. Risk measurement

MRMU shall define appropriate and consistent market risk measurement methodologies in line with the business characteristics and risk source to properly evaluate the primary market risk exposure. The risk measurement shall be applied to daily management and shall serve as a foundation for market risk planning, monitoring, and controlling.

Valuation approach and market data adoption for calculating P/L, risk sensitivities, Value at Risk (VaR), stress testing should be approved by MRMU.

c. Risk controlling

Market risk limit is a tool for authorizing and controlling specific forms of market risk arising from the trading activities of the Bank and subsidiaries to ensure that the Bank and subsidiaries are not exposed to market risk beyond the risk appetite. Market risk limit management procedures, such as the establishment, approval, exception management and limit excess treatment, etc., shall comply with the relevant market risk management documents.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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d. Risk reporting

Market risk reporting is an effective risk communication tool. MRMU shall submit market risk management reports to senior managers on a daily basis and periodically report the integrated market risk profile to senior executives and the Board to evaluate risk concentration and capacity of the Bank and subsidiaries and to form necessary risk adjusting strategies.

2. Risk Measurement Approaches

a. Value at Risk, VaR

The VaR system is developed and maintained for internal risk management purpose, and will be continually refined to meet the quantitative and qualitative standards of IMA (Internal Model Approach) requirements.

b. Stress Testing

Stress testing is used to calculate a range of trading exposures which result from extreme market events or scenarios. Stress testing measures the impact of exceptional changes in market rate/price, volatility or correlation in the fair value of trading portfolios as a supplement to VaR which is unable to capture the tail risk.

c. Factor Sensitivity

Factor sensitivity is a measurement for monitoring the cross-product exposures within each risk type, including but not limited to foreign exchange, interest rate, equity, commodity, and credit.

iii) Market Risk Mitigation and Hedging

The Bank and subsidiaries' trading portfolios include spots and derivatives. The derivatives are employed to reduce spots exposure or combined with other derivatives to form trading strategy. MRMU evaluates and controls the mitigation effectiveness between trading positions and its' hedge positions by using risk measurement tools, such as VaR, risk sensitivities, etc.

iv) Interest Rate Risk Management

1. Definition

Interest rate risk arises from adverse changes in interest rates. Primary interest rate related instruments held in the Bank and subsidiaries' trading portfolios include bonds and interest rate derivatives, such as interest rate swaps, caps/floors, and swaptions.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2. Management Procedure

In order to effectively control the interest rate risk in the trading portfolios, the Bank and subsidiaries control interest rate risk by setting limits in different yield curves and currencies depending on its own business development and management needs.

3. Measurement Approach

PVBP, the change in fair value as the yield curve parallel shifts up by 0.01% (1bp), is used to measure interest rate risk exposures of the Bank and subsidiaries' trading portfolios.

Unit: In Thousands of New Taiwan Dollars

Yield curve parallel shift of +0.01%	Currency	December 31, 2023	December 31, 2022
	IDR	\$ (689)	(362)
	JPY	428	(33)
	NTD	2,853	2,100
	RMB	(2,663)	(175)
	SGD	379	21
	USD	(846)	267
	Others	51	(817)

v) Foreign Exchange Risk

1. Definition

Foreign exchange risk arises from adverse changes in exchange rates. Primary foreign exchange instruments held in the Bank and subsidiaries' trading portfolios include spots, forwards, and currency options.

2. Management Procedure

In order to effectively control the foreign exchange risk for the trading portfolios, the Bank and subsidiaries control foreign exchange risk by setting limits in different currencies or currency pairs depending on its own business development and management needs.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3. Measurement Approach

FX Delta, the change in net present value as the foreign exchange rate moves up by one unit, 1%, is used to measure foreign exchange risk exposure of the Bank and subsidiaries' trading portfolios.

Unit: In Thousands of New Taiwan Dollars

Underlying currency upward movement by 1%	Currency	December 31, 2023	December 31, 2022
	AUD	\$ 260	164
	EUR	419	162
	HKD	(923)	3
	IDR	(1,172)	(1,348)
	PHP	476	(350)
	RMB	1,339	(3,221)
	THB	2,186	1,208
	USD	(3,089)	15,690
	Others	(48)	(7,288)

vi) Other Risk Factor Sensitivities

1. Equity Factor Sensitivity (Equity delta)

Equity Delta is the change in fair value as the underlying stock price or index price moves up by 1%. Primary equity instruments held in the Bank and subsidiaries' trading portfolios include stocks, convertible bonds, equity index futures and options.

2. Commodity Factor Sensitivity (Commodity delta)

Commodity Delta is the change in fair value as the underlying commodity price moves up by 1%. Primary commodity instruments held in the Bank and subsidiaries' trading portfolios include derivatives in gold and crude oil.

3. Credit Spread Factor Sensitivity (CR01, Credit 01)

CR01 is the change in fair value as the credit spread shift up by 0.01% (1bp). Primary credit-linked instruments held in the Bank and subsidiaries' trading portfolios include credit default swaps.

Equity factor sensitivity (Equity delta)	Country/ Commodity	December 31, 2023	December 31, 2022
Equity Factor Sensitivity			
Stock price or index upward movement by 1%	Taiwan	\$ 708	28
	USA	36	-
	Thailand	8	1
Credit Spread Factor Sensitivity			
Credit spread upward shift by 0.01%		(1,367)	(72)

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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b) Management Mechanism of Non-Trading Purpose Investment Portfolio

i) Management of Non-Trading Purpose Interest Rate Risk

1. Definition of Non-Trading Purpose Interest Rate Risk

Non trading purpose interest rate risk of the Bank and subsidiaries refers to the impact on the Bank and the subsidiaries' future profits or on economic value of assets and liabilities when interest rate changes.

Interest rate risk mainly stems from different sensitivity of assets and liabilities to interest rate change. Such risk could arise from mismatches of repricing timing, amount of asset and liability, varying magnitude of changes in short-term and longer-term interest rates, various interest rate indexes to which asset and liability are linked, or embedded options.

2. Management Objective of Non-Trading Purpose Interest Rate Risk

The "Asset and Liability Management Policy" is the highest guideline of managing the Bank and subsidiaries non trading purpose interest rate risk. The Policy defines the authorities, responsibilities and management procedures. Through the Funds Transfer Mechanism (FTP), funding activities or hedge, the Bank and subsidiaries navigate the asset and liability structure to keep the interest risk exposure within the risk appetite to balance risk and reward.

3. Management Procedures and Risk Measurement of Non-Trading Purpose Interest Rate Risk

In order to earn stabilized profits, the Bank and subsidiaries manage the interest rate risk by keeping the interest rate exposures within the limit approved by the Board, centralizing the interest rate risk from business unit to specified unit through the Match-Term Fund Transfer Pricing, and adjusting the funding positions proactively.

The measurement includes on-balance-sheet-banking book interest-sensitive asset and liabilities, non-trading purpose financial instruments, and interest rate related derivatives which apply hedge accounting.

Interest rate risk management unit periodically conducts the risk reports, which contains the analysis of limit usage, interest rate risk sensitivity and stress test. The risk report shall periodically be submitted to related risk management meetings.

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## CTBC BANK CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Bank and subsidiaries frequently measure interest rate risks by the following tools:

- a. Repricing Gap Report: This report measures the repricing gap between asset and liability by various time buckets in order to understand the status of interest rate mismatch.
- b. Interest Rate Sensitivity:
  - i. Asset and Liability Mismatch: This measures the impact of 1 basis point change in interest rate on net interest income (NII) and that on economic value of equity (EVE). The analysis of such impact on NII ( $1\text{bp}\Delta\text{NII}$ ) focuses on changes in interest income and expense within a year; hence, this analysis is of a short-term perspective. The analysis of such impact on EVE ( $1\text{bp}\Delta\text{EVE}$ ) is of a long-term perspective as it focuses on changes of economic value which will become net interest income received every year later on.
  - ii. Non-trading purpose financial instruments risk sensitivity: Use the PVBP to measure the impact of 1 basis point change in interest rate on fair value.
- c. Stress Test: This evaluates the impact of a significant change in interest rate on EVE. The test results will be compared with capital in order to examine the appropriateness of exposure.
- d. (Non-trading purpose financial instruments specified) Profit and Loss: This evaluates the market value of financial instrument, and aims to keep the impact on earnings or equity within risk appetite of the Bank and subsidiaries.

#### 4. Risk Mitigation of Non-Trading Purpose Interest Rate Risk

The Bank and subsidiaries set limits to manage risk. After confirming the limit excess, the risk management unit shall identify the causes and the main business unit which leads to the limit breach. The business unit causing the changes in the risk should submit the action plan to the limit authority for approval. The relevant units should keep track of the effectiveness of the action plan and make prompt adjustments to ensure the risk will be effectively reduced.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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The Bank and subsidiaries may adjust the interest rate risk exposure by adjusting the asset and liability structures or entering derivative with external counterparties. Prior to executing an external hedge, the hedge plan with specified hedged objective/strategy, hedged position, profit and loss analysis, detailed scheme and whether hedge accounting is complied etc., shall seek approval from the limit authority. After a hedge executed, risk management unit shall periodically review the hedge execution and its effectiveness, and report to the limit authority depending on the impact.

ii) Management of Non-Trading Purpose Foreign Exchange Rate Risk

1. Definition and Sources of Non-Trading Purpose Foreign Exchange Rate Risk

Non-trading purpose foreign exchange (FX) rate risk of the Bank and subsidiaries refers to the impact on the profit or loss due to fluctuation of FX rate on the non-trading purpose FX positions.

2. Management Objective of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and subsidiaries' management objective of non-trading purpose FX risk aims to keep FX exposures within the risk appetite by the authorities, responsibilities and management procedures defined in the Policy.

3. Management Procedure and Risk Measurement of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and subsidiaries identify, measure, monitor, and report the FX risk through the thorough risk management framework and procedure. To control the FX risk, the Bank and subsidiaries periodically monitor the risk exposure according to the approved limit hierarchy and sweep FX risk centrally from business units to designated FX management unit. For overseas branches without a specified FX management unit, FX positions will be centrally managed by the Funding Management Unit. The risk factor which measures non-trading purpose Foreign Exchange Risk is "FX Delta", which measures the impact on the profit and loss when FX rate changes.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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4. Non-Trading Purpose Foreign Exchange Rate Risk monitoring and reporting

The Bank and subsidiaries set the limits and control mechanisms to manage the FX risk. When an excess of limit is confirmed, the business unit will give an explanation on it and make an action plan; the action plan will then be submitted to the limit authority for approval after being reviewed by the risk management unit. The relevant units should keep track of the effectiveness of the action plan and make prompt adjustments to ensure the risk will be effectively reduced.

iii) Management of Non-Trading Purpose Equity Risk

1. Definition and Sources of Non-Trading Purpose Equity Risk

Non-trading purpose equity risk of the Bank and subsidiaries refer to the impact on the profit or loss due to equity price fluctuation of non-trading purpose equity positions.

2. Management Objective of Non-Trading purpose Equity Risk

The Bank and subsidiaries' management objective of non-trading purpose equity risk aims to keep equity exposures within the risk appetite and control severe impact on profit or owner equity by the authorities, responsibilities and management procedure defined in the Policy.

3. Management Procedure and Risk Measurement of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and subsidiaries identify, measure, monitor, and report the equity risk through the thorough risk management framework and procedure. To control the equity risk, the Bank and subsidiaries periodically monitor the risk exposure according to the approved limit hierarchy. The major aspects of Equity limits include the position limit and the year to date loss trigger.

4. Risk Mitigation of Non-Trading Purpose Equity Risk

The Bank and subsidiaries set limits to manage risk. When an excess of limit is confirmed, the business unit should analyze the reasons and impacts, and make an action plan; the action plan will then be submitted to the limit authority for approval after being reviewed by the risk management unit. The relevant units should keep track of the effectiveness of the action plan and make prompt adjustments to ensure the risk will be effectively reduced.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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iv) Factor Sensitivity Analysis

Factor sensitivity analysis by the Bank and subsidiaries was summarized as below:

<b>December 31, 2023</b>			
<b>Risk Items</b>	<b>Movement</b>	<b>Amount</b>	
		<b>Profit and Loss</b>	<b>Equity</b>
Interest Rate Risk	Interest rate curve shift up 1bp	86,598	(82,983)
	Interest rate curve shift down 1bp	(86,598)	82,983
Foreign Exchange Rate Risk	Foreign currency appreciate 1% against NTD	(149)	-
	Foreign currency depreciate 1% against NTD	149	-
Equity Price Risk	Equity price appreciate 1%	19,185	178,814
	Equity price depreciate 1%	(19,185)	(178,814)

<b>December 31, 2022</b>			
<b>Risk Items</b>	<b>Movement</b>	<b>Amount</b>	
		<b>Profit and Loss</b>	<b>Equity</b>
Interest Rate Risk	Interest rate curve shift up 1bp	144,500	(45,719)
	Interest rate curve shift down 1bp	(144,500)	45,719
Foreign Exchange Rate Risk	Foreign currency appreciate 1% against NTD	(5)	-
	Foreign currency depreciate 1% against NTD	5	-
Equity Price Risk	Equity price appreciate 1%	158	199,637
	Equity price depreciate 1%	(158)	(199,637)

Note: When a fair value hedge or hedge of a net investment in a foreign operation is in conformity with all the conditions for applying hedge accounting, the mentioned positions will not be covered by summarized details above. Because the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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c) Foreign exchange rate gap information

According to IFRS 7 “Financial Instruments: Disclosures” paragraph No. 34(a), an entity shall disclose summarized quantitative data about its exposure to that risk at the end of the reporting period. Significant foreign exchange rate risk exposure of the Bank and subsidiaries was as below:

	<b>December 31, 2023</b>		
	<u>Foreign currency</u>	<u>Spot rate</u>	<u>NTD amount</u>
<b><u>Financial assets</u></b>			
<b><u>Monetary items</u></b>			
USD	\$ 46,399,576	30.7350	1,426,090,982
JPY	2,500,226,315	0.2174	543,549,201
THB	294,397,773	0.8980	264,369,200
RMB	49,168,051	4.3315	212,971,412
AUD	6,294,933	21.0070	132,237,655
HKD	13,887,560	3.9340	54,633,663
SGD	1,243,001	23.3110	28,975,585
EUR	564,292	34.0140	19,193,837
<b><u>Non-monetary items</u></b>			
THB	10,407,005	0.8980	9,345,491
USD	37,072	30.7350	1,139,409
JPY	2,221,858	0.2174	483,032
<b><u>Investments under equity method</u></b>			
RMB	269,764	4.3315	1,168,483
JPY	2,496,258	0.2174	542,686
<b><u>Financial liabilities</u></b>			
<b><u>Monetary items</u></b>			
USD	\$ 58,168,424	30.7350	1,787,806,523
JPY	2,421,610,385	0.2174	526,458,098
THB	276,835,561	0.8980	248,598,334
RMB	42,157,923	4.3315	182,607,044
AUD	1,530,888	21.0070	32,159,374
HKD	5,822,745	3.9340	22,906,677
EUR	551,460	34.0140	18,757,359
SGD	147,140	23.3110	3,429,973

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	<b>December 31, 2022</b>		
	<u>Foreign currency</u>	<u>Spot rate</u>	<u>NTD amount</u>
<b><u>Financial assets</u></b>			
<b><u>Monetary items</u></b>			
USD	\$ 41,464,012	30.7080	1,273,276,888
JPY	2,236,392,258	0.2323	519,513,922
THB	274,661,591	0.8890	244,174,154
RMB	36,492,242	4.4076	160,843,206
AUD	4,604,226	20.8230	95,873,801
HKD	13,557,553	3.9380	53,389,642
SGD	1,542,277	22.8640	35,262,632
EUR	702,544	32.7130	22,982,321
<b><u>Non-monetary items</u></b>			
THB	16,111,870	0.8890	14,323,452
USD	37,076	30.7080	1,138,530
JPY	1,867,122	0.2323	433,732
<b><u>Investments under equity method</u></b>			
RMB	245,336	4.4076	1,081,342
JPY	1,707,672	0.2323	396,692
<b><u>Financial liabilities</u></b>			
<b><u>Monetary items</u></b>			
USD	\$ 49,396,100	30.7080	1,516,855,432
JPY	2,220,783,186	0.2323	515,887,934
THB	256,069,126	0.8890	227,645,454
RMB	34,971,142	4.4076	154,138,804
AUD	1,706,829	20.8230	35,541,293
HKD	6,328,611	3.9380	24,922,072
EUR	596,374	32.7130	19,509,177
SGD	181,374	22.8640	4,146,944

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

d) Disclosure items required by the “ Regulations Governing the Preparation of Financial Reports by Public Banks”

i) Interest rate sensitivity information

1. Sensitivity analysis of interest rate for assets and liabilities (New Taiwan Dollars)

December 31, 2023

Unit: In Thousands of New Taiwan Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 2,482,947,489	515,758,603	67,475,268	123,848,723	3,190,030,083
Interest rate sensitive liabilities	456,286,006	2,252,714,568	131,707,905	60,030,448	2,900,738,927
Interest rate sensitivity gap	2,026,661,483	(1,736,955,965)	(64,232,637)	63,818,275	289,291,156
Net worth					357,791,314
Ratio of interest rate sensitive assets to liabilities (%)					109.97
Ratio of interest rate sensitivity gap to net worth (%)					80.85

December 31, 2022

Unit: In Thousands of New Taiwan Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 2,466,447,600	199,877,487	80,170,612	152,188,669	2,898,684,368
Interest rate sensitive liabilities	828,430,906	1,653,097,127	110,157,123	57,546,827	2,649,231,983
Interest rate sensitivity gap	1,638,016,694	(1,453,219,640)	(29,986,511)	94,641,842	249,452,385
Net worth					337,690,887
Ratio of interest rate sensitive assets to liabilities (%)					109.42
Ratio of interest rate sensitivity gap to net worth (%)					73.87

Note:

1. The aforementioned are the Bank’s position denominated in NTD, and do not include contingent assets or liabilities.
2. Interest rate sensitive assets and liabilities are the interest-earning assets or interest-bearing liabilities whose revenue or costs are affected by interest rate change.
3. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities.
4. Ratio of interest rate sensitive assets to liabilities = Interest rate sensitive assets / Interest-rate-sensitive liabilities (denominated in NTD).

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2. Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2023

Unit: In Thousands of U.S. Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 16,766,828	839,264	535,566	13,046,469	31,188,127
Interest rate sensitive liabilities	20,948,755	16,633,925	5,298,298	466,933	43,347,911
Interest rate sensitivity gap	(4,181,927)	(15,794,661)	(4,762,732)	12,579,536	(12,159,784)
Net worth					11,641,168
Ratio of interest rate sensitive assets to liabilities (%)					71.95
Ratio of interest rate sensitivity gap to net worth (%)					(104.46)

December 31, 2022

Unit: In Thousands of U.S. Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 17,476,660	777,973	221,228	11,125,190	29,601,051
Interest rate sensitive liabilities	17,064,210	16,007,694	4,108,694	463,745	37,644,343
Interest rate sensitivity gap	412,450	(15,229,721)	(3,887,466)	10,661,445	(8,043,292)
Net worth					10,996,838
Ratio of interest rate sensitive assets to liabilities (%)					78.63
Ratio of interest rate sensitivity gap to net worth (%)					(73.14)

Note:

1. The aforementioned are the Bank's position denominated in USD, and do not include contingent assets or liabilities.
2. Interest rate sensitive assets and liabilities are the interest-earning assets or interest-bearing liabilities whose revenue or costs are affected by interest rate change.
3. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities.
4. Ratio of interest rate sensitive assets to liabilities = Interest rate sensitive assets / Interest rate sensitive liabilities (denominated in USD).

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Credit Risk Management

a) Definition and Sources of Credit Risk Management

Credit risk of the Bank and subsidiaries refers to the risk of financial loss if an obligor, guarantor or counterparty fails to meet its contractual obligations. Credit risk arises from both on-balance-sheet and off-balance-sheet items. On-balance-sheet items include Loan, Discounting bills and notes, Credit Card, Due from Central Bank and Call loans to banks, Debt Investment and Derivatives Transaction, etc. Off-balance-sheet items mainly include Guarantees, Bank Acceptance, Letter of Credit and Loan Commitments.

b) Objectives of Credit Risk Management

The objective of credit risk management is to minimize the potential financial losses by appropriate strategies, policies and procedures. By strengthening credit risk management framework, which is transparent, systematic, professional and well-established, credit risk management is rooted in its corporate governance to reinforce business performance and improve shareholder's equity.

c) Credit Risk Management Process and Credit Risk Measurement

i) Credit Risk Management Process

1. Risk Identification

Credit risk comes from the default risk and significant credit deteriorated of an obligor, change on collateral value or the default risk of derivatives counterparty. Defining credit risk factors for identification shall consider not only internal business operations but also external economic environmental changes.

2. Risk Measurement

In order to appropriately evaluate and monitor obligor's credit risk, the Bank and subsidiaries implement the internal rating system factored in the characteristics of obligors and products to quantify it. The corresponding policies and procedures are established and the regular model validation mechanism is executed to ensure the appropriateness and effectiveness of the model performance. Besides credit rating, credit risk management policy and experienced (senior) credit officers' judgment supplement the credit application on credit approval, facility management and performance analysis, etc.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3. Risk Monitoring

To ensure credit risk is under control, the Bank has established credit risk limit management mechanism, and set up the information management system to monitor the credit risk portfolio and risk concentration situation. The Bank and subsidiaries have developed comprehensive credit policies and procedures covering a credit cycle for facilitating the control of credit risk by responsible units, such as procedures about credit extension and credit evaluation, interim review mechanism, guideline for early warning and watch list accounts, guideline for collateral appraisal and management, rules of treasury credit risk mitigation, procedure for problem assets management, guideline for provision allowance and so on, to reduce the probability of credit loss and ensure our financial claim on exposure.

4. Risk Reporting

Credit risk management unit periodically prepares credit risk management reports and submits these reports to senior management. The reports disclose the Bank and subsidiaries' credit risk profile from various dimensions, such as asset quality, portfolio concentration, industry sector exposure, scorecard model validation result, etc.

ii) Measurement of Credit Risk

1. Internal Rating System

The development of internal rating system and the estimation of parameters for credit risk measurement are based on the Bank and subsidiaries' internal historical data and the experience of internal experts. The three major risk components include Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are used to measure the expected loss and unexpected loss, to assist the Bank and subsidiaries in their stable growth of long-term operation.

a. Probability of default

The Bank and subsidiaries' institutional banking group has developed various scorecard models for Middle Market and Jumbo-sized Enterprise, Small and Medium-sized Enterprise, Real Estate Developer and Personal, etc. based on obligor's characteristics, including exposure types, industrial characteristics, revenue scales, and the correspondent with the Bank and subsidiaries. The Bank and subsidiaries also develop a master scale to segment obligor's default risk; each segment of the master scale is associated with a predefined forward-looking probability of default. As for retail banking group, we have leveraged the customer-centric based credit risk scorecard model to generate the risk rating by predefined one-year forward-looking probability of default.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

b. Loss given default

The Bank and subsidiaries' institutional banking group calculates the parameters of LGD, such as Collateral Recovery Rate, based on the product characteristics, collateral types, and guarantee forms, etc. The parameters are used to estimate the LGD for each facility. CTBC retail banking group established the LGD rating with long-run default-weighted average LGD, which is developed according to the characteristics of products and collaterals.

c. Exposure at default

Exposure at default is calculated by current outstanding plus potential extra outstanding at default. The credit conversion factor (CCF) for potential extra outstanding at default is calculated by taking the facility commitment, usage ratio, loan outstanding and headroom into consideration. For off-balance-sheet exposure, CCF is used to estimate the portion of off-balance-sheet exposure converted into on-balance-sheet if default.

2. Stress Testing

Depending on credit risk materiality and business scale, stress testing of credit risk portfolios was implemented. Stress testing helps the Bank and subsidiaries aware of the possible change of risk component resulting from stress event, and assesses the amount of capital needed to absorb losses or plan remedial actions to mitigate the impact of exceptional loss when such incident occurs.

d) Mitigation of Credit Risk

i) Collateral Management

In assessing the credit extension, obligor's business prospect, future cash flow, and repayment ability and willingness are the main factors for identifying the repayment sources. However, for the creditor's sake, the Bank, under government regulations, may ask the obligor or a third party to deliver pledge of real estate, chattel, or securities as collateral which can be disposed for recovering the Bank and subsidiaries' claim on exposure if the obligor defaults.

In order to maintain the good standing value of collateral, the Bank and subsidiaries have established guidelines regarding collateral management, which are as follows. By taking the volatility of market value and the characteristic of collateral into account, the Bank and subsidiaries set the type of collateral that can be pledged and consider the historical recovery experience to draw up the highest loan to value. To verify the fairness of the value of the collateral, collaterals are appraised not only through valuation reports issued by professional appraisers but also market price and the actual registered price. With the periodic reappraisal, the adequacy of the collateral with high fluctuations can be timely monitored.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

ii) Pre-settlement risk mitigation

For pre-settlement risk, the Bank and subsidiaries might take mitigation actions such as calling for additional collateral (or margin), signing a netting agreement or signing an early determination agreement so as to reduce the credit loss.

iii) Post-lending monitoring mechanisms

For post lending monitoring through interim review mechanism to control the change of obligor's risk, the review frequency and content depend on the risk grade of an obligor. The Bank and subsidiaries have stipulated Guideline for Interim Reviews based on the principle about interim review issued by The Bankers Association of The Republic of China. Interim review items cover change of obligor's business, inspection of credit standing, change of business operation and financial condition, change of the collateral, change of bank debt, the proceeds in accordance with funding purpose, change of repayment sources and so on. If there is significant change of obligor's business and credit status, the credit grade will be re-rated and facilities might be adjusted depending on the situation.

iv) Credit Risk Assessment Review

In order to ensure the adequacy of entire credit risk management and control mechanisms, portfolio credit risk and management process are assessed, reviewed, monitored and examined periodically by the Bank and subsidiaries, to assist the Bank and subsidiaries in their stable growth of long-term operation.

v) External guarantee

In order to enhance the credit protection for weak small and medium business borrowers and risk mitigation for the unsecured exposure of small and medium business borrower, external guarantee provided by Taiwan SMEG fund approved by the government is one of the eligible guarantees.

vi) Concentrations Risk Management

Besides periodic and intermittent monitoring by various risk components on credit risk exposure via different relevant credit risk management reports, the Bank and subsidiaries have risk limit control mechanism, effective after approval by the Board of Directors, at the level of asset portfolio and the level of group, considering that changes in external macro environment are likely to introduce concentration risk from customers with the same characteristics.

Dimensions of limit ceiling monitoring include country risk, high risk grade obligors, product types, industry, treasury limit, project limit, collateral, in the same affiliate and counterparty, and so on.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

e) Maximum exposure to credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance-sheet financial assets is equal to the carrying values.

Please refer to Note 6 (aq) 3(3) (g) for off-balance sheet financial instruments' maximum exposure to credit risk maturity analysis.

f) Concentrations of credit risk

Significant concentrations of credit risk occur when there are exposures, significant enough to threaten a Bank's security or its ability to maintain core businesses, to an individual counterparty to a transaction or a number of related counterparties engage in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentrations of credit risk originate from assets, liabilities, and off-balance-sheet items by means of performing an obligation to deliver products or service, execution of a trade, or combination of cross-classification exposures. The Bank and subsidiaries have proper internal policies, systems, and controls to recognize, measure, monitor, and control concentrations of credit risk. The following table illustrates the diversification of the loan portfolio among industry sectors and geographical regions of the Bank and subsidiaries.

i) By Industry

	December 31, 2023								
	Individual Clients	Service	Public Sector	High Tech	Real Estate	Manufacturing	Financial Institution	Others	Total
<i>On balance sheet</i>									
Receivables—Credit card	\$ 112,252,727	-	-	-	-	-	-	-	112,252,727
Receivables—Factoring	-	3,855,893	-	15,864,026	15,802	2,668,420	2,558,227	-	24,962,368
<i>Loans</i>									
-Consumer loans	1,342,139,589	-	-	-	-	-	-	-	1,342,139,589
-Corporate loans	109,665,137	146,416,096	302,820,449	99,053,553	114,526,971	154,598,430	17,814,383	1,282,414	946,177,433
-Micro-business loans	1,986,085	2,554,496	-	370,140	615,144	851,850	42,663	-	6,420,378
-Foreign currency loans	256,668,789	285,096,075	2,472,584	54,652,456	210,132,484	206,118,298	183,343,685	8,600,780	1,207,085,151
-Non-accrual loans	4,176,281	3,241,415	1,166,295	114,365	1,116,750	1,793,127	147,194	568,002	12,323,429
-Adjustment of discount and premium	(389,348)	(662,233)	(571)	(23,849)	(245,404)	(186,201)	(79,208)	(18,351)	(1,605,165)
Other financial assets	176,048	-	-	-	-	-	-	183,541	359,589
<b>Total</b>	<b>\$ 1,826,675,308</b>	<b>440,501,742</b>	<b>306,458,757</b>	<b>170,030,691</b>	<b>326,161,747</b>	<b>365,843,924</b>	<b>203,826,944</b>	<b>10,616,386</b>	<b>3,650,115,499</b>
<i>Off balance sheet</i>									
Guarantee and commitment	\$ 711,864,917	278,872,801	153,099,526	356,921,662	119,871,918	508,760,436	106,871,849	1,997,561	2,238,260,670

	December 31, 2023				
	Public Sector	Corporate	Financial Institution	Individual Clients	Total
Financial assets measured at fair value through other comprehensive income – investment in debt instruments	\$ 123,960,890	41,161,829	83,648,638	4,005,493	252,776,850
Financial assets – hedging	-	-	298,360	-	298,360
Investment in debt instruments at amortized cost	579,807,658	173,816,418	98,086,758	12,054,782	863,765,616
<b>Total</b>	<b>\$ 703,768,548</b>	<b>214,978,247</b>	<b>182,033,756</b>	<b>16,060,275</b>	<b>1,116,840,826</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

December 31, 2022									
<u>On balance sheet</u>	<u>Individual Clients</u>	<u>Service</u>	<u>Public Sector</u>	<u>High Tech</u>	<u>Real Estate</u>	<u>Manufacturing</u>	<u>Financial Institution</u>	<u>Others</u>	<u>Total</u>
Receivables—Credit card	\$ 101,785,801	-	-	-	-	-	-	-	101,785,801
Receivables—Factoring	-	3,636,888	-	14,893,203	12,777	2,374,654	1,241,273	-	22,158,795
Loans									
-Consumer loans	1,173,714,013	-	-	-	-	-	-	-	1,173,714,013
-Corporate loans	104,391,597	134,872,093	242,347,222	111,662,997	112,065,734	159,124,209	16,130,813	632,342	881,227,007
-Micro-business loans	2,883,585	5,023,490	-	817,448	1,142,403	1,696,532	108,542	-	11,672,000
-Foreign currency loans	249,355,870	291,492,542	5,721,431	62,253,965	202,823,131	205,225,388	163,988,177	6,624,502	1,187,485,006
-Non-accrual loans	3,659,706	3,039,885	-	111,262	699,623	2,971,962	149,680	272,440	10,904,558
-Adjustment of discount and premium	(474,848)	(632,306)	-	(32,829)	(214,962)	(226,213)	(154,442)	(23,713)	(1,759,313)
Other financial assets	108,834	-	-	-	-	-	-	170,119	278,953
Total	<u>\$ 1,635,424,558</u>	<u>437,432,592</u>	<u>248,068,653</u>	<u>189,706,046</u>	<u>316,528,706</u>	<u>371,166,532</u>	<u>181,464,043</u>	<u>7,675,690</u>	<u>3,387,466,820</u>
<u>Off balance sheet</u>									
Guarantee and commitment	<u>\$ 670,059,367</u>	<u>190,913,403</u>	<u>92,513,625</u>	<u>265,922,807</u>	<u>94,117,407</u>	<u>369,107,646</u>	<u>93,359,792</u>	<u>1,225,988</u>	<u>1,777,220,035</u>

December 31, 2022					
	<u>Public Sector</u>	<u>Corporate</u>	<u>Financial Institution</u>	<u>Individual Clients</u>	<u>Total</u>
Financial assets measured at fair value through other comprehensive income — investment in debt instruments	\$ 62,192,059	43,635,800	94,766,029	7,666,819	208,260,707
Financial assets — hedging	-	-	18,389	-	18,389
Investment in debt instruments at amortized cost	721,086,353	176,959,021	75,770,487	6,881,852	980,697,713
Total	<u>\$ 783,278,412</u>	<u>220,594,821</u>	<u>170,554,905</u>	<u>14,548,671</u>	<u>1,188,976,809</u>

ii) By Area

December 31, 2023					
<u>On balance sheet</u>	<u>Taiwan</u>	<u>North America</u>	<u>Asia (excluding Taiwan)</u>	<u>Others</u>	<u>Total</u>
Financial assets measured at fair value through other comprehensive income— investment in debt instruments	\$ 14,889,126	68,761,002	155,783,504	13,343,218	252,776,850
Financial assets — hedging	298,360	-	-	-	298,360
Receivables — Credit card	112,252,727	-	-	-	112,252,727
Receivables — Factoring	6,471,901	3,533,571	12,897,348	2,059,548	24,962,368
Loans					
Consumer finance					
— Mortgage loans	1,090,810,145	-	-	-	1,090,810,145
— Consumer loans	251,329,444	-	-	-	251,329,444
Corporate finance					
— Corporate loans	943,877,754	435,413	1,232,266	632,000	946,177,433
— Micro-business loans	6,417,906	-	2,472	-	6,420,378
Foreign currency loans	31,611,472	182,646,500	937,350,604	55,476,575	1,207,085,151
Non-accrual loans	3,439,184	729,047	7,392,587	762,611	12,323,429
Adjustment of discount and premium	(920,507)	(126,944)	(531,712)	(26,002)	(1,605,165)
Investment in debt instruments at amortized cost	404,956,111	275,074,851	147,358,697	36,375,957	863,765,616
Other financial assets	176,048	-	183,541	-	359,589
Total	<u>\$ 2,865,609,671</u>	<u>531,053,440</u>	<u>1,261,669,307</u>	<u>108,623,907</u>	<u>4,766,956,325</u>
<u>Off balance sheet</u>					
Guarantee and commitment	<u>\$ 1,659,510,166</u>	<u>34,230,517</u>	<u>474,877,767</u>	<u>69,642,220</u>	<u>2,238,260,670</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2022				
	Taiwan	North America	Asia (excluding Taiwan)	Others	Total
<u>On balance sheet</u>					
Financial assets measured at fair value through other comprehensive income-investment in debt instruments	\$ 18,410,805	42,430,961	130,225,147	17,193,794	208,260,707
Financial assets – hedging	18,389	-	-	-	18,389
Receivables – Credit card	101,785,801	-	-	-	101,785,801
Receivables – Factoring	8,847,316	2,958,762	8,432,543	1,920,174	22,158,795
<u>Loans</u>					
Consumer finance					
– Mortgage loans	951,062,232	-	-	-	951,062,232
– Automobile loans	79	-	-	-	79
– Consumer loans	222,651,702	-	-	-	222,651,702
Corporate finance					
– Corporate loans	878,497,956	449,364	1,600,187	679,500	881,227,007
– Micro-business loans	11,669,367	-	2,633	-	11,672,000
Foreign currency loans	36,262,743	172,694,917	906,018,525	72,508,821	1,187,485,006
Non-accrual loans	2,065,547	777,771	6,999,286	1,061,954	10,904,558
Adjustment of discount and premium	(754,320)	(132,662)	(849,598)	(22,733)	(1,759,313)
Investment in debt instruments at amortized cost	563,999,532	241,124,335	147,058,020	28,515,826	980,697,713
Other financial assets	108,834	-	170,119	-	278,953
<b>Total</b>	<b>\$ 2,794,625,983</b>	<b>460,303,448</b>	<b>1,199,656,862</b>	<b>121,857,336</b>	<b>4,576,443,629</b>
<u>Off balance sheet</u>					
Guarantee and commitment	<b>\$ 1,339,728,104</b>	<b>29,505,872</b>	<b>386,977,808</b>	<b>21,008,251</b>	<b>1,777,220,035</b>

- g) Credit risk analysis of financial assets, loan commitments and financial guarantee contracts of the Bank and subsidiaries

The measurement of expected credit losses of the Bank and subsidiaries is based on internal rating system and the estimation of three major credit risk components including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are used to measure the 12-month and lifetime expected credit losses.

For Probability of Default, the Bank and subsidiaries' institutional banking group develop the risk segmentation according to obligor's country, internal rating, status of credit risk, and industry. As for retail banking group, the risk segmentation is developed according to obligor's risk characteristics, credit score, and delinquency status.

For Loss Given Default, the Bank and subsidiaries' institutional banking group develop the risk segmentation depending on whether the asset is partially secured, fully secured, or other else. As for retail banking group, risk factors are derived from the product characteristics, such as Loan-to-value, exposure, and collateral type.

Current exposure method or expected exposure approach is adopted for the estimation of exposure at default. The on-balance sheet exposure at default is measured by gross carrying amount (including accrued interest and accrued fees); the off-balance sheet exposure at default is estimated by carrying amount multiplied by credit conversion factor (CCF) under the Basel Accords - the standardize approach for credit risk.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The criteria for identifying the significant increases in credit risk are set as below:

- i) Delinquent asset with interest or principal payments over 30 days; delinquent asset with interest or principal payments over 45 days for recourse factoring exposure; delinquent asset with interest or principal payments over 60 days for non-recourse factoring exposure (considering the credit risk characteristics and the amount of time required for reconciliation process, special overdue days criteria have been set to both Recourse and Non-recourse Factoring exposure).
- ii) Obligor's risk rating or collateral value at the reporting date deteriorates significantly compared to that at the initial recognition date.
- iii) Obligor placed in early warning list due to the mechanism of early warning or the probability of default of obligor similar with delinquent asset at reporting date.

The objective evidence of impairment generally includes the items as below:

- i) Significant financial difficulty of the issuer or obligor;
- ii) Adverse changes in the repayment status of borrower;
- iii) A breach of contract, such as a default or past due event;
- iv) The lender, for economic or contractual reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- v) Decease, dissolution, or it is becoming probable that the borrower will file for bankruptcy or undergo financial reorganization;
- vi) The disappearance of an active market for that financial asset because of financial difficulties;
- vii) Purchased or originated credit-impaired financial asset at a significant discount to the contractual par amount;
- viii) Counterparty defaulting on agreement of other financial instruments (e.g., transactions settlement failure, a bank decide to execute early termination of transactions, or loans originated from derivatives settlement failure).

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Estimation of expected credit losses that incorporates forward-looking information:

By analyzing the historically macroeconomic data, the relevant macroeconomic factors for credit risk of each portfolio (e.g., economic growth rate, consumer price index, interest rate or unemployment rate) are recognized, which are further adopted based on the correlation of the Bank's loss experience and consistency of forecast. The risk signals then are developed based on the chosen macroeconomic factors and apply the forward-looking adjustment by incorporating the internal and external loss experiences. Besides, to derive and reflect macro light forecasts for the next three years in the estimation of impairment allowance, the Bank considers and gets the average of macroeconomics forecasting derived from the chosen Business, Public Agencies, and Academic Institutions.

There is no significant change on the methodology or assumptions for assessment of expected credit losses at the reporting date.

Some financial assets held by the Bank and subsidiaries, such as cash and equivalent cash, due from central bank, call loans to banks, financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, securities purchased under resell agreements, refundable deposits, operational guarantee deposits, and settlement fund, are excluded from this analysis since most of counterparties are normally with good credit quality and can be considered as low credit risk. Some products, such as certificate of deposit loan, due from banks, and call loans to banks, are treated as products with low credit risk in consideration of their characteristics and zero historically impaired experience. Below tables provide the expected credit risk analysis for the rest of financial assets.

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# CTBC BANK CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

December 31, 2023

Item	Stage 1			Stage 2			Stage 3			Total(A)+(B)+(C)+(D)-(E)		
	Investment grade	Sub-investment grade	High Risk grade	Subtotal(A)	Investment grade	Sub-investment grade	High Risk grade	Subtotal(B)	Individually assessed impaired(C)		Collectively assessed impaired(D)	Impairment allowances(E)
<b>On balance sheet</b>												
Financial assets measured at fair value through other comprehensive income investment in debt instruments	\$ 228,865,909	21,558,845	-	250,424,754	2,352,096	-	2,352,096	-	-	-	808,953	251,967,897
Financial assets—hedging	298,360	-	-	298,360	-	-	-	-	-	-	-	298,360
Receivables—Credit card	101,412,730	4,236,300	3,942,978	109,592,008	5,826	5,496	432,708	444,030	-	2,216,689	1,052,904	111,199,823
Receivables—Factoring	8,557,771	13,924,700	1,379,053	23,861,524	-	-	-	-	1,100,844	-	739,380	24,222,988
<b>Loans</b>												
Consumer finance												
—Mortgage loans	1,077,772,066	6,168,741	4,282,864	1,088,223,671	75,580	6,415	183,288	265,283	-	2,321,191	210,783	1,090,599,362
—Consumer loans	185,909,374	23,849,028	30,099,807	239,858,209	35,526	44,224	2,610,528	2,690,278	-	8,780,957	6,150,504	245,178,940
Corporate finance												
—Corporate loans	525,121,052	337,224,110	72,484,209	934,829,371	-	195,172	5,017,559	5,212,731	5,088,600	1,046,731	1,105,881	945,071,552
—Micro-business loans	5,940	4,683,303	789,187	5,478,430	-	91,785	521,664	613,449	135,335	193,164	53,731	6,366,647
Foreign currency loans	562,146,623	441,787,946	174,094,523	1,178,029,092	1,550,083	1,768,721	12,360,823	15,679,627	6,962,975	6,413,457	18,276,060	1,188,809,091
Non-accrual loans	6,040	-	-	6,040	114,977	-	750,366	865,343	3,952,038	7,500,008	8,233,374	4,090,055
Adjustment of discount and premium	(942,615)	(307,349)	(87,481)	(1,337,445)	2,239	4,749	(24,911)	(17,923)	(5,280)	(244,517)	(754)	(1,604,411)
Investment in debt instruments at amortized cost	783,731,913	76,870,092	2,918,411	863,520,416	-	-	28,252	28,252	216,948	-	58,660	863,706,956
Other financial assets	183,541	-	-	183,541	-	-	-	-	-	176,048	110,123	249,466
<b>Total</b>	<b>\$ 3,473,068,704</b>	<b>929,995,716</b>	<b>289,903,551</b>	<b>4,692,967,971</b>	<b>4,136,327</b>	<b>2,116,562</b>	<b>21,880,277</b>	<b>28,133,166</b>	<b>17,451,460</b>	<b>28,403,728</b>	<b>36,799,599</b>	<b>4,730,156,726</b>
<b>Off balance sheet</b>												
Guarantee and commitment	\$ 1,486,420,530	608,590,359	141,111,035	2,236,121,924	7,335	13,592	1,406,256	1,427,183	3,000	708,563	573,619	2,237,687,051

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# CTBC BANK CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

December 31, 2022

Item	Stage 1			Stage 2			Stage 3			Total(A)+(B)+(C)+(D)-(E)		
	Investment grade	Sub-investment grade	High Risk grade	Subtotal(A)	Investment grade	Sub-investment grade	High Risk grade	Subtotal(B)	Individually assessed impaired(C)		Collectively assessed impaired(D)	Impairment allowances(E)
<b>On balance sheet</b>												
Financial assets measured at fair value through other comprehensive income-investment in debt instruments	\$ 185,653,202	18,490,655	1,808,857	205,952,714	2,327,993	-	2,327,993	-	-	-	254,033	208,006,674
Financial assets—hedging	18,389	-	-	18,389	-	-	-	-	-	-	-	18,389
Receivables—Credit card	91,807,355	3,890,631	3,463,504	99,161,490	5,427	4,813	303,320	313,560	-	2,310,751	1,030,470	100,755,331
Receivables—Factoring	9,655,148	10,639,281	1,194,589	21,489,018	-	2,670	-	2,670	667,107	-	640,881	21,517,914
<b>Loans</b>												
Consumer finance												
—Mortgage loans	939,914,771	4,873,950	3,603,060	948,391,781	129,864	26,580	149,379	305,823	-	2,364,628	265,972	950,796,260
—Automobile loans	-	-	-	-	-	-	-	-	-	79	4	75
—Consumer loans	167,167,230	20,996,326	24,991,580	213,155,136	31,787	28,167	1,617,453	1,677,407	-	7,819,159	4,890,457	217,761,245
Corporate finance												
—Corporate loans	469,971,438	332,534,227	74,219,182	876,724,847	-	596,632	2,291,543	2,888,175	834,150	779,835	806,181	880,420,826
—Micro-business loans	4,697	8,094,386	2,009,816	10,108,899	-	266,595	817,718	1,084,313	190,824	287,964	106,636	11,565,364
Foreign currency loans	517,832,765	453,847,258	180,846,222	1,152,526,245	1,329,671	654,457	19,562,128	21,546,256	7,852,965	5,559,540	16,127,598	1,171,357,408
Non-accrual loans	4,667	-	-	4,667	91,990	-	562,163	654,153	4,486,979	5,758,759	8,248,737	2,655,821
Adjustment of discount and premium	(920,336)	(489,329)	(79,022)	(1,488,687)	720	2,199	(10,672)	(7,753)	(4,593)	(258,280)	(1,202)	(1,758,111)
Investment in debt instruments at amortized cost	888,358,052	81,546,327	10,399,207	980,303,586	-	-	92,883	92,883	301,244	-	51,723	980,645,990
Other financial assets	170,119	-	-	170,119	-	-	-	-	-	108,834	70,604	208,349
<b>Total</b>	<b>\$ 3,269,617,497</b>	<b>934,423,712</b>	<b>302,456,995</b>	<b>4,506,498,204</b>	<b>3,917,452</b>	<b>1,582,113</b>	<b>25,385,915</b>	<b>30,885,480</b>	<b>14,328,676</b>	<b>24,731,269</b>	<b>32,492,094</b>	<b>4,543,951,535</b>
<b>Off-balance sheet</b>												
Guarantee and commitment	\$ 1,216,937,944	463,627,714	95,056,200	1,775,621,858	8,579	16,385	1,335,031	1,359,995	3,000	235,182	459,546	1,776,760,489

Note 1: The balances of impairment allowance, as shown above, are recognized in compliance with the IFRS Accounting Standards accepted by FSC.

Note 2: Stage 1 is the loss allowance measured at 12-month expected credit loss of financial instrument.

Stage 2 is the loss allowance measured at lifetime ECL measurement and the credit risk of a financial asset at the reporting date has increased significantly.

Stage 3 is the loss allowance measured at lifetime ECL measurement on a credit-impairment financial asset at the reporting date.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

h) Foreclosed properties

Foreclosed properties of the Bank and subsidiaries are classified under other assets. Please refer to Note 6(r).

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

i) Asset quality of the Bank and subsidiaries' non-performing loans and overdue receivables

Unit: In Thousands of New Taiwan Dollars, %

Month/ Year		December 31, 2023					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate finance	Secured	5,632,717	679,975,858	0.83 %	33,708,420	259.84 %	
	Unsecured (Note 10)	7,339,845	1,225,362,516	0.60 %			
Consumer finance	Residential mortgages	1,810,786	1,166,639,698	0.16 %	11,419,035	630.61 %	
	Cash cards	15,170	683,698	2.22 %	17,830	117.54 %	
	Micro credit loans	Original	2,790,094	247,490,361	1.13 %	9,555,322	342.47 %
		Purchase	-	250,976	- %		
	Others	Secured	215,899	184,049,298	0.12 %	1,819,606	273.62 %
		Unsecured	449,102	9,693,575	4.63 %		
Total loan business		18,253,613	3,514,145,980	0.52 %	56,520,213	309.64 %	
		<b>Overdue receivables</b>	<b>Balance of receivables</b>	<b>Delinquency ratio</b>	<b>Allowance for credit losses</b>	<b>Coverage ratio</b>	
Credit cards business		168,828	112,428,775	0.15 %	1,159,284	686.67 %	
Without recourse factoring		-	24,962,368	- %	885,354	- %	

Month/ Year		December 31, 2022					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate finance	Secured	5,051,090	649,345,641	0.78 %	32,833,037	294.63 %	
	Unsecured (Note 10)	6,092,882	1,187,096,482	0.51 %			
Consumer finance	Residential mortgages	2,134,248	1,036,646,542	0.21 %	10,530,964	493.43 %	
	Cash cards	17,781	962,963	1.85 %	25,366	142.66 %	
	Micro credit loans	Original	2,024,238	218,432,565	0.93 %	7,656,896	378.26 %
		Purchase	-	364,687	- %		
	Others	Secured	222,483	163,776,884	0.14 %	1,572,943	301.35 %
		Unsecured	299,482	8,376,820	3.58 %		
Total loan business		15,842,204	3,265,002,584	0.49 %	52,619,803	332.15 %	
		<b>Overdue receivables</b>	<b>Balance of receivables</b>	<b>Delinquency ratio</b>	<b>Allowance for credit losses</b>	<b>Coverage ratio</b>	
Credit cards business		104,871	101,894,635	0.10 %	1,097,407	1,046.44 %	
Without recourse factoring		-	22,158,795	- %	812,877	- %	

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- Note 1: The Bank's non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans". The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin Kuan Yin (4) Zi No. 0944000378, dated July 6, 2005.
- Note 2: Non-performing loans ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ balance of receivables.
- Note 3: Coverage ratio for loans = Allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card = Allowance for credit losses ÷ overdue receivables.
- Note 4: For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.
- Note 5: Microcredit loans are defined by Jin Kuan Yin (4) Zi No. 09440010950, dated December 19, 2005, and do not include credit cards or cash cards.
- Note 6: Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash cards, and microcredit loans, and do not include credit cards.
- Note 7: In accordance with Jin Kuan Yin (5) Zi No. 094000494, dated July 19, 2005, receivables without recourse factoring will be classified as non-performing loans within 3 months after the date that suppliers or insurance companies resolve not to compensate the loss.
- Note 8: The allowance for credit losses, as shown above, are calculated in accordance with the IFRSs accepted by FSC and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", and other related regulations. Additionally, the amounts exclude non-accrual loans arising from guarantees. Related allowance for credit losses is recognized under provisions.
- Note 9: Supplemental disclosures:
- The information below shows supplemental disclosures of the Bank's loans and receivables that may be exempted from reporting as non-performing loans and overdue receivables, respectively.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Unit: In Thousands of New Taiwan Dollars

	December 31, 2023		December 31, 2022	
	Loans that may be exempted from reporting as a non-performing loan	Receivables that may be exempted from reporting as overdue receivables	Loans that may be exempted from reporting as a non-performing loan	Receivables that may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan (Note 1)	6,513	243,640	11,271	225,888
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	709,508	55,657	682,250	60,198
Total	716,021	299,297	693,521	286,086

Note 1: In accordance with Jin Kuan Yin (1) Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure of credit information which was approved under the “debt coordination mechanism of unsecured consumer debts by the Bankers Association of the R.O.C.”

Note 2: In accordance with Jin Kuan Yin (1) Zi No. 09700318940, dated September 15, 2008, and with Jin Kuan Yin No. 10500134790, dated September 20, 2016, a bank is required to make supplemental disclosure of credit information once debtors apply for pre negotiation, pre-meditation relief and liquidation under the “Consumer Debt Clearance Act.”

Note 10: Those loans that are not 100% backed by collateral are classified as unsecured.

ii) Concentration of the Bank’s credit extensions

Unit: In Thousands of New Taiwan Dollars, %

December 31, 2023			
Ranking	Enterprise group by industry sector	Credit amount	Credit amount/ stockholders’ equity (%)
1	A group. Other civil engineering	17,235,679	4.82 %
2	B group. Telephones and cellular phones manufacturing	15,049,821	4.21 %
3	C group. Other unclassified manufacture of other electronic parts and components	12,412,219	3.47 %
4	D group. Other unclassified financial service	11,673,204	3.26 %
5	E group. Motor vehicles leasing	11,667,169	3.26 %
6	F group. Panel and components manufacturing	11,326,884	3.17 %
7	G group. Real estate development	9,290,800	2.60 %
8	H group. Real estate leasing	8,777,496	2.45 %
9	I group. Cable telecommunications	8,683,883	2.43 %
10	J group. Financial service	7,760,200	2.17 %

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

December 31, 2022			
Ranking	Enterprise group by industry sector	Credit amount	Credit amount/ stockholders' equity (%)
1	A group. Other comprehensive commodity retailing	25,309,692	7.49 %
2	C group. Other unclassified manufacture of other electronic parts and components	24,882,630	7.37 %
3	E group. Automobile wholesale	13,796,244	4.09 %
4	K group. Other unclassified financial service	11,650,969	3.45 %
5	D group. Other unclassified financial service	10,438,669	3.09 %
6	L group. Semiconductor manufacturing	9,689,800	2.87 %
7	M group. Electronic passive devices manufacturing	9,370,076	2.77 %
8	H group. Real estate leasing	8,671,875	2.57 %
9	N group. Semiconductor manufacturing	8,407,770	2.49 %
10	I group. Cable telecommunications	8,009,179	2.37 %

Note 1: The top 10 enterprise groups other than government or state-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2: Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: The total outstanding credit amount is the sum of the balances of all loan types (including import and export bill negotiations, loans, overdrafts, short/medium/long term secured and unsecured loans, margin loans receivable, and non-accrual loans), bills purchased, without recourse factoring, acceptances receivable, and guarantees receivable.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Liquidity Risk Management Mechanism

a) Definition and sources of liquidity risk

Liquidity risk of the Bank and subsidiaries refers to the risk of inability to obtain funds at a reasonable cost within a reasonable timeframe to meet financial obligations, and thus impact on the reduction of the Bank and subsidiaries' profits or economic value.

Liquidity risk may stem from external and internal factors, such as undermined payment capability caused by financial market volatility, early withdraws and concerns of creditors or depositors over the Bank's ability to meet payment obligations due to credit, market or operational risk.

b) Objectives of liquidity risk management

Since there were costs associated with the level of liquidity, the liquidity risk management for the Bank and subsidiaries aims to satisfy the funding needs by allocating the assets and liabilities in the most cost-effective way within the approved risk tolerance to balance the risk and return.

c) Management procedures and risk measurement of liquidity risk

The Bank and subsidiaries have constructed a sound liquidity risk management framework and procedures according to the "Asset and Liability Management Policy" which clearly defined the rights and responsibilities of each unit and three defense lines of risk management, in addition to established and enhanced liquidity risk management mechanism includes identification, measurement, monitoring and reporting to be the foundation of liquidity risk management of the Bank and subsidiaries. By periodically monitoring the liquidity limit approved, continuously conducting the development and application of quantitative risk assessment tools, and studying liquidity related issues, the liquidity risk is properly managed. The Bank's qualitative risk appetite is defined as "The Bank constantly maintains a balanced asset and liability structure, diversifies funding sources, establishes stable deposit base and prudently arranges cash flows to ensure the Bank is capable of sustaining business growth and satisfying liability maturity under normal liquidity scenario, and meeting various obligations under certain stressed scenarios."

Funding Management Unit is the actual liquidity management unit for the Bank and subsidiaries and maintaining adequate liquidity is its ultimate responsibility. The risk management unit will monitor the liquidity risk independently. The main responsibilities of funding management unit are as follows:

- i) Keep abreast of market condition, and monitor the Bank's liquidity to ensure the capacity to meet the intraday payment obligation.
- ii) Adjust funding gap and liquidity to conform exposure within the Bank's risk appetite and regulatory requirements, and support customers' funding needs by use of different funding instruments with different amount and maturity.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- iii) Diversify funding instruments and counterparties in order to reduce the concentration.
- iv) Activate Contingency Funding Plan (CFP) and adjust positions when a liquidity crisis is detected.

The liquidity risk management unit is responsible to identify the cause of liquidity risk, develop and enhance the measurement of risk, periodically conduct the risk reports, monitor early warning triggers of liquidity risk, activate the Contingency Funding Plan when liquidity crisis is detected, and review the effectiveness of action plan.

The scope and characteristics of risk measurements and reporting system are as follows:

- i) Establish the thorough liquidity risk measurement for measuring liquidity risks. The common methods are as follows:

There are multiple aspects involved in liquidity risk management, and multiple quantitative indicators must be used to make comprehensive judgments and management. The selection of measurement indicators is based on the characteristics and complexity of assets and liabilities and the requirements of competent authorities, such as loan to deposit ratio, maturity gap analysis, liquidity ratio and liquidity coverage ratio (LCR), net stable funding ratio (NSFR), concentration of funding and deposit stability. The changes of liquidity risk measurement indicators are visualized to efficiently understand the changes, causes and impacts of various aspects, so as to monitor liquidity risks in a systematic, real-time and effective manner.

- ii) The liquidity risk management unit periodically conducts the risk reports, which contain the analysis of limit usage and liquidity risk indicators. The risk report with supporting stress test result will periodically be submitted to related risk management meetings. For important liquidity risk issues, depending on the impact, they will be reported to the management level of Bank or the Holding' to discuss the action plan. It assist the management level to control and respond the changing of risk exposure, so as to take a comprehensive view and coordinate various business units to adjust risk exposure and balance risks and returns.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

d) Risk mitigation and hedge of liquidity risk

Through liquidity risk management framework, the Bank and subsidiaries maintain sufficient liquidity status and robust funding structure. By using rigorous liquidity risk measurement and strict supervision, the Bank and subsidiaries can detect potential issues on liquidity risk at an early stage and report them during the risk management meeting. Also, the Bank and subsidiaries can thoroughly monitor, and coordinate with, each business unit to adjust the exposure by taking into consideration the risk and return. All relevant units shall adjust their strategies according to the resolution of the risk management meeting to effectively avoid the occurrence of liquidity risks. After confirming the limit excess, the risk management unit shall identify the cause and the main business unit which leads the limit breach. The responsible business unit should submit the action plan to the limit authority for approval. The relevant unit should keep track of the effectiveness of action plan and make prompt adjustment to ensure that the risk could be effectively reduced.

Being one of domestic systemically important banks(D-SIBs) in Taiwan, the Bank and subsidiaries have additionally set up rigorous monitoring index and stress tests to detect liquidity risk at early stages. The Bank and subsidiaries also follow the instruction of the contingency funding plan to integrate each resource in order to promptly deal with the liquidity crises and to ensure liquidity for steady operation.

e) Maturity analysis of non-derivatives liabilities

Table below shows the analysis of cash outflows of non-derivatives liabilities based on time remaining until the contractual maturity date. The amount disclosed is based on contractual cash flows and may be different from that included in the consolidated balance sheets.

	<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 Central Bank and other banks	\$ 61,600,138	24,011,382	6,940,493	730,018	898	93,282,929
Due to Central Bank and other banks	1,039,543	2,204,039	3,298,832	1,582,044	10,569,909	18,694,367
Non-derivative financial liabilities measured at fair value through profit or loss	34,197	-	-	-	9,000,264	9,034,461
Securities sold under repurchase agreements	200,444,391	3,505,834	-	-	-	203,950,225
Payables	35,259,513	11,777,208	17,742,011	29,800,222	58,235,545	152,814,499
Current income tax liabilities	-	-	6,844,803	-	-	6,844,803
Deposits and remittances	2,972,396,977	634,169,215	512,689,071	730,930,477	149,896,645	5,000,082,385
Financial debentures	-	-	3,500,000	-	49,955,200	53,455,200
Other financial liabilities	9,022,769	10,347,178	18,435,464	23,072,782	2,417,992	63,296,185
Commercial papers payable	1,851,676	2,424,600	1,616,400	-	-	5,892,676

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2022					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Deposits from Central Bank and other banks	\$ 84,521,664	10,524,688	1,590,558	946,821	-	97,583,731
Due to Central Bank and other banks	2,610,721	4,296,099	4,420,242	486,461	4,799,461	16,612,984
Non-derivative financial liabilities measured at fair value through profit or loss	-	-	-	-	8,715,400	8,715,400
Securities sold under repurchase agreements	76,404,947	57,487,196	-	-	-	133,892,143
Payables	32,429,779	12,230,137	12,688,992	21,308,833	51,605,647	130,263,388
Current income tax liabilities	-	-	5,401,616	-	-	5,401,616
Deposits and remittances	2,894,133,953	561,132,176	372,209,261	626,387,593	160,752,850	4,614,615,833
Financial debentures	-	-	2,000,000	-	53,433,600	55,433,600
Other financial liabilities	4,519,888	8,384,272	12,565,562	20,437,090	4,658,657	50,565,469
Commercial papers payable	1,066,800	1,155,700	444,500	-	-	2,667,000

Note: For demand and saving deposits included in “Deposits and remittances”, the amount will be disclosed in the earliest period since such deposits can be withdrawn at any time.

f) Maturity analysis of derivatives liabilities

i) Net settled derivatives

Net settled derivatives engaged by the Bank and subsidiaries include but not limited to:

Foreign exchange derivatives: non-deliverable forwards and net settled FX options;

Interest rate derivatives: forward rate agreement, interest rate swaps, and interest rate futures;

Other derivatives: equity options and commodity futures.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For derivatives held by trading purpose, the amount will be disclosed in the earliest period with fair value to reflect the nature of short term trading behavior; for hedging derivatives, the amount will be disclosed based on the expected delivery time bucket with fair value. The maturity analysis of net settled derivatives liabilities is as follows:

		December 31, 2023					
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss							
– Foreign exchange derivatives	\$	3,680,231	-	-	-	-	3,680,231
– Interest rate derivatives		27,097,254	-	-	-	-	27,097,254
– Other derivatives		177,317	-	-	-	-	177,317
<b>Total</b>	<b>\$</b>	<b>30,954,802</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,954,802</b>
		December 31, 2022					
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss							
– Foreign exchange derivatives	\$	3,580,004	-	-	-	-	3,580,004
– Interest rate derivatives		20,528,123	-	-	-	-	20,528,123
– Other derivatives		589,902	-	-	-	-	589,902
Derivative financial liabilities – hedging							
– Foreign exchange derivatives		-	-	2,310	-	-	2,310
<b>Total</b>	<b>\$</b>	<b>24,698,029</b>	<b>-</b>	<b>2,310</b>	<b>-</b>	<b>-</b>	<b>24,700,339</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

ii) Gross settled derivatives

Gross settled derivatives engaged by the Bank and subsidiaries include:

Foreign exchange derivatives: forwards, currency swaps, cross currency swaps, and gross settled currency options. For forwards, currency swaps, and cross currency swaps, the amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet; for gross settled currency options, the amount will be disclosed in the earliest period with fair value, as currency options are for trading purpose and can be disposed anytime. The maturity analysis of gross settled derivatives liabilities is as follows:

	December 31, 2023					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivatives						
– Cash outflow	\$ 1,721,110,721	1,051,112,689	477,907,420	722,896,420	54,648,472	4,027,675,722
– Cash inflow	1,717,720,159	1,048,301,779	477,473,916	723,412,164	55,825,551	4,022,733,569
Derivative financial liabilities – hedging						
– Foreign exchange derivatives						
– Cash outflow	18,953,706	7,255,098	-	-	-	26,208,804
– Cash inflow	19,076,931	7,347,812	-	-	-	26,424,743
Cash outflow subtotal	<u>1,740,064,427</u>	<u>1,058,367,787</u>	<u>477,907,420</u>	<u>722,896,420</u>	<u>54,648,472</u>	<u>4,053,884,526</u>
Cash inflow subtotal	<u>1,736,797,090</u>	<u>1,055,649,591</u>	<u>477,473,916</u>	<u>723,412,164</u>	<u>55,825,551</u>	<u>4,049,158,312</u>
Net cash flow	<u>\$ (3,267,337)</u>	<u>(2,718,196)</u>	<u>(433,504)</u>	<u>515,744</u>	<u>1,177,079</u>	<u>(4,726,214)</u>

	December 31, 2022					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
– Foreign exchange derivatives						
– Cash outflow	\$ 1,594,235,591	849,554,883	614,657,359	624,854,311	70,113,903	3,753,416,047
– Cash inflow	1,593,375,580	849,661,997	614,094,602	625,221,251	69,991,052	3,752,344,482
Derivative financial liabilities – hedging						
– Foreign exchange derivatives						
– Cash outflow	25,444,374	-	-	-	-	25,444,374
– Cash inflow	24,927,820	-	-	-	-	24,927,820
Cash outflow subtotal	<u>1,619,679,965</u>	<u>849,554,883</u>	<u>614,657,359</u>	<u>624,854,311</u>	<u>70,113,903</u>	<u>3,778,860,421</u>
Cash inflow subtotal	<u>1,618,303,400</u>	<u>849,661,997</u>	<u>614,094,602</u>	<u>625,221,251</u>	<u>69,991,052</u>	<u>3,777,272,302</u>
Net cash flow	<u>\$ (1,376,565)</u>	<u>107,114</u>	<u>(562,757)</u>	<u>366,940</u>	<u>(122,851)</u>	<u>(1,588,119)</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

g) Maturity analysis of off-balance-sheet items

Table below shows the maturity analysis of off-balance-sheet items for the Bank and subsidiaries. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised at anytime by clients. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheets.

	<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>
Financial guarantee contracts	\$ 79,257,232	-	-	-	-	79,257,232
Unused amount of irrevocable loan commitments	176,387,466	-	-	-	-	176,387,466
Unused amount of irrevocable letter of credit	30,714,900	-	-	-	-	30,714,900
Unused amount of irrevocable credit card commitments	624,084,189	-	-	-	-	624,084,189
<b>Total</b>	<b>\$ 910,443,787</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>910,443,787</b>

	<b>December 31, 2022</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>
Financial guarantee contracts	\$ 75,894,659	-	-	-	-	75,894,659
Unused amount of irrevocable loan commitments	126,350,168	-	-	-	-	126,350,168
Unused amount of irrevocable letter of credit	23,606,720	-	-	-	-	23,606,720
Unused amount of irrevocable credit card commitments	594,944,904	-	-	-	-	594,944,904
<b>Total</b>	<b>\$ 820,796,451</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>820,796,451</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- h) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks
- i) Maturity analysis of the Bank's assets and liabilities for New Taiwan Dollars

December 31, 2023

Unit: In Millions of New Taiwan Dollars

	Total	Amount remaining to maturity date					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major cash inflow at maturity	\$ 3,788,068	683,348	390,936	256,716	267,257	265,038	1,924,773
Major cash outflow at maturity	4,616,528	231,918	355,016	688,270	702,869	1,026,580	1,611,875
Gap	(828,460)	451,430	35,920	(431,554)	(435,612)	(761,542)	312,898

December 31, 2022

Unit: In Millions of New Taiwan Dollars

	Total	Amount remaining to maturity date					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major cash inflow at maturity	\$ 3,514,506	467,800	373,291	330,966	263,657	306,920	1,771,872
Major cash outflow at maturity	3,965,363	202,455	323,708	572,698	564,759	942,957	1,358,786
Gap	(450,857)	265,345	49,583	(241,732)	(301,102)	(636,037)	413,086

Note: The above tables refer to the Bank's overall position denominated in NTD.

- ii) Maturity analysis of the Bank's assets and liabilities for U.S. Dollars

December 31, 2023

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major cash inflow at maturity	\$ 119,207,649	49,687,486	23,940,438	10,889,516	14,532,176	20,158,033
Major cash outflow at maturity	165,516,217	54,344,004	27,429,204	17,886,944	28,510,979	37,345,086
Gap	(46,308,568)	(4,656,518)	(3,488,766)	(6,997,428)	(13,978,803)	(17,187,053)

December 31, 2022

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major cash inflow at maturity	\$ 100,939,327	39,967,082	19,567,754	11,634,133	11,547,342	18,223,016
Major cash outflow at maturity	133,622,332	41,891,332	24,867,021	17,709,889	25,462,310	23,691,780
Gap	(32,683,005)	(1,924,250)	(5,299,267)	(6,075,756)	(13,914,968)	(5,468,764)

Note: The above tables only includes the total amount in US dollars of the head office, domestic branches and Offshore Banking Unit.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

iii) Maturity analysis of the Bank's overseas branches' assets and liabilities for U.S. Dollars

December 31, 2023

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major cash inflow at maturity	\$ 59,298,814	25,166,280	9,976,505	6,077,873	10,471,347	7,606,809
Major cash outflow at maturity	68,988,477	24,667,562	13,821,799	9,347,358	15,308,780	5,842,978
Gap	(9,689,663)	498,718	(3,845,294)	(3,269,485)	(4,837,433)	1,763,831

December 31, 2022

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Major cash inflow at maturity	\$ 50,972,573	22,083,142	7,110,495	6,233,774	8,139,132	7,406,030
Major cash outflow at maturity	60,034,706	20,269,562	11,516,124	9,236,383	12,638,469	6,374,168
Gap	(9,062,133)	1,813,580	(4,405,629)	(3,002,609)	(4,499,337)	1,031,862

4) Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of London Interbank Offered Rate (LIBOR) with alternative nearly risk-free rate. The Bank intends to convert the risk exposure of financial instruments related to interest rate benchmark of LIBOR. According to the cessation date of LIBOR announced by the Financial Conduct Authority (FCA) in March 2021, the non-USD LIBOR and the 1-week and 2-month USD LIBOR, retired at the end of 2021, and the remaining tenors of USD LIBOR retired at the end of June 2023.

The Bank has formally established a cross functional project team since March 2020. Impacts on businesses and clients resulted from LIBOR transition have been decreased by initiating the project of LIBOR transition for governance structures and executive plans, stipulating internal policies, upgrading related systems as well as operational procedures.

At the end of December, 2023, LIBOR-linked exposure in the Bank and subsidiaries have completed Libor Transition amendments or added appropriate Fallback Provisions.

The financial instruments that should be converted, but not yet converted, of the Bank and subsidiaries on December 31, 2023 are as follows:

Unit: In Thousands of US Dollars/Thousands of THB Dollars

Position	USD LIBOR	THB FIX
Non-derivative financial instruments assets (Par value)	USD 80,811	THB 6,719,304

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank and subsidiaries conduct during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Bank and subsidiaries' obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liabilities, the said transferred assets are not fully derecognized.

<b>December 31, 2023</b>					
<b>Types of financial assets</b>	<b>Carrying amount of transferred financial assets</b>	<b>Carrying amount of associated financial liabilities</b>	<b>Fair value of transferred financial assets</b>	<b>Fair value of associated financial liabilities</b>	<b>Net fair value</b>
Financial assets measured at fair value through profit or loss					
Repurchase agreement	\$ 10,013,922	10,027,065	10,013,922	10,027,065	(13,143)
Financial assets measured at fair value through other comprehensive income					
Repurchase agreement	53,985,529	52,325,508	53,985,529	52,325,508	1,660,021
Investment in debt instruments at amortized cost					
Repurchase agreement	157,287,239	141,597,652	144,353,562	141,597,652	2,755,910
<b>December 31, 2022</b>					
<b>Types of financial assets</b>	<b>Carrying amount of transferred financial assets</b>	<b>Carrying amount of associated financial liabilities</b>	<b>Fair value of transferred financial assets</b>	<b>Fair value of associated financial liabilities</b>	<b>Net fair value</b>
Financial assets measured at fair value through profit or loss					
Repurchase agreement	\$ 19,299,830	19,340,314	19,299,830	19,340,314	(40,484)
Financial assets measured at fair value through other comprehensive income					
Repurchase agreement	27,649,241	27,547,333	27,649,241	27,547,333	101,908
Investment in debt instruments at amortized cost					
Repurchase agreement	98,155,160	87,004,496	123,121,241	87,004,496	36,116,745

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Offsetting financial assets and financial liabilities

The Bank and subsidiaries have an exercisable master netting arrangement or similar agreement in place with counterparties. When both parties reach a consensus regarding net settlement, the aforesaid exercisable master netting arrangement or similar agreement can be net settled by offsetting financial assets and financial liabilities. If not, the transaction can be settled at the total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforementioned offsetting financial assets and financial liabilities.

December 31, 2023						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ <u>56,807,561</u>	<u>-</u>	<u>56,807,561</u>	<u>38,853,636</u>	<u>6,844,360</u>	<u>11,109,565</u>

December 31, 2023						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial liabilities	\$ <u>68,054,038</u>	<u>-</u>	<u>68,054,038</u>	<u>38,858,135</u>	<u>13,300,667</u>	<u>15,895,236</u>

December 31, 2022						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ <u>58,091,466</u>	<u>-</u>	<u>58,091,466</u>	<u>35,898,375</u>	<u>7,816,837</u>	<u>14,376,254</u>

December 31, 2022						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial liabilities	\$ <u>62,825,702</u>	<u>-</u>	<u>62,825,702</u>	<u>36,645,550</u>	<u>10,910,337</u>	<u>15,269,815</u>

Note: Master netting arrangements and non-cash financial collaterals are included.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vi) Capital management

1) Capital management goal and procedure

The goal of the Bank's capital management is to meet the regulatory requirement on capital adequacy and the organization's target of maximizing returns for shareholders by implementing the capital management procedures and improving the efficiency of capital utilization.

Both short-term and long-term capital demands shall be considered in capital planning. The annual capital plan shall be drawn with reference to the business plan, the internal planning referenced indicators of each capital ratio, current and future estimated capital demands, and committed returns for shareholders of the Bank. A backup plan shall also be established to fulfill unplanned capital demands. The Bank also regularly conducts stress tests and scenario simulation analyses to calculate capital ratios, fully taking into account external conditions and other factors, including potential risks, changes in financial markets, and other events impacting risk taking capabilities, to make sure that the Bank can maintain adequate capital in case of detrimental events and huge market changes.

Planning for yearly earnings distribution follows the principles and a ratio mandated by the articles of incorporation and dividend policy, and is put into effect after being approved by the Board of Directors on behalf of the shareholders'. Capital adequacy, potential investment needs, and dividend amount of previous years are taken into account. The needs to maintain proper financial ratios and satisfy fund requirement of the parent company are also preconditions of the distribution.

2) Definition and regulation

The regulator of the Bank is the Financial Supervisory Commission, and the Bank follows the "Regulations Governing the Capital Adequacy and Capital Category of Banks" issued by the Financial Supervisory Commission.

According to the regulations aforementioned, the ratio of regulatory capital to risk-weighted assets (hereinafter referred to as the "capital ratios") shall mean common equity tier 1 ratio, Tier 1 capital ratio, and total capital adequacy ratio. Besides calculating these stand-alone capital ratios of the Bank, it should also calculate capital ratios by consolidating its investments in subsidiaries in financial statements prepared in accordance with IFRS 10, and the stand-alone and consolidated capital ratios should follow Section 5 of Paragraph 1 of Article 2 of the "Regulations Governing the Capital Adequacy and Capital Category of Banks."

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Regulatory capital

The Bank's regulatory capital is divided into net Tier 1 Capital and net Tier 2 Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks":

- a) Net Tier 1 Capital: The aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.
  - Net common equity Tier 1 Capital: Primarily consists of the aggregate amount of Common stock and its additional paid in capital, Capital collected in advance, Capital surplus, Legal reserve, Special reserve, accumulated profit or loss, Non-controlling interests, and Other equity interest items, minus intangible assets, deferred tax assets due to losses from the previous year, the insufficiency of operational reserves and loan loss provisions, the revaluation surplus of real estate, and statutory adjustment items calculated in accordance with "the Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets".
  - Net additional Tier 1 Capital: Consists of the aggregate amount of non-cumulative perpetual preferred stock and its additional paid in capital, non-cumulative perpetual subordinated debts, additional Tier 1 Capital issued by the Bank's subsidiaries and not directly or indirectly held by the Bank, minus statutory adjustment items calculated in accordance with "the Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets".
- b) Net Tier 2 Capital: Consists of the aggregate amount of cumulative perpetual preferred stock and its additional paid in capital, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, non-perpetual preferred stock and its additional paid in capital, the increase in retained earnings when fair value or re-estimated value is adopted as deemed cost for the first-time adoption of IFRSs on premises, 45% of unrealized gains on changes in the fair value of investment properties using fair value method, as well as the 45% of unrealized gains on financial assets measured at fair value through other comprehensive income, operational reserves and loan-loss provisions, and Tier 2 Capital issued by the Bank's subsidiaries and not directly or indirectly held by the Bank, minus statutory adjustment items calculated in accordance with "the Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets".

The Bank issues different capital instruments via versatile venues to maintain a sound capital structure. The Bank does not provide holders of such capital instruments with relevant financing. Subsidiaries of the financial holding company, to which the Bank belongs, do not own such capital instruments.

The regulator examines a Bank's capital category in accordance with capital ratios and net worth to total assets. When the Bank's capital is graded as inadequate capital, significantly inadequate capital or seriously inadequate capital by the regulator, the regulator shall take prompt corrective actions pursuant to Sections 1 to 3, Paragraph 1, Article 44 2 of the Banking Act.

(Continued)

## CTBC BANK CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The aforementioned regulations governing categories issued by the regulator follows the new BASEL capital agreement issued by Bank for International Settlements. A brief description of three pillars of the agreement and the Bank's compliance with them is as below:

#### i) Pillar 1

Pillar 1 covers the capital requirement for credit risk, market risk, and operational risk.

1. Credit risk measures bank's risk of financial loss resulting from borrowers, guarantors or counterparties' failure to repay or meet contractual obligations. The scope of credit risk includes the default risk arises from on and off-balance sheet assets as well as counterparty credit risk. The capital requirement calculation includes standardized approach and internal ratings based (IRB) approach, while the Bank adopts standardized approach for regulatory capital.
2. Market risk is the risk that the Bank's earnings, capital, or its ability to meet business objectives will be adversely affected by changes in the level, volatility, correlation, or liquidity of market risk factors, such as interest rate (including credit spread), foreign exchange, equity and commodity. Market risk capital methods include standardized approach and internal model approach. The Bank adopts standardized approach in the calculation of required capital.
3. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk but excluding strategic and reputational risk. Methods used to measure required operational risks capital charges are Basic Indicator Approach (BIA), Standardized Approach (SA), Alternative Standardized Approach (ASA), and Advanced Measurement Approach (AMA). The Bank adopts Standardized Approach that divides business activities into 8 business lines and multiplies each line's gross income with its Beta Factor to obtain the capital charge.

#### ii) Pillar 2

Pillar 2 ensures that each bank has a sound internal assessment process and is able to forecast its capital adequacy based on the thorough assessment of bank risks, and that, with proper regular monitoring, regulatory capital matches the overall risk characters.

For compliance with regulatory monitoring of capital adequacy, the Bank conducts regular filing of capital adequacy self-assessment and various risks management every year in accordance with regulatory mandate.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

iii) Pillar 3

Pillar 3 involves Market Discipline and requires banks to disclose detailed information on risk, capital, and risk management for the improvement of banking information transparency. To comply with pillar 3 – Market Discipline, the Bank has disclosed “Capital Adequacy and Risk Management Report” on its website for the disclosure of qualitative and quantitative information.

4) Capital adequacy ratios of the Bank and subsidiaries

Analyzed items		Period	December 31, 2023	December 31, 2022 (Note)
Regulatory capital	Net common equity Tier 1 Capital		332,500,898	311,875,189
	Net additional Tier 1 Capital		33,881,379	33,800,069
	Net Tier 2 Capital		52,150,105	50,132,539
	Regulatory capital		418,532,382	395,807,797
Amount of Risk weighted assets	Credit risk	Standardized approach (SA)	2,662,685,397	2,511,125,098
		Internal ratings based (IRB) approach	-	-
		Assets securitization	32,572,102	31,234,963
	Operational risk	Basic indicator approach (BIA)	-	-
		Standardized approach (SA)/Alternative Standardized approaches (ASA)	307,692,851	195,011,840
		Advanced measurement approaches (AMA)	-	-
	Market risk	Standardized approach (SA)	102,996,510	76,853,553
		Internal model approach	-	-
	Total amount of risk weighted assets		3,105,946,860	2,814,225,454
	Capital adequacy ratio			13.48 %
Ratio of common equity to risk weighted assets (%)			10.71 %	11.08 %
Ratio of tier 1 capital to risk weighted assets (%)			11.80 %	12.28 %
Leverage ratio			5.70 %	5.89 %

Note: In capital adequacy ratios of the Bank and subsidiaries, the regulatory capital and risk weighted assets of LH Financial Group Public Company Limited are calculated by regulator of Thailand Banks based on Basel relevant regulation.

(ar) Structured entities that are not included in consolidated financial reports

- (i) The table below presents the types of structured entities that the Bank and subsidiaries do not include in consolidated financial reports but in which they hold an interest.

<u>The types of structured entities</u>	<u>Nature and purpose</u>	<u>Interests held by the Bank and subsidiaries</u>
Asset-backed securities	Securitizing financial or non-financial assets and issuing them to raise funds.	Investing or lending in securities issued by these entities.
Private fund	Raising funds to create investment opportunities in a variety of assets.	Investing in funds issued by these entities.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (ii) The scales of structured entities not included in consolidated financial reports were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Asset-backed securities	\$ 279,076,459,896	273,145,603,632
Private fund	54,184,777	21,325,175

- (iii) The carrying amounts of interests held by the Bank and subsidiaries in these structured entities were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Assets held by the Bank and subsidiaries</b>		
Financial assets measured at fair value through profit or loss	\$ 5,329,865	5,792,764
Financial assets measured at fair value through other comprehensive income	34,994,767	35,046,797
Investment in debt instruments at amortized cost	92,804,111	90,731,947
Investment under equity method	521,312	373,400
Loans – net	7,002,038	6,177,485
Other assets – net	1,534,404	1,326,578
Total assets held by the Bank and subsidiaries	<b>\$ 142,186,497</b>	<b>139,448,971</b>
<b>Liabilities held by the Bank and subsidiaries</b>		
Deposits and remittances	<b>\$ 85,547</b>	<b>115,726</b>

The maximum amount of risk exposure the Bank and subsidiaries endure to a loss incurred from special purpose entities that are not included in consolidated financial reports is the carrying amount of interests held by the Bank and subsidiaries.

- (iv) As of December 31, 2023 and 2022, the Bank and subsidiaries have not provided any financial support to their special purpose entities that are not included in consolidated financial reports.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(7) Related-party transactions:**

- (a) Names of related parties and relationship with the Bank

<u>Name of related party</u>	<u>Relationship with the Bank</u>
CTBC Financial Holding Co., Ltd.	Parent company of the Bank.
Grand Bills Finance Corporation	Investee company under equity method.
Xiamen Jinmeixin Consumer Finance Co., Ltd.	Investee company under equity method.
CTBC Securities Co., Ltd.	Controlled by the same company as the Bank.
CTBC Asia Limited	Controlled by the same company as the Bank.
CTBC Venture Capital Co., Ltd.	Controlled by the same company as the Bank.
CTBC Asset Management Co., Ltd.	Controlled by the same company as the Bank.
CTBC Security Co., Ltd.	Controlled by the same company as the Bank.
Taiwan Lottery Co., Ltd.	Controlled by the same company as the Bank.
CTBC Investments Co., Ltd.	Controlled by the same company as the Bank.
Taiwan Life Insurance Co., Ltd.	Controlled by the same company as the Bank.
CTBC Finance Co., Ltd.	Controlled by the same company as the Bank.
CTBC Insurance Co., Ltd.	Controlled by the same company as the Bank.
CTBC Sports Entertainment Co., Ltd.	Controlled by the same company as the Bank.
CTBC Capital Ltd.	Controlled by the same company as the Bank.
HH-CTBC Capital Management Co., Ltd.	Controlled by the same company as the Bank.
CTBC Financial Leasing Co., Ltd.	Controlled by the same company as the Bank.
CTBC Securities Investment Service Co., Ltd.	Controlled by the same company as the Bank.
Wu Tzu Development Co., Ltd.	Investee company under equity method of the company which is controlled by the same company as the Bank.
HoFa Land Development Co., Ltd.	Investee company under equity method of the company which is controlled by the same company as the Bank.
Taiwan Wind Investment Co., Ltd.	Investee company under equity method of the company which is controlled by the same company as the Bank.
Top Taiwan IX Venture Capital Co., Ltd.	Investee company under equity method of the company which is controlled by the same company as the Bank.
CTBC Investment Trust Funds	Securities investment trust funds managed by the company which is controlled by the same company as the Bank.
HH-CTBC Partnership, L.P.	Private equity fund managed by the company which is controlled by the same company as the Bank.
Chung Yuan Investment Co., Ltd.	The Director of the parent company.
Yi Chuan Investment Co., Ltd.	The Director of the parent company.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Bank</u>
Wei Fu Investment Co., Ltd.	The Director of the parent company.
Chuan Wei Investment Co., Ltd.	The company's Chairman is the second-degree relative of the Chairman of the Bank's parent company.
United Construction Co., Ltd.	The company's Chairman is the second-degree relative of the Chairman of the Bank's parent company.
Deutsche Bank Taipei Branch	The company's General Manager is the second-degree relative of the Chairman of the Bank's subsidiary.
Taipei Kai-Nan High School	The Chairman of the parent company of the Bank is its body corporate representative.
Financial Information Service Co., Ltd. (Note 1)	The Chairman of the Bank is its Director.
Taipei Financial Center Corporation (Note 1)	The Chairman of the Bank's subsidiary is its Director.
Tunghai University (Note 5)	The second-degree relative of the Chairman of the company which is controlled by the same company as the Bank is its body corporate representative.
Nan Ya Plastics Corporation (Note 1)	The Chairman of the company which is controlled by the same company as the Bank is its Director.
Taiwan Relo Club, Ltd. (Note 3)	The Chairman of the company which is controlled by the same company as the Bank is its Chairman.
CTBC Financial Park Management authority (Note 1)	The major executive of the Bank is its body corporate representative.
Hon Hai Precision Industry Co., Ltd. (Note 1)	The Director of the company is the Chairman of the Bank's subsidiary.
Ho-Wei Investment Co., Ltd.	Related party in substance.
Weihong Investment Co., Ltd.	Related party in substance.
Sung Hung Investment Co., Ltd.	Related party in substance.
Sungbo Co., Ltd.	Related party in substance.
Taiwan Institute of Economic Research	Related party in substance.
CTBC Charity Foundation	Related party in substance.
CTBC Culture Foundation	Related party in substance.
CTBC Business School	Related party in substance.
CTBC Anti-drug Educational Foundation	Related party in substance.
Chailease Finance Co., Ltd. (Note 4)	Related party in substance.
Shin Wen Investment Co., Ltd. (Note 4)	Related party in substance.
Chung Kwan Investment Co., Ltd.	Related party in substance.
Kuan Ho Construction and Development Corp.	Related party in substance.
Taiwan Sports Lottery Co., Ltd. (Note 2)	Related party in substance.
Yi Hua Investment Co., Ltd.	Related party in substance.
Yi Kao Investment Co., Ltd.	Related party in substance.
Chinatrust Real Estate Co., Ltd.	Related party in substance.
Harvest Investment Co., Ltd.	Related party in substance.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Bank</u>
Kae Lee Investment Co., Ltd.	Related party in substance.
Ronghua Investment Co., Ltd.	Related party in substance.
Chailease Auto Rental Co., Ltd. (Note 4)	Related party in substance.
Chung Cheng Investments Co., Ltd.	Related party in substance.
Chailease Specialty Finance Co., Ltd. (Note 4)	Related party in substance.
Square Land Development Co., Ltd.	Related party in substance.
Chinese Taipei Baseball Association	Related party in substance.
Chung-Chie Property Management Co., Ltd.	Related party in substance.
Other related parties	Major executives of CTBC Financial Holding Co., Ltd. and subsidiaries, and their close relatives.

Note 1: The party is not related parties in the financial statement since October 2022.

Note 2: The party is not related parties in the financial statement since January 2023.

Note 3: The party is not related parties in the financial statement since April 2023.

Note 4: The party is not related parties in the financial statement since July 2023.

Note 5: The party is not related parties in the financial statement since December 2023.

(b) Significant transactions between related parties and the Bank

(i) Lease

1) As a lessor

For the years ended December 31, 2023 and 2022, the rental revenue that the Bank received from related parties for the rental of buildings, parking spaces, and safe deposit boxes amounted to \$375,746 and \$379,601, respectively, constituting 58.17% and 60.30%, respectively, of total rental income.

As of December 31, 2023 and 2022, deposits for renting safe boxes to related parties amounted to \$102 and \$101, the rents received in advance from related parties amounted to \$1,579 and \$4,970, respectively. The guarantee deposit for the use of space and machinery received from related parties amounted to \$97,585 and \$91,863, respectively.

2) As a lessee

<u>Name of related party</u>	<u>Summary</u>	<u>Lease liabilities</u>	
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan Life Insurance Co., Ltd.	Leased office	\$ 52,071	68,887
CTBC Finance Co., Ltd.	Leased official cars	18,053	5,162
Chailease Auto Rental Co., Ltd.	Leased official cars	-	3,618
		<u>\$ 70,124</u>	<u>77,667</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of related party	Summary	Lease payment amount	
		For the years ended December 31	
		2023	2022
Taiwan Life Insurance Co., Ltd.	Leased office	\$ 20,478	19,528
CTBC Finance Co., Ltd.	Leased official cars	4,961	1,910
Chailease Auto Rental Co., Ltd.	Leased official cars	1,564	3,750
		<b>\$ 27,003</b>	<b>25,188</b>

The lease term and the collection of the rental are conducted with the contracts. Lease payment amount includes payment amount which does not recognize lease liabilities due to the application of IFRS 16 exemptions.

(ii) Donations

Related party	For the years ended December 31	
	2023	2022
CTBC Business School	\$ 155,000	77,449
CTBC Anti-Drug Educational Foundation	18,678	18,240
CTBC Culture Foundation	46,000	40,000
CTBC Charity Foundation	67,000	57,000
CTBC Sports Entertainment Co., Ltd.	408,716	65,000
Total	<b>\$ 695,394</b>	<b>257,689</b>

(iii) Loans

December 31, 2023							
Categories	Number/name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan-employee	8	\$ 3,762	3,155	3,155	-	None	Note
Home loan mortgage	320	2,155,691	1,912,988	1,912,988	-	Real estate	Note
Others	CTBC Financial Leasing Co., Ltd.	1,578,941	1,578,941	1,578,941	-	Receivables	Note
Others	Chung Kwan Investment Co., Ltd.	350,000	350,000	350,000	-	Real estate	Note
Others	Kuan Ho Construction and Development Corp.	245,000	245,000	245,000	-	Real estate	Note
Others	Chailease Finance Co., Ltd.	5,000,000	-	-	-	None	Note
Others	Others	64,675	50,067	50,067	-	Real estate/demand deposits/others/small and medium enterprise credit guarantee fund/marketable securities/foreign currency certificates of deposit	Note

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

December 31, 2022							
Categories	Number/name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan-employee	9	\$ 4,003	978	978	-	None	Note
Home loan mortgage	297	2,169,473	1,869,055	1,869,055	-	Real estate/others	Note
Others	Chailease Finance Co., Ltd.	3,000,000	3,000,000	3,000,000	-	Demand deposits	Note
Others	Chung Kwan Investment Co., Ltd.	350,000	350,000	350,000	-	Real estate	Note
Others	Kuan Ho Construction and Development Corp.	245,000	245,000	245,000	-	Real estate	Note
Others	Hon Hai Precision Industry Co., Ltd.	11,945,200	-	-	-	None	Note
Others	Nan Ya Plastics Corporation	1,859,257	-	-	-	None	Note
Others	Others	488,328	115,231	115,231	-	Real estate/small and medium enterprise credit guarantee fund	Note

Note: The terms of loans between related and non-related parties are identical.

(iv) Deposits

December 31, 2023				
Related party	Maximum balance	Ending balance	Range of interest rates	Interest expenses (from January to December)
Taiwan Life Insurance Co., Ltd.	\$ 43,567,912	25,134,772	0~2.20%	144,575
CTBC Securities Co., Ltd.	7,860,654	2,449,470	0~2.75%	18,576
CTBC Charity Foundation	1,743,375	1,704,259	0~1.57%	13,863
Chuan Wei Investment Co., Ltd.	1,101,002	906,665	0~1.15%	6,541
Taiwan Institute of Economic Research	769,782	756,426	0~1.59%	5,816
CTBC Investments Co., Ltd.	1,069,127	693,530	0~3.45%	4,945
Taiwan Lottery Co., Ltd.	1,750,937	595,209	0~0.54%	5,319
Taiwan Wind Investment Co., Ltd.	1,454,680	580,170	0~1.15%	6,468
Yi Chuan Investment Co., Ltd.	541,547	479,359	0~0.52%	1,881
Kuan Ho Construction and Development Corp.	486,120	479,078	0~0.52%	1,610
Harvest Investment Co., Ltd.	438,613	415,939	0~0.01%	15
Weihong Investment Co., Ltd.	407,307	401,609	0.01%	20
Taipei Kai-Nan High School	433,562	379,221	0~1.55%	960
CTBC Financial Holding Co., Ltd.	20,788,977	366,660	0~1.53%	7,360
United Construction Co., Ltd.	494,718	358,178	0~0.52%	1,058
Ronghua Investment Co., Ltd.	351,613	350,752	0~0.01%	11
HH-CTBC Capital Management Co., Ltd.	348,471	348,471	0.40~0.52%	982
Ho-Wei Investment Co., Ltd.	898,259	332,824	0~0.52%	3,170
Yi Kao Investment Co., Ltd.	336,205	317,880	0.01%	12
CTBC Venture Capital Co., Ltd.	476,067	307,903	0~1.15%	1,193
Chinatrust Real Estate Co., Ltd.	501,382	200,235	0~3.80%	4,152
Square Land Development Co., Ltd.	216,750	181,249	0~1.57%	3,013
HoFa Land Development Co., Ltd.	201,505	180,964	0~0.52%	592
Yi Hua Investment Co., Ltd.	251,484	178,391	0~0.01%	8
Wu Tzu Development Co., Ltd.	1,428,881	173,505	0~1.29%	4,607
Sung Hung Investment Co., Ltd.	159,259	153,699	0~0.52%	727
CTBC Sports Entertainment Co., Ltd.	446,477	140,945	0~1.21%	955
CTBC Capital Ltd.	142,731	137,053	0~0.52%	518
CTBC Business School	231,127	128,736	0~1.57%	753
Kae Lee Investment Co., Ltd.	115,159	108,838	0~0.52%	547
Others	31,983,064	6,678,450		97,957
<b>Total</b>	<b>\$ 120,996,747</b>	<b>45,620,440</b>		<b>338,204</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Related party	December 31, 2022			Interest expenses (from January to December)
	Maximum balance	Ending balance	Range of interest rates	
Taiwan Life Insurance Co., Ltd.	\$ 59,857,813	31,681,671	0~1.70%	43,077
CTBC Securities Co., Ltd.	17,317,412	2,247,477	0~2.75%	7,967
Taiwan Sports Lottery Co., Ltd.	2,189,436	2,099,429	0~1.28%	2,413
Chailase Specialty Finance Co., Ltd.	1,737,080	1,731,384	0~0.40%	1,415
CTBC Charity Foundation	1,576,756	1,560,158	0~1.44%	7,321
Wu Tzu Development Co., Ltd.	2,239,467	1,425,596	0~1.29%	1,993
Chuan Wei Investment Co., Ltd.	2,312,208	942,806	0~0.85%	1,931
CTBC Investments Co., Ltd.	1,095,023	896,105	0~2.75%	1,288
Taiwan Lottery Co., Ltd.	1,607,235	763,617	0~0.42%	1,302
Taiwan Wind Investment Co., Ltd.	1,119,342	621,739	0~0.85%	1,828
Taiwan Institute of Economic Research	641,916	617,963	0~1.47%	2,578
Chung Cheng Investments Co., Ltd.	496,073	493,586	0~0.40%	504
Chinatrust Real Estate Co., Ltd.	437,725	430,600	0~1.88%	2,396
Weihong Investment Co., Ltd.	410,450	407,307	0.01%	16
Yi Chuan Investment Co., Ltd.	343,763	342,410	0~0.40%	352
CTBC Venture Capital Co., Ltd.	1,048,792	283,588	0~0.85%	153
Yi Kao Investment Co., Ltd.	301,684	277,860	0.01%	9
Taipei Kai-Nan High School	616,479	276,754	0~1.43%	1,152
Kuan Ho Construction and Development Corp.	273,803	267,002	0~0.40%	283
CTBC Insurance Co., Ltd.	6,600,044	265,000	0~0.85%	590
HH-CTBC Partnership, L.P.	1,000,000	258,884	0~0.02%	45
CTBC Financial Holding Co., Ltd.	25,851,728	256,999	0~0.85%	1,924
Harvest Investment Co., Ltd.	211,057	209,211	0~0.01%	9
Chung Kwan Investment Co., Ltd.	316,205	207,094	0~0.40%	213
Square Land development Co., Ltd.	208,366	205,171	0~1.44%	907
Top Taiwan IX Venture Capital Co., Ltd.	187,691	186,260	0~0.40%	142
Ho-Wei Investment Co., Ltd.	196,285	183,317	0~0.40%	206
Yi Hua Investment Co., Ltd.	208,214	159,077	0~0.01%	9
Chung Yuan Investment Co., Ltd.	426,522	145,575	0.01~0.40%	320
Sung Hung Investment Co., Ltd.	146,815	145,282	0~0.40%	158
Ronghua Investment Co., Ltd.	363,211	121,957	0~0.01%	12
Kae Lee Investment Co., Ltd.	116,619	115,159	0~0.40%	140
CTBC Business School	191,787	114,943	0~1.45%	196
Wei Fu Investment Co., Ltd.	523,196	111,044	0~0.85%	18
HoFa Land Development Co., Ltd.	2,784,221	104,190	0~0.65%	1,616
Shin Wen Investment Co., Ltd.	415,744	100,292	0~0.01%	10
Others	38,389,540	8,080,862		43,701
Total	<u>\$ 173,759,702</u>	<u>58,337,369</u>		<u>128,194</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Financial derivatives

December 31, 2023						
Related party	Derivative financial instruments	Contract period	Notional principal	Valuation gains and losses	Balance sheet	
					Account	Ending Balance
CTBC Investments Trust Funds	Spot exchange	12.28.2023~01.02.2024	USD 23,900	\$ 1,697	(Note 1)	1,697
CTBC Investments Trust Funds	Foreign exchange swap	12.14.2023~01.22.2024	USD 135,090	(24,947)	(Note 2)	24,947
Deutsche Bank Taipei Branch	Foreign exchange swap	10.23.2023~03.25.2024	USD 100,000	(91,772)	(Note 2)	91,772
Deutsche Bank Taipei Branch	Interest rate swap	11.18.2011~03.31.2034	NTD 27,834,818	11,381	(Note 1)	11,381
Taiwan Life Insurance Co., Ltd.	Foreign exchange swap	10.06.2023~03.13.2024	USD 330,000	(254,315)	(Note 2)	254,315

December 31, 2022						
Related party	Derivative financial instruments	Contract period	Notional principal	Valuation gains and losses	Balance sheet	
					Account	Ending Balance
Deutsche Bank Taipei Branch	Investment rate swap	11.18.2011~12.31.2031	NTD 22,273,282	\$ 136,164	(Note 1)	136,164
Deutsche Bank Taipei Branch	Non-deliverable interest rate swap	03.19.2018~08.03.2023	NTD 1,800,000	882	(Note 1)	882
CTBC Investments Trust Funds	Foreign exchange swap	08.12.2021~08.23.2023	USD 135,590	78,143	(Note 1)	78,143
CTBC Investments Trust Funds	Spot exchange	12.30.2022~01.04.2023	NTD 399,516	312	(Note 1)	312

Note 1: Financial assets measured at fair value through profit or loss.

Note 2: Financial liabilities measured at fair value through profit or loss.

(vi) Securities sold under repurchase agreements

Related party	For the year ended December 31, 2023		
	Ending balance	Interest receivable	Interest revenue
Taiwan Life Insurance Co., Ltd.	\$ <u>6,000,000</u>	<u>3,653</u>	<u>3,653</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vii) Others

1) Income

<u>Related party</u>	<u>Summary</u>	<u>For the years ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Taiwan Life Insurance Co., Ltd.	Commission for joint sales, commission income, income from group catering, allocation of information service fees, and other income	\$ 6,280,050	4,821,352
CTBC Investments Co., Ltd.	Commission income, fund service fees, income from group catering, and allocation of information service fees	122,160	81,558
CTBC Financial Holding Co., Ltd.	Commission income, income from group catering, allocation of information service fees, and other income	44,442	36,879
CTBC Insurance Co., Ltd.	Commission income, commission for joint sales, and allocation of information service fees	40,551	46,764
CTBC Securities Co., Ltd.	Profits from selling products, income from group catering, commission income, and allocation of information service fees	17,870	31,724
CTBC Securities Investment Service Co., Ltd.	Commission income, allocation of information service fees, and income from group catering	7,922	311
Sungbo Co., Ltd.	Commission income	4,780	5,434
Taiwan Lottery Co., Ltd.	Commission income, income from group catering, allocation of information service fees, evacuation machine income and other income	4,426	4,212
CTBC Sports Entertainment Co., Ltd.	Commission income, income from group catering, allocation of information service fees, and other income	3,987	3,327
Grand Bills Finance Corporation	Commission income and the remunerations to directors and supervisors	2,764	4,270
CTBC Charity Foundation	Commission income, income from group catering, allocation of information service fees, and other income	2,703	2,989
Chailease Finance Co., Ltd.	Commission income of financial advisory services	2,000	6,855

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Related party</u>	<u>Summary</u>	<u>For the years ended December 31</u>	
		<u>2023</u>	<u>2022</u>
CTBC Venture Capital Co., Ltd.	Commission income, income from group catering, allocation of information service fees, and other income	1,251	992
CTBC Finance Co., Ltd.	Commission income and allocation of information service fees	916	689
CTBC Asia Limited	Commission income and allocation of information service fees	882	1,348
CTBC Financial Leasing Co., Ltd.	Allocation of information service fees	786	1,182
Chinatrust Real Estate Co., Ltd.	Commission income and business service fees	\$ 686	686
CTBC Asset Management Co., Ltd.	Commission income, allocation of information service fees, and income from group catering	642	543
Taipei Kai-Nan High School	Commission income	597	619
Tunghai University	Commission income	562	517
HH-CTBC Capital Management Co., Ltd.	Commission income	514	388
Deutsche Bank Taipei Branch	Commission income	335	522
Taipei Financial Center Corporation	Commission income and the remunerations to directors and supervisors	-	97,336
Financial Information Service Co., Ltd.	The remunerations to directors and supervisors	-	1,484
Hon Hai Precision Industry Co., Ltd.	Commission income	-	500
Individuals	Commission income	6,937	1,742
		<u>\$ 6,547,763</u>	<u>5,154,223</u>

The balances of accounts receivable for foregoing transactions were as follows:

<u>Related party</u>	<u>Summary</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2023</u>	<u>2022</u>
Taiwan Life Insurance Co., Ltd.	Commission for joint sales, commission income, income from group catering, allocation of information service fees, and other income	\$ 504,269	255,175
CTBC Investments Co., Ltd.	Commission income, fund service fees, income from group catering, and allocation of information service fees	4,103	4,479
CTBC Financial Holding Co., Ltd.	Commission income, income from group catering, allocation of information service fees, and other income	9,937	9,330

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Related party</u>	<u>Summary</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
CTBC Insurance Co., Ltd.	Commission income, commission for joint sales, and allocation of information service fees	\$ 3,756	3,996
CTBC Securities Co., Ltd.	Profits from selling products, income from group catering, commission income, and allocation of information service fees	1,394	3,468
CTBC Securities Investment Service Co., Ltd.	Commission income, allocation of information service fees, and income from group catering	43	127
Taiwan Lottery Co., Ltd.	Commission income, income from group catering, allocation of information service fees, evacuation machine income and other income	916	1,168
CTBC Sports Entertainment Co., Ltd.	Commission income, income from group catering, allocation of information service fees, and other income	897	385
Grand Bills Finance Corporation	Commission income and the remunerations to directors and supervisors	31	28
CTBC Charity Foundation	Commission income, income from group catering, allocation of information service fees, and other income	1,042	1,192
CTBC Venture Capital Co., Ltd.	Commission income, income from group catering, allocation of information service fees, and other income	203	232
CTBC Finance Co., Ltd.	Commission income and allocation of information service fees	1,046	612
CTBC Asia Limited	Commission income and allocation of information service fees	80	105
CTBC Financial Leasing Co., Ltd.	Allocation of information service fees	1,006	1,182
CTBC Asset Management Co., Ltd.	Commission income, allocation of information service fees, and income from group catering	124	111
HH-CTBC Capital Management Co., Ltd.	Commission income	105	209
Deutsche Bank Taipei Branch	Commission income	18	28
		<u>\$ 528,970</u>	<u>281,827</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Expenses

<u>Related party</u>	<u>Summary</u>	<u>For the years ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Taiwan Lottery Co., Ltd.	Lottery service fees	\$ 2,522,486	2,147,728
Taiwan Life Insurance Co., Ltd.	Group insurance fees, bonus for joint sales campaigns and venue rental expenses	237,302	143,408
CTBC Securities Co., Ltd.	Service fees for trust, brokerage handling fees, commission fees, and venue rental fees	154,909	75,924
CTBC Security Co., Ltd.	Security fees	103,201	96,644
CTBC Sports Entertainment Co., Ltd.	Gift expenses, sponsorship for marketing advertisement, and marketing and business promotion fees	90,438	415,469
CTBC Insurance Co., Ltd.	Insurance fees and advertising fees	67,611	55,505
CTBC Financial Holding Co., Ltd.	Business insurance fees and information fees	38,613	42,728
Taiwan Institute of Economic Research	Expense for commissioned research	18,000	13,000
Chinatrust Real Estate Co., Ltd.	Marketing and business promotion fees	8,463	9,161
Chinese Taipei Baseball Association	Naming rights sponsorship	5,000	5,000
Chung-Chie Property Management Co., Ltd.	Repair expenses	870	1,446
Sungbo Co., Ltd.	Gift expenses, expenses from group catering, and management fees	867	1,163
CTBC Business School	Expense for commissioned research	800	510
CTBC Culture Foundation	Gift expenses, marketing and business promotion fees, and marketing advertisement fees	726	-
CTBC Financial Park Management authority	Head office administrative expenses	-	146,093
Taipei Financial Center Corporation	Redeemed rewards points, sponsorship, joint-brand credit card payment, ATM utility bill, and consultant fees	-	71,506
Taiwan Relo Club, Ltd.	Redeemed rewards points, gift expenses, and marketing and business promotion fees	-	4,591
Financial Information Service Co., Ltd.	Information fees	-	600
		<u>\$ 3,249,286</u>	<u>3,230,476</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Foregoing transactions, accounts payable balances were as follows:

<u>Related party</u>	<u>Summary</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan Lottery Co., Ltd.	Lottery service fees	\$ 1,372,462	1,000,478
Taiwan Life Insurance Co., Ltd.	Group insurance fees, bonus for joint sales campaigns, and venue rental fees	31,417	16,274
CTBC Securities Co., Ltd.	Service fees for trust, brokerage handling fees, commission fees, and venue rental fees	18,178	11,564
CTBC Security Co., Ltd.	Security fees	9,594	9,161
CTBC Sports Entertainment Co., Ltd.	Gift expenses, sponsorship for marketing advertisement, and marketing and business promotion fees	6,973	4,113
CTBC Insurance Co., Ltd.	Insurance fees and advertising expenses	9,278	7,268
Taiwan Institute of Economic Research	Expense for commissioned research	4,500	4,000
Chinatrust Real Estate Co., Ltd.	Marketing and business promotion fees	1,481	2,272
Chung-Chie Property Management Co., Ltd.	Repair expenses	48	196
CTBC Culture Foundation	Gift expenses, marketing and business promotion fees, and marketing advertisement fees	649	-
		<u>\$ 1,454,580</u>	<u>1,055,326</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Others

<u>Related party</u>	<u>Summary</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan Life Insurance Co., Ltd.	Guarantee deposits received, refundable deposits, and advances for training expenses	\$ 11,470	4,111
CTBC Asia Limited	Advances for office rentals	5,596	6,889
CTBC Financial Holding Co., Ltd.	Advances for utilities expenses, training expenses, and postage	2,702	2,158
CTBC Securities Co., Ltd.	Advances for utilities expenses, training expenses, and postage	1,164	1,016
		<u>\$ 20,932</u>	<u>14,174</u>

No significant discrepancy in transaction terms found between related party transaction and non-related party transaction.

(c) Key management personnel compensation in total

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Salary and other short-term employee benefits	\$ 1,740,867	1,636,048
Post-employment benefits	23,389	48,176
Share-based payment-Cash-settled	521,386	(146,827)
Share-based payment-Equity-settled	<u>144,706</u>	<u>40,059</u>
Total	<u>\$ 2,430,348</u>	<u>1,577,456</u>

The Bank and subsidiaries recognized the changes in the fair value of cash-settled share-based payments in profit or loss over the vesting period. For the year ended December 31, 2022, the share-based payments expenses were reversed due to the changes in fair value.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged assets:**

Pledged assets of the Bank and subsidiaries were as follows:

Unit: In Thousands of New Taiwan Dollars

Assets	Type of securities	Par value of refundable deposits		Purpose of collateral
		December 31, 2023	December 31, 2022	
Financial assets measured at fair value through other comprehensive income	Bond	1,718,506	4,198,853	Credit line from bank and other legal guarantee deposits
	Government bond	4,997,937	3,384,694	Other legal guarantee deposits, overdrafts secured, margin of derivatives, and credit line from bank
Investment in debt instruments at amortized cost	NCD of Central Bank	19,850,000	29,850,000	Daytime overdrafts of Central Bank, deposits for bills dealer, deposits for calling loans in foreign currency, call loan liquidation account in U.S. dollars, and call loan liquidation account in JPY
	NCD	391,000	391,000	Guarantee fulfillment of superfluous
	Government bond	11,310,417	1,067,460	Trust funds reserves, bond settlement reserves, margin of derivatives, deposits for litigation, other guarantee deposits, and other legal reserves
	Bond	8,515,976	215,075	Margin of derivatives and credit line from bank
Receivables	Matured securities classified under other receivables	-	100	Other guarantee deposits
Loans	Loans	47,481,721	33,405,320	Credit line from bank
Other financial assets	Time deposit	663,183	671,853	Guarantee deposits for futures dealer, CPC Corporation, Taiwan guarantee fulfillment, public welfare walkway guarantee fulfillment, joint-brand credit card guarantee fulfillment, and CPC Corporation, Taiwan stock transfer agent guarantee fulfillment

As of December 31, 2023 and 2022, the deposits for public welfare lottery issuance of the Bank's irrevocable standby letter of credit were both \$2,100,000.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(9) Commitments and contingencies:**

(a) Major commitments and contingencies

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Contingent liabilities from guarantee and letter of credit business	\$ 109,972,132	99,501,379
Promissory note to Central Bank for Bank's clearance	248,968	248,968
Client notes in custody	89,134,804	89,493,891
Marketable securities and debts in custody	2,881,567,323	2,922,777,657
Designated purpose trust accounts	2,096,295,371	1,766,924,263
Other items in custody	<u>24,167,534</u>	<u>24,735,344</u>
Total	<b><u>\$ 5,201,386,132</u></b>	<b><u>4,903,681,502</u></b>

As of December 31, 2023 and 2022, the credit amount of the cancellable loan commitments of the Bank and subsidiaries were \$2,272,327,074 and \$2,014,116,281, respectively.

The Bank signed the service contract of information resources with International Business Machines, authorizing a contract term commencing from January 1, 2022, and ending on December 31, 2027, in the amount of \$3,224 million, which comprises host computer lease fee, authorization fee, and annual software maintenance fee.

The Bank was designated by the Ministry of Finance (the "MOF") as the issuing institution for the fourth term of public welfare lottery. The designated periods of the term are from January 1, 2014 to December 31, 2023. The Bank was authorized to arrange and issue traditional lottery, scratch and win lottery, and computerized lottery tickets. For the fourth term of public welfare lottery, the Bank receives a commission for issuing lottery tickets, representing 4.35% of the total lottery sales amount. The commission will be settled monthly. And the Bank's profit will be what remains after a fixed payment of \$2,700 million to the MOF per year. Furthermore, in order to ensure that the lottery prize payout rate is not greater than 60% of the lottery issuing amount, the Bank created a transitional monitoring account for the provision of the lottery prize and adopted appropriate risk control strategies.

The Bank was designated by the Ministry of Finance (the "MOF") as the issuing institution for the fifth term of public welfare lottery. The designated periods of the term are from January 1, 2024 to December 31, 2033. The Bank was authorized to arrange and issue traditional lottery, scratch-and-win lottery, and computerized lottery tickets. For the fifth term of public welfare lottery, the Bank receives a commission for issuing lottery tickets, representing 4.35% of the total lottery sales amount. The commission will be settled monthly. And the Bank's profit will be what remains after a fixed payment of \$2,700 million to the MOF per year. In addition, the bank shall plan for dealer care funds, which shall not be less than 607 million in 10 years, and shall not be less than 150 million in 10 years for the establishment of public welfare lottery image and improvement of lottery order. Furthermore, in order to ensure that the lottery prize payout rate is not greater than 60% of the lottery issuing amount, the Bank created a transitional monitoring account for the provision of the lottery prize and adopted appropriate risk control strategies.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On May 31, 2013, the Bank signed a contract with LotRich Information Co. for lottery software, hardware purchase and establishment and maintenances services amounting to \$2,322,756 within which \$1,633,851 was for maintenance service. The maintenance service started from May 31, 2013 to the redemption date of the last lottery ticket issued in December 2023. The service will be finished as all the settlement, consignment and aftermath of the work have been done.

On May 31, 2023, the Bank signed a contract with LotRich Information Co. for lottery software, hardware purchase and establishment and maintenances services amounting to \$2,249,257 within which \$1,556,500 was for maintenance service. The maintenance service started from May 31, 2023 to the redemption date of the last lottery ticket issued in December 2033. The service will be finished as all the settlement, consignment and aftermath of the work have been done.

The Bank entrusted Taiwan Lottery Co., Ltd. to operate the public welfare lottery's ticket issuing, sales, promotion, drawing, payment of prize, and management, with a contract period from November 11, 2013, and ending on June 30, 2024. The Bank will disburse 4.35% of the total lottery sales amount as commission to Taiwan Lottery Co., Ltd. The Bank agreed that Taiwan Lottery Co., Ltd. can receive a reward, amounting to the commission revenue after the deduction of value-added tax (VAT), rebates and direct costs incurred for the lottery business, and the addition of marginal benefits, if the balance is positive. Otherwise, Taiwan Lottery Co., Ltd. should pay for the discrepancy, if the balance is negative. On May 20, 2015, the reward calculation was revised by deleting the addition of marginal benefits, and was retroactively applied from January 1, 2015.

The Bank entrusted Taiwan Lottery Co., Ltd. to operate the public welfare lottery's ticket issuing, sales, promotion, drawing, payment of prize, and management, with a contract period from February 8, 2023, and ending on June 30, 2034. The Bank will disburse 4.35% of the total lottery sales amount as commission to Taiwan Lottery Co., Ltd. The Bank agreed that Taiwan Lottery Co., Ltd. can receive a reward, amounting to the commission revenue after the deduction of value-added tax (VAT), rebates and direct costs incurred for the lottery business, and the addition of marginal benefits, if the balance is positive. Otherwise, Taiwan Lottery Co., Ltd. should pay for the discrepancy, if the balance is negative.

On November 6, 2015, the Bank signed with Zile Development Co., Ltd. (BVI) and Shuohe Development Co., Ltd. a contract of joint construction for a building on the land, zone 18 at Xinyi section 4, Xinyi District, Taipei City. The Bank will retain 5% of the rights of the land for joint construction, get 5% of the whole construction area of the new building and the corresponding land, and burden 5% of the costs of construction based on purchase contract and joint construction contract. The Bank expects to invest \$530 million of the total costs of the construction. As of December 31, 2023, the Bank has paid \$378,011.

As of December 31, 2023, the unpaid amounts of the committed investment facility of signed private fund contract of the Bank and subsidiaries were JPY 3,570,566 thousand.

The Bank signed the service contract of core banking information system modernization and system integration with International Business Machines, authorizing a contract term commencing from June 23, 2022, and ending when International Business Machines completes all project services in accordance with the contract, in the amount of \$4,176 million, originally. Due to the subsequent new demand for customization and middle-stage construction, an additional \$107 million was added, and the approved contract amount was \$4,283 million. The amount includes project management services, core banking system construction and integration services, payment system construction and integration services, and outsourcing services for the old core system. Additionally, in order to obtain the software authorization required for the aforementioned project, the Bank signed a core

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

banking system software authorization contract with Tata Consultancy Services Limited, in the amount of \$330 million, and a payment system software authorization contract with Worldline (Taiwan) Ltd., in the amount of \$155 million, during the fiscal year of 2022. The two software authorization contracts have been perpetual licensed since June 23, 2022. The above fees are authorization fees.

- (b) The below information is shown based on the disclosure requirements of Enforcement Rules of the Trust Enterprise Act, Article 17.

**Balance Sheet of Trust Accounts**

<u>Trust Assets</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Trust Liabilities</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash in deposits	\$ 55,426,822	57,932,415	Payables	5,529,848	691,783
Receivables	7,969,443	369,915	Payable securities in custody	1,244,752,486	1,061,390,959
Bonds	122,039,391	65,722,739	Other liabilities	215,269	29,944
Stocks	202,687,377	178,670,602	Trust capital	719,109,966	612,494,137
Mutual funds	368,491,690	317,999,202	Miscellaneous reserves and accumulated earnings	125,591,064	91,282,550
Structured products	45,099,692	34,232,319			
Other investments	281,675	1,931,670			
Real estates—net	48,331,775	47,568,286			
Securities in custody	1,244,752,486	1,061,390,959			
Other assets	118,282	71,266			
Total trust assets	<u>\$2,095,198,633</u>	<u>1,765,889,373</u>	Total trust liabilities	<u>2,095,198,633</u>	<u>1,765,889,373</u>

Note: As of December 31, 2023 and 2022, the Bank's Offshore Banking Unit invested in trust accounts amounting to \$7,838,007 and \$7,591,939, respectively.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**Properties Catalog of Trust Accounts**

<u>Investments</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Cash in deposits	\$ 55,426,822	57,932,415
Receivables	7,969,443	369,915
Bonds	122,039,391	65,722,739
Stocks	202,687,377	178,670,602
Mutual funds	368,491,690	317,999,202
Structured products	45,099,692	34,232,319
Other investments	281,675	1,931,670
Real estates – net		
Lands	48,118,589	47,511,659
Buildings	<u>213,186</u>	<u>56,627</u>
Subtotal	<u>48,331,775</u>	<u>47,568,286</u>
Securities in custody	1,244,752,486	1,061,390,959
Other assets		
Superficies	117,871	70,878
Prepaid other payments	<u>411</u>	<u>388</u>
Subtotal	<u>118,282</u>	<u>71,266</u>
Total	<u><u>\$ 2,095,198,633</u></u>	<u><u>1,765,889,373</u></u>

**Income Statement of Trust Accounts**

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Trust revenues	\$ 10,757,790	10,693,409
Trust expenses	<u>(1,437,493)</u>	<u>(3,351,345)</u>
Earnings before tax	9,320,297	7,342,064
Less: Income tax expenses	<u>35,548</u>	<u>19,906</u>
Net profits	<u><u>\$ 9,284,749</u></u>	<u><u>7,322,158</u></u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Other significant legal matters

(i) Structured Notes

From September to December in 2005, the Bank's Hong Kong branch ("HK Branch"), purchased structured notes ("Overseas Structured Notes") in a total par value of US\$390 million from Barclays Bank PLC with the approval of the Bank's Board of Directors. When CTBC Financial Holding Co., Ltd ("CTBC Holding") intended to invest in Mega Financial Holding Company in 2006, the Overseas Structured Notes must be sold in order that the Bank would not violate the 5% shareholding ceiling in another single company set on a commercial bank in the Banking Act of the Republic of China. The HK Branch thus sold the Overseas Structured Notes at the market price to Red Fire, a special purpose vehicle acquired by the then president of the Bank's corporate banking department (i.e., Mr. xxx Chen). In the sale of the Overseas Structured Notes, the Bank earned a profit of US\$8.448 million. Through the redemption of the Overseas Structured Notes from Barclays Bank PLC, Red Fire had a profit of US\$30.47 million, among which an amount about US\$9.50 million was, for certain unknown reasons, remitted into an account controlled by Mr. Chen, and the balance about US\$20.90 million had been remitted to CTBC Holding's overseas subsidiary, CT Opportunity Investment Company. Pursuant to the request of Financial Supervisory Committee ("FSC"), CTBC Holding's directors advanced US\$30.47 million to the Bank in September 2006 so as to allow a smooth development of business operations. Given that the amount so advanced is far more than the amount about US\$9.50 million (which was not remitted to CTBC Holding's overseas subsidiary), the Bank had thus suffered no losses.

Per a letter dated April 28, 2011 from two directors of CTBC Holding (i.e., Chung Cheng Investment and Kuan Ho Construction & Development), they realized that the Bank suffered no losses in its sale of Overseas Structured Notes, based on the Analysis Report on the Sale of Structured Notes to Red Fire by the Bank's Hong Kong Branch ("Analysis Report") attached to CTBC Holding's letter dated March 30, 2011 (with a reference number of Chung Hsin Chin 1002243570005), and they further indicated that as stated in the Analysis Report, without the ground that the Bank suffered losses pursuant to which an agreement dated February 9, 2009 was signed between CTBC Holding and these two directors, the Bank was thus urged to negotiate with them for a reasonable solution. The Bank sent a letter dated August 16, 2011 to Chung Cheng Investment and Kuan Ho Construction & Development asking them to waive their right of claim arising from the advancement of US\$30.47 million made in September of 2006. These two directors responded and agreed to waive on August 18, 2011, but they requested that the Bank should apply the US\$20.90 million proceeds to loans for emergency assistances and charities, and the Bank should transfer US\$9.57 million to CTBC Holding so as to make up the losses recognized by CTBC Holding which arose from the investment made by CTBC Holding's overseas subsidiary, CT Opportunity Investment Company. In this regard, the Bank and these two directors would have to further negotiate, as the Bank has yet made the aforesaid applications about the US\$20.90 million, but these two directors still insisted so. Furthermore, Red Fire was deemed as CTBC Holding's special purpose vehicle as Red Fire's profits would ultimately belong to CTBC Holding based on the investigation conducted by CTBC Holding and the opinion of the legal counsel appointed by CTBC Holding. As manifested in the fund flow, none of the ex-chairman of the Bank, Mr. Koo and the other three employees involved in the litigation had acquired any gains personally.

(Continued)

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

### **Notes to the Consolidated Financial Statements**

After this case was appealed for the third instance, the Supreme Court, in August of 2014, revoked the judgment made by the High Court and a re-trial by the High Court was ordered (“first retrial”). In the judgment made by the first retrial on September 12, 2018, a defendant was judged not guilty and the other three were guilty. All of the defendants judged guilty and the Taiwan High Prosecutors Office had appealed against the judgment. On November 14, 2019, the Supreme Court revoked the guilty judgment made by the first retrial on the defendants (i.e., Koo, Chang and Lin) and a second retrial by the High Court was ordered (“second retrial”), and the non-guilty judgment on the defendants rendered by the first retrial has affirmed. In the judgment made by the second retrial on April 28, 2021, the defendants were judged not guilty (i.e., Koo, Chang and Lin). Prosecutors have filed an appeal against the judgment made by the second retrial. The Supreme Court, on May 12, 2022, revoked the judgment made by the High Court (second retrial) and a third re-trial by the High Court was ordered. (“third retrial”) In the judgment made by the third retrial on November 30, 2023, the defendants were judged not guilty (i.e., Koo, Chang and Lin). Prosecutors have filed an appeal. Given this, this case is not yet completely final and conclusive. According to the opinion of the legal counsel retained by CTBC Holding, “The profits of US\$20.90 million from the redemption of the structured notes by Red Fire have been remitted to CT Opportunity Investment Company, an overseas subsidiary of CTBC Holding. In addition, two directors of CTBC Holding have advanced US\$30,474,717 to CTBC Bank. Given that the total of the aforesaid two amounts is far more than the profits realized by Red Fire from the redemption of the structured notes, CTBC Holding has thus suffered no losses. Furthermore, as far as the legal liability is concerned, since this case is a criminal one, even if certain defendants were judged guilty, such judgment would not apply to CTBC Holding as a corporate entity. Besides, the guilty judgment has yet been final. Hence, the judgment has no material adverse impact upon the financial conditions or business operations of CTBC Holding, and would not affect the fact that CTBC Holding suffers no losses or damages.” It is thus assessed that this case has no material impact upon the operation and shareholders’ interests of the Bank.

The Taiwan High Prosecutors Office filed a petition to the High Court on July 6, 2016 against CTBC Holding trying to recover NT\$261,696,000 illegal income arising from the stock price manipulation conducted by CTBC Holding. The High Court for the 1st retrial notified CTBC Holding to attend the court hearings as a third interested party. CTBC Holding is of the opinion that this case has no such act of stock price manipulation and there is no illegal income. A legal counsel has been retained to claim so in the High Court for the 1st retrial. In its judgment made by the High Court for the 1st retrial on September 12, 2018, CTBC Holding’s property should neither be confiscated nor pursued on the ground (among others) that this case has no such act of stock price manipulation and there is thus no illegal income. Regarding the judgment of no confiscation of CTBC Holding’s property made by the High Court for the 1st retrial on September 12, 2018, the Supreme Court revoked it and ordered a second retrial on the ground that even the prosecutor did not appeal to the Supreme Court against the “no confiscation” judgment, the appeal nonetheless applies to this issue. In order to avoid a conflict of judgments respectively made by the 1st retrial court and the 2nd retrial court as far as the “confiscation” issue is concerned, the Supreme Court thus revoked the “no confiscation” judgment and ordered a 2nd retrial. In the judgment made by second retrial on April 28, 2021, CTBC Holding’s property should neither be confiscated nor levied. Prosecutors have filed an appeal against the judgment made by the second retrial. The Supreme Court, on May 12, 2022, revoked the judgment made by the High Court (second retrial) and a third re-trial by the High Court was ordered. In the judgement made by third retrial on November 30, 2023, CTBC Holding's property should neither be confiscated nor levied. Prosecutors have filed an appeal. Hence, the “no confiscation” judgment is not yet final.

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**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) NPLs and Transaction of Chengcing Lake Building

As to the indictment brought by the prosecutor of the Taipei District Prosecutors Office on August 26, 2019 about the transaction of real property and non-performing loans between the Bank and its related parties (i.e., Tectonics Laboratories Co., Ltd. and other companies) in 2005 and 2006, the legal counsel appointed by CTBC Holding opined that “Keshin Company, Lilin Company and Tectonics Laboratories Co., Ltd. were all special purpose vehicles indirectly owned by CTBC Asset Management Co., Ltd., therefore the profits arising from the transactions between the aforesaid three companies and CTBC Bank or CTBC First Asset Management Co., Ltd., a subsidiary of CTBC Asset Management Co., Ltd. should ultimately belong to CTBC Holding. Because the non-performing loans of Fengshan Credit Union were sold by CTBC Bank within the appraise value range, there thus were no losses or damages. Given that the other three transactions of non-performing loans had been canceled and the payments thereof had been returned to CTBC Bank, no losses or damages would have been made to CTBC Holding or CTBC Bank. According to the data provided by CTBC Holding, the profits derived from the sale of Chenghu Building had been remitted to CT Opportunity Investment, a subsidiary of CTBC Asset Management Co., Ltd. and had ultimately been returned to CTBC Holding. Given this, the transaction of Chenghu Building had caused no losses or damages to CTBC Holding and CTBC Bank.” Based upon the aforesaid legal opinion, it is thus assessed that this case has no material impact on the operations and shareholders’ interests of the Bank.

(iii) Neihu Land and Building

Regarding the transaction in which the Bank purchased three lots of land in Neihu, Taipei and the buildings thereon (consisting of administration building and computer facilities), the Taipei District Prosecutors Office brought an indictment against Mr.Chang et al. on January 12, 2017 and an additional indictment against another person involved on January 4, 2018 alleging that those people involved gaining inappropriate profits from such transaction. All defendants indicted on January 12, 2017 were judged guilty. The prosecutor and all the defendants have appealed. On December 6, 2022, the Taiwan High Court reversed the original verdict and found some of the defendants not guilty. The case is not yet final. As to the additional indictment made on January 4, 2018, the person involved was judged not guilty by the Taipei District Court on June 4, 2019 and the prosecutor has filed an appeal against such judgment. The Taiwan High Court overruled the appeal on December 6, 2022 and affirmed the verdict of acquittal. In respect of the guilty judgment, the legal counsel retained by CTBC Holding opined in writing: “CTBC Bank made the aforesaid purchase of the administration building and computer facilities with the approval of its Board of Directors and it had in advance hired professional institutions to give an appraisal price for reference. Even if the court doubted that the appraisal institutions failed to appraise the real property objectively, it did not object the appraisal conclusion. Given that (1) the purchase prices were less than the appraisal prices and (2) the purchase prices did not exceed the ceilings set by the Board of Directors of CTBC Bank, it could be proven that the purchase prices were comparable with the then reasonable prices and the employees-in-charge had followed the resolution of the Board of Directors without breaking the law. It may therefore be concluded that CTBC Bank suffered no losses or damages from the said transaction.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Furthermore, as far as the legal liability is concerned, since this case is a criminal one, even if defendants were judged guilty, such judgment would not apply to CTBC Bank as a corporate entity. In addition, this has yet been final. Hence, the guilty judgment has no material adverse impact upon the present financial conditions or business operations of CTBC Bank or CTBC Holding.” Regarding the issue raised in the guilty judgment that Yongyue Development Co., Ltd. is a related party to the Bank and the transaction in question should be disclosed in the financial statement of the Bank and CTBC Holding, the Board of Directors of CTBC Holding requested the department-in-charge together with a legal counsel to analyze and report. The analysis report manifests: “In our opinion, Mr. Chang in substance is not a person-in-charge and he has no controlling power over CTBC Bank’s policies or operations. The process and price of the purchase transactions in question had been made in accordance with the law. Besides, Mr. Chang did neither attend the board meeting in which the transaction in question was reviewed nor participate in the formation of decision about purchasing the real property in question.” The legal counsel further opined: “According to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, Article 45 of the Financial Holding Company Act, CTBC Bank’s Regulations Governing Transactions (other than credit extensions) by Quasi-Related Parties of CTBC Bank as amended on July 31, 2013, Regulations Governing the Preparation of Financial Statements by Issuers of Securities, Regulations Governing the Preparation of Financial Statements by Banks, and IAS 24, Mr. Chang is not, in form or in substance, a related party or quasi-related party of CTBC Bank.”

“Ms. Woo, a shareholder of Yongyue Development Co., Ltd (also the ultimate beneficiary) and the spouse of Mr. Chang’s younger brother, has taken no position of decision making power as stipulated in the aforesaid regulations and has no such identity as stated in Para. 9 of IAS (Part A). Thus, Ms. Woo is not a related party or quasi-related party of CTBC Bank.” As stated in the aforesaid analysis report and legal opinion, Mr. Chang is not a person-in-charge in substance of the Bank and is neither a related party nor a quasi-related party of the Bank in form or in substance. Even if Mr. Chang is deemed as a person-in-charge in substance of the Bank, Ms. Woo, as a second-degree relative (in marriage) of Mr. Chang, should not be deemed as a related party or a quasi-related party of the Bank, in accordance with Para. 9 of IAS (Part A).

The legal counsel concluded “Regardless the guilty judgment has yet been final, the evidences as referred to in the judgment are not strong enough to support the point that Mr. Chang managed Yongyue in substance. Besides, the profits earned by Yongyue are irrelevant to Mr. Chang. As such, the transaction between CTBC Bank and Yongyue is not a related-party transaction as far as CTBC Bank or CTBC Holding is concerned and thus, there is no need to disclose such deal in the financial statement.”

“From the evidences as stated in the guilty judgment, (1) it cannot conclude that Mr. Chang is the person managing Yongyue in substance, as mentioned above, and (2) neither Mr. Chang nor Ms. Woo is a related party or quasi-related party of CTBC Bank. We may say that Yongyue is not a related party or quasi-related party of CTBC Bank, the transaction in question between Yongyue and CTBC Bank is not a related-party transaction and accordingly, there should be no need for CTBC Holding to disclose such transaction in its quarterly or annual financial statement as a related-party transaction. It may conclude that there is no such illegal misstatement in the financial statement.” Based upon the aforesaid legal opinion, given that (1) the purchase prices were comparable with the then reasonable prices and the employees-in-charge had followed the resolution of the Board of Directors without breaking the law. It may therefore be concluded that the Bank suffered no losses or damages from the

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

said transaction. In addition, neither Mr. Chang nor Yongyue is a related party or quasi-related party of the Bank. There should be no need for CTBC Holding to disclose such transaction in its quarterly or annual financial statement as a related-party transaction. It may conclude that there is no such illegal misstatement in the financial statement. It is thus assessed that this case has no material impact on the operations and shareholders' interests of the Bank.

(iv) Tainan Real property

As stated in a press release on September 12, 2019, the Taipei District Prosecutors Office made an indictment relating to a sale by the Bank of a real property located in Tainan in 2012. The legal counsel retained by CTBC Holding opined that since (1) the Bank had hired a professional appraisal company to appraise before the transaction, (2) the sale price was higher than (a)the appraisal price and (b)the book value shown in June 2012, (3) the transaction in question was duly made in accordance with the Bank's approval process, the transaction in question was made in due process following the Bank's internal rules and relevant laws and regulations and the Bank had suffered no losses or damages. It is thus assessed that this case has no material impact on the operations and shareholders' interests of the Bank.

(v) Ex-Xinyi Headquarter Building

Regarding the transaction in which the Bank sold 95% of its holding in the land at Songshou building (i.e., Ex-Xinyi headquarter building) in Taipei on November 6, 2015, the legal counsel retained by CTBC Holding opined that the Bank sold the land by way of public tender, Cushman & Walkfield was appointed to carry out the public tender, and Baker & McKenzie was also retained to monitor the whole process. The Bank had hired two professional appraisal companies to conduct appraisals in advance and the floor price for the public tender was set at the average of two appraisal prices. The transaction in question had been approved by the Bank's audit committee and Board of Directors. The sale price was higher than the floor price set for the public tender. A public announcement about its board approval and the sale had been made by the Bank. The transaction in question had been made duly in accordance with relevant laws and regulations and the Bank's internal rules, and the Bank suffered no losses or damages. The non-prosecution rulings of the case were final on November 23, 2023.

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Other:**

(a) Profitability

Unit: %

Items		December 31, 2023	December 31, 2022
Return on assets ratio (annual)	Before income tax	0.92	0.91
	After income tax	0.74	0.74
Return on equity ratio (annual)	Before income tax	14.77	14.05
	After income tax	11.89	11.35
Net income ratio		31.05	32.40

Note 1: Return on assets ratio = Net income before/after income tax ÷ average total assets.

Note 2: Return on equity ratio (excluding non-controlling interests) = Net income before/after income tax ÷ average total stockholders' equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

Note 4: Net income before/after tax represented accumulated income of current year.

- (b) The income and expenses arising from the joint marketing operation and information interoperability amongst the Financial Holding Company's subsidiaries were allocated as follows:

The Bank and Taiwan Life Insurance Co., Ltd. ("Taiwan Life") have gained from the joint business promotion. The bonus for co-marketing with Taiwan Life is shared based on annual commission rate agreed between the Bank and Taiwan Life for each insurance product.

The aforesaid allocations of revenue and expenses are disclosed in Note 7.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

- (i) Loans to other businesses or individuals: Not applicable to bank subsidiaries; others: None.
- (ii) Endorsements and guarantees for others: Not applicable to bank subsidiaries; others: None.
- (iii) Marketable securities held as of December 31, 2023 (excluding invested subsidiaries, associates and joint ventures): Not applicable to banking subsidiaries; others: None.
- (iv) Cumulative purchases or sales of the same securities/investee's capital stock up to \$300,000 or 10% of paid-in capital: Not applicable to banking subsidiaries; others: None.
- (v) Acquisition of real estate up to \$300,000 or 10% of paid in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Land and Houses Bank Public Company Limited	Land and Building	03/17/2023	530,740	The total amount of the contract price has been paid.	TOYOTA T B N COMPANY LIMITED	Non-related party	Not applicable	Not applicable	Not applicable	-	Note 1	Note 2	Note 3
Land and Houses Bank Public Company Limited	Land and Building	03/17/2023	639,266	The total amount of the contract price has been paid.	T B N PROPERTY COMPANY LIMITED	Non-related party	Not applicable	Not applicable	Not applicable	-	Note 1	Note 2	Note 3
Land and Houses Bank Public Company Limited	Land and Building	01/16/2023	324,688	The total amount of the contract price has been paid.	ASOKE PARK COMPANY LIMITED	Non-related party	Not applicable	Not applicable	Not applicable	-	Note 1	Note 2	Note 3
Land and Houses Bank Public Company Limited	Land and Building	02/06/2023	597,133	The total amount of the contract price has been paid.	NORA GROUP MANAGEMENT COMPANY LIMITED	Non-related party	Not applicable	Not applicable	Not applicable	-	Note 1	Note 2	Note 3
Land and Houses Bank Public Company Limited	Land and Building	02/06/2023	477,865	The total amount of the contract price has been paid.	FHA SMUI COMPANY LIMITED	Non-related party	Not applicable	Not applicable	Not applicable	-	Note 1	Note 2	Note 3
Land and Houses Bank Public Company Limited	Land and Building	02/13/2023	412,666	The total amount of the contract price has been paid.	KILEN PRINTING COMPANY LIMITED	Non-related party	Not applicable	Not applicable	Not applicable	-	Note 1	Note 2	Note 3
Land and Houses Bank Public Company Limited	Land and Building	02/06/2023	377,060	The total amount of the contract price has been paid.	AQUA MARINE RESORT COMPANY LIMITED	Non-related party	Not applicable	Not applicable	Not applicable	-	Note 1	Note 2	Note 3
Land and Houses Bank Public Company Limited	Land and Building	02/23/2023	406,223	The total amount of the contract price has been paid.	Natural person	Non-related party	Not applicable	Not applicable	Not applicable	-	Note 1	Note 2	Note 3

Note 1: Appraisal report of real estate appraisers.

Note 2: To Cooperate with Build-Operate-Transfer's relief program, customers transfer the real estate to partially deduct from their loans.

Note 3: If the Bank and its subsidiaries dispose of the assets within five years, the debtor has the priority to purchase the assets.

- (vi) Disposal of real estate up to \$300,000 or 10% of paid in capital: None.
- (vii) Discount on commission fees for transaction with related parties up to \$5,000: None.

(Continued)

## CTBC BANK CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(viii) Receivables from related parties up to \$300,000 or 10% of paid in capital:

Unit: In Thousands of New Taiwan Dollars

Name of company	Counterparty	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	
					Amount	Action taken			
CTBC Bank Co., Ltd.	Taiwan Life Insurance Co., Ltd.	Controlled by the same company as the Bank.	504,269	-	%	-	-	Has fully recovered	-

(ix) Financial derivative transactions: Not applicable to bank subsidiaries; others: None.

(x) Information on NPL disposal transaction:

1) Summary table of NPL disposal:

Unit: In Thousands of New Taiwan Dollars

Trade date	Counterparty	Debt component	Book value	Sale price	Gain (loss) on disposal	Additional term	Relationship
March 15, 2023	Japan Collection Service Co., Ltd.	Unsecured loan	1,633	1,633	-	None	Non-related party
May 26, 2023	Juutaku Loan Servicer Co., Ltd.	Secured loan	4,603	4,603	-	None	Non-related party
May 26, 2023	Aozora servicing., Ltd.	Secured loan	3,078	3,078	-	None	Non-related party
May 26, 2023	Abilio Servicer Co., Ltd.	Secured loan	3,709	3,709	-	None	Non-related party
June 29, 2023	Kiraboshi servicer Co., Ltd.	Unsecured loan	28,498	28,498	-	None	Non-related party
December 21, 2023	I.R Servicing., Ltd.	Unsecured loan	28,603	28,603	-	None	Non-related party

2) Disposal of a single batch of NPL up to \$1,000,000: None.

(xi) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: None.

(xii) Business relationship and material transaction between the parent company and subsidiaries:

No. (Note)	Party	Counterparty	Relationship	Transaction status for the year ended December 31, 2023			
				Account	Amount	Terms	Percentage of consolidated net revenues or consolidated total assets
0	CTBC Bank Co., Ltd.	The Tokyo Star Bank, Ltd.	Parent to subsidiary	Due from Central Bank and call loans to banks/ Deposit from Central Bank and other banks	6,522,000	Identical with non-related parties	0.11%
0	CTBC Bank Co., Ltd.	CTBC Bank(Philippines) Corp.	Parent to subsidiary	Due from Central Bank and call loans to banks/ Deposit from Central Bank and other banks	2,120,012	Identical with non-related parties	0.04%
0	CTBC Bank Co., Ltd.	PT Bank CTBC Indonesia	Parent to subsidiary	Loans/Due to Central Bank and other banks	1,844,100	Identical with non-related parties	0.03%
0	CTBC Bank Co., Ltd.	CTBC Bank (Philippines) Corp.	Parent to subsidiary	Loans/Due to Central Bank and other banks	4,305,029	Identical with non-related parties	0.07%
0	CTBC Bank Co., Ltd.	The Tokyo Star Bank, Ltd.	Parent to subsidiary	Other liabilities/Other assets	362,406	Identical with non-related parties	0.01%
0	CTBC Bank Co., Ltd.	The Tokyo Star Bank, Ltd.	Parent to subsidiary	Financial Assets at Fair Value through Profit or Loss/Financial Liabilities at Fair Value through Profit or Loss	398,503	Identical with non-related parties	0.01%
0	CTBC Bank Co., Ltd.	CTBC Bank Corp. (USA)	Parent to sub-subsidiary	Cash and cash equivalents/Deposits and remittances	12,305,580	Identical with non-related parties	0.20%
0	CTBC Bank Co., Ltd.	CTBC Bank Corp. (USA)	Parent to sub-subsidiary	Interest income/Interest expenses	192,929	Identical with non-related parties	0.14%
0	CTBC Bank Co., Ltd.	The Tokyo Star Bank, Ltd.	Parent to subsidiary	Interest income/Interest expenses	154,151	Identical with non-related parties	0.11%
0	CTBC Bank Co., Ltd.	CTBC Bank (Philippines) Corp.	Parent to subsidiary	Interest income/Interest expenses	186,820	Identical with non-related parties	0.14%

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

No. (Note)	Party	Counterparty	Relationship	Transaction status for the year ended December 31, 2023			
				Account	Amount	Terms	Percentage of consolidated net revenues or consolidated total assets
1	CTBC Capital Corp.	CTBC Bank Corp. (USA)	Subsidiary to sub-subsidiary	Cash and cash equivalents/Deposits and remittances	235,231	Identical with non-related parties	0.00%

Note: Serial number is determined as follows:

1. 0 represents parent company.
2. Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

(xiii) Other significant transactions that may have substantial influence upon the decisions made by financial statement users:  
None.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2023 (excluding information on investees in Mainland China):

Unit: In Thousands of New Taiwan Dollars/Thousand Shares

Name of investee company	Location	Main business scope	Shareholding ratio	Book Value	Investment gain (loss) recognized	Aggregate shareholding of the Bank and subsidiaries				Note
						Number of shares	Number of pro forma shares	Total		
								Number of shares	Shareholding ratio	
CTBC Bank (Philippines) Corp.	Philippines	Commercial banking and financing business	99.72%	6,169,217	5,822	347,319	-	347,319	99.72%	The transaction on the left has been written off when composing consolidated financial report.
PT Bank CTBC Indonesia	Indonesia	Commercial banking and financing business	99.00%	6,230,516	337,542	1	-	1	99.00%	The transaction on the left has been written off when composing consolidated financial report.
CTBC Bank Corp. (Canada)	Canada	Commercial banking and financing business	100.00%	2,184,271	184,854	2,746	-	2,746	100.00%	The transaction on the left has been written off when composing consolidated financial report.
CTBC Capital Corp.	USA	Investment business	100.00%	21,295,435	1,135,986	6	-	6	100.00%	The transaction on the left has been written off when composing consolidated financial report.
CTBC Bank Corp. (USA)	USA	Commercial banking and financing business	100.00%	20,603,116	1,160,095	common shares 3 preferred shares 100	-	common shares 3 preferred shares 100	100.00%	The transaction on the left has been written off when composing consolidated financial report.
The Tokyo Star Bank, Ltd.	Japan	Commercial banking and financing business	100.00%	37,444,288	1,550,596	700	-	700	100.00%	The transaction on the left has been written off when composing consolidated financial report.
The Tokyo Star Business Finance, Ltd.	Japan	Financing and assurance business	100.00%	2,896,379	118,096	1,936	-	1,936	100.00%	The transaction on the left has been written off when composing consolidated financial report.
AZ-Star Co., Ltd.	Japan	Fund management business	40.00%	21,374	(433)	-	-	-	40.00%	
AZ-Star no. 3 Investment Limited Partnership	Japan	Equity investment business	23.56%	521,312	180,596	3	-	3	23.56%	

(Continued)

## CTBC BANK CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of investee company	Location	Main business scope	Shareholding ratio	Book Value	Investment gain (loss) recognized	Aggregate shareholding of the Bank and subsidiaries				Note
						Number of shares	Number of pro forma shares	Total		
								Number of shares	Shareholding ratio	
LH Financial Group Public Company Limited	Thailand	Investment business	46.61%	20,462,145	1,266,302	9,873,012	-	9,873,012	46.61%	The transaction on the left has been written off when composing consolidated financial report.
Land and Houses Bank Public Company Limited	Thailand	Commercial banking and financing business	99.99%	31,550,066	1,515,397	2,000,000	-	2,000,000	99.99%	The transaction on the left has been written off when composing consolidated financial report.
Land and Houses Fund Management Company Limited	Thailand	Fund management business	99.99%	388,407	74,182	3,000	-	3,000	99.99%	The transaction on the left has been written off when composing consolidated financial report.
Land and Houses Securities Public Company Limited	Thailand	Securities business	99.90%	874,063	125,112	1,273,121	-	1,273,121	99.90%	The transaction on the left has been written off when composing consolidated financial report.
Land and Houses Advisory Company Limited	Thailand	Securities investment consultant business	99.99%	3,658	(211)	2,000	-	2,000	99.99%	The transaction on the left has been written off when composing consolidated financial report.
Grand Bills Finance Corporation	Taiwan(R.O.C.)	Proprietary traders of short-term bills and bonds	21.15%	1,876,998	79,385	114,399	-	114,399	21.15%	
Xiamen Jinmeixin Consumer Finance Co., Ltd.	China(P.R.C.)	Consumer financial business	34.00%	1,168,483	107,133	-	-	-	34.00%	

(c) Information on investment in mainland China:

(i) Related information on investee companies in Mainland China:

Unit: In Thousands of New Taiwan Dollars/Thousands of US Dollars/Thousands of RMB Dollars

Name of investee company in Mainland China	Main businesses	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Investment gains (losses)	Percentage of ownership for direct or indirect investment	Investment gains (losses) (Note 2)	Book value as of December 31, 2023	Accumulated inward remittance of earning as of December 31, 2023
					Outflow	Inflow						
CTBC Bank Co., Ltd., Shanghai Branch	Commercial banking	6,194,068 USD 206,045	3	6,194,068 USD 206,045	-	-	6,194,068 USD 206,045	641,698 RMB 145,116	A branch in Shanghai; not an investee	641,698	9,455,313	None
CTBC Bank Co., Ltd., Guangzhou Branch	Commercial banking	4,114,056 USD 130,531	3	4,114,056 USD 130,531	-	-	4,114,056 USD 130,531	194,366 RMB 44,346	A branch in Guangzhou; not an investee	194,366	5,236,122	None
CTBC Bank Co., Ltd., Xiamen Branch	Commercial banking	4,081,960 RMB 800,000	3	4,081,960 RMB 800,000	-	-	4,081,960 RMB 800,000	219,183 RMB 49,771	A branch in Xiamen; not an investee	219,183	4,644,674	None
CTBC Bank Co., Ltd., Shenzhen Branch	Commercial banking	1,351,890 RMB 100,000 USD 29,395	3	1,351,890 RMB 100,000 USD 29,395	-	-	1,351,890 RMB 100,000 USD 29,395	(4,891) RMB (975)	A branch in Shenzhen; not an investee	(4,891)	1,212,608	None
Xiamen Jinmeixin Consumer Finance Co., Ltd.	Financing business	795,471 RMB 170,000	1	795,471 RMB 170,000	-	-	795,471 RMB 170,000	315,096 RMB 71,848	34%	107,133	1,168,483	None

Note 1: Three methods of investment are as below; identify one of them:

1. Invest in Mainland China companies directly.
2. Re-invest in Mainland China companies through another investee in a third area. (Please identify the investee in the third area)
3. Other method: set up new overseas branches.

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Note 2: The bases for recognition of investment gains or losses are as below:

1. The individual profit or loss of an oversea branch.
2. Current gains or losses of an investee.

(ii) Upper limit on investment in Mainland China:

Unit: In Thousands of New Taiwan Dollars/Thousands of US Dollars/Thousands of RMB Dollars

Accumulated outflow of investment from Taiwan to Mainland China as of December 31, 2023	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment authorized by Investment Commission, MOEA
16,537,445 (USD 365,971 ) (RMB 1,070,000 )	16,639,028  (RMB 3,370,000 )	228,787,384

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

The Bank and subsidiaries' provide their chief operating decision maker with necessary information according to the characteristics of the business, to facilitate the assessment of performance and allocation of operational resources. The disclosures of assets, profits and losses are the same as the summary of significant accounting policies described in Note 4.

According to IFRS 8 "Operating Segments", reportable segments are as below:

The major operating activities of Institutional Banking are commercial banking and capital market activities which provide clients with flexible and tailor-made financing services and the design, supply, and proprietary trading of various financial products.

The major operating activities of Retail Banking is providing target clients with relevant financial services, including wealth management, credit cards, secured loans, and unsecured individual loans.

The major operating activities of other segments are investing and general administration. The above operating segments did not meet the criteria for reportable segments when applying quantitative thresholds.

**(a) Segment Information**

<b>For the year ended December 31, 2023</b>	<b>Institutional banking</b>	<b>Retail banking</b>	<b>Other segments</b>	<b>Total</b>
Net interest income	\$ 31,794,853	42,589,099	3,395,245	77,779,197
Non-interest income	25,387,881	30,042,025	4,586,366	60,016,272
Net revenue	57,182,734	72,631,124	7,981,611	137,795,469
Net income before tax	<b>\$ 25,276,556</b>	<b>25,137,537</b>	<b>2,610,810</b>	<b>53,024,903</b>
Total assets	<b>\$ 4,170,003,864</b>	<b>1,834,795,192</b>	<b>41,497,506</b>	<b>6,046,296,562</b>
<b>For the year ended December 31, 2022</b>	<b>Institutional banking</b>	<b>Retail banking</b>	<b>Other segments</b>	<b>Total</b>
Net interest income (losses)	\$ 39,236,509	35,919,186	(69,732)	75,085,963
Non-interest income	13,594,158	25,848,049	4,238,441	43,680,648
Net revenue	52,830,667	61,767,235	4,168,709	118,766,611
Net income before tax	<b>\$ 23,876,147</b>	<b>22,560,359</b>	<b>1,001,099</b>	<b>47,437,605</b>
Total assets	<b>\$ 3,821,850,416</b>	<b>1,676,044,678</b>	<b>39,277,640</b>	<b>5,537,172,734</b>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Geographic segment information:

The Bank and subsidiaries are classified by the geographic location of overseas operating segments, and the geographic segment information is as follows:

Region	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Net revenue:		
Taiwan	\$ 92,955,227	78,963,182
Asia	38,749,509	33,699,263
North America	6,090,733	6,104,166
Total	<b>\$ 137,795,469</b>	<b>118,766,611</b>
Non-current assets:		
Taiwan	\$ 5,035,991	4,930,103
Asia	105,629,886	98,832,237
North America	27,781,316	25,603,422
Total	<b>\$ 138,447,193</b>	<b>129,365,762</b>

(c) Information on major customers:

For the years ended December 31, 2023 and 2022, no individual customer of the Bank and subsidiaries accounted for 10% or more of the Bank and subsidiaries' revenue in the statements of income. Therefore, disclosure of information on major customers is not required.

**CTBC BANK CO., LTD.**  
**Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2023 and 2022**

**Address: No.166, 168, 170, 186, 188, Jingmao 2nd Rd., Nangang Dist., Taipei City  
115, Taiwan, R.O.C.**  
**Telephone: 886-2-3327-7777**

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.



安侯建業聯合會計師事務所

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To the Board of Directors of CTBC Bank Co., Ltd.:

## Opinion

We have audited the financial statements of CTBC Bank Co., Ltd. (“the Bank”), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in stockholders’ equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022. The accompanying financial statements for the year ended December 31, 2023 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms; the accompanying financial statements for the year ended December 31, 2022 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants.

## Basis for Opinion

We conducted our audits of the financial statements in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagement of Certified Public Accountants, Jin Kuan Yin No.10802731571 issued by the Financial Supervisory Commission, and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“ the Code” ), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

## Emphasis of Matter

The judicial cases are stated in Note 9(c). Part of judicial cases are still under investigation by the judiciary, and the results remain uncertain. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters which should communicate through the auditors’ report were as follows:



## 1. Assessment of the fair value of financial instruments

Please refer to Note 4(e) for the related accounting policies of the assessment of the fair value of financial instruments, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6(an) for the other details.

Description of key audit matter:

Parts of the financial instruments owned by the Bank as of December 31, 2023 were valued via evaluation model due to the lack of transaction prices at active market, and parts of the referred input values could not be obtained from the public market. Thus, it demands significant professional judgments from the management by using different valuation techniques and assumptions for input values. Therefore, the assessment of fair value of financial instruments is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Testing the management's control procedures over the classification, measurement and disclosure of fair value of financial instruments, including evaluating how the management determines the classification of financial instruments, choosing the appropriate evaluation method and deciding the prime parameter hypothesis, and confirming that the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards (IFRSs). For financial instruments with active market prices, we used sampling test to assess the appropriateness of public quoted prices. As to financial instruments using evaluation model to measure their fair value, we used sampling test to confirm the appropriateness of the evaluation method and the prime input values used by the management.

## 2. Impairment of loans and receivables

Please refer to Note 4(e) for the related accounting policies of impairment of loans and receivables, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6(h), (i), (j) and (an) for the other details.

Description of key audit matter:

The management assessed the expected credit loss (ECL) of loans and receivables by identifying whether the credit risk of credit assets has significantly increased since initial recognition, then dividing ECL into 12-month ECL and lifetime ECL, and dividing them into collective assessment and individual assessment to measure them by using different impairment methods. For collective assessment, the impairment is calculated by establishing an impairment model and using the past loss experience, current market conditions and forward-looking estimation on assets with similar credit risk characteristic to form basic estimation. For individual assessment, the measurement is based on expected future recoverable cash flows. The aforementioned measurement methods involved significant professional judgments and estimation by the management; therefore, the impairment of loans and receivables is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Understanding the methodology and related control procedures on how the management assesses and measures the impairment amount of loans and receivables. For collective assessment, we assessed the impairment model adopted by the management and reviewed the appropriateness of the calculation of the impairment parameters (including probability of default, loss given default, exposure at default and recovery rate) via sampling. For individual assessment, we used sampling test to assess the appropriateness of the estimation of future recoverable amounts and the value of collateral. Meanwhile, we assessed whether the allowance for loans and receivables meets the regulation requirement.



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

Management is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms and the preparation and fair presentation of the financial statements for the year ended December 31, 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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



5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit and developing the Bank's audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 audit resulting in this independent auditors' report are Chen, Chun-Kuang and Chen, Fu-Jen.

KPMG

Taipei, Taiwan (Republic of China)  
March 14, 2024

#### **Notes to Readers**

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

The independent auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

CTBC BANK CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022		December 31, 2023		December 31, 2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
<b>ASSETS</b>									
11000 Cash and cash equivalents (note 4, 6(a) and (f), and 7)	\$ 80,885,270	2	64,984,492	1					
11500 Due from Central Bank and call loans to banks (note 6(b) and 7)	443,072,402	9	371,766,173	8	21000 Deposits from Central Bank and other banks (note 6(f) and 7)	\$ 74,007,467	1	77,171,381	2
12000 Financial assets measured at fair value through profit or loss (note 4, 6(c), (s) and (an), and 7)	420,166,820	8	198,085,226	4	22000 Financial liabilities measured at fair value through profit or loss (note 4, 6(c) and (an), and 7)	71,132,761	1	63,847,387	1
12100 Financial assets measured at fair value through other comprehensive income (note 4, 6(d), (s) and (an), and 8)	202,962,097	4	155,409,357	3	22300 Financial liabilities-hedging (note 4, 6(f) and (an))	39,720	-	503,026	-
12200 Investment in debt instruments at amortized cost (note 4, 6(e), (s) and (an), and 8)	809,372,388	16	942,214,869	20	22500 Securities sold under repurchase agreements (note 4 and 6(s))	192,086,185	4	133,019,516	3
12300 Financial assets-hedging (note 4, 6(f) and (an))	298,360	-	18,389	-	23000 Payables (note 6(t) and 7)	92,147,140	2	81,285,563	2
12500 Securities purchased under resell agreements (note 4, 6(g) and 7)	23,823,543	-	9,388,143	-	23200 Current income tax liabilities (note 4)	6,421,588	-	4,928,958	-
13000 Receivables-net (note 4, 6(f), (j) and (an), 7 and 8)	179,237,571	4	158,113,721	3	23500 Deposits and remittances (note 6(u) and 7)	4,211,884,741	83	3,827,483,708	82
13200 Current income tax assets (note 4)	1,201,127	-	636,945	-	24000 Financial debentures (note 6(c) and (v))	51,299,997	1	53,299,997	1
13500 Loans-net (note 4, 6(f), (j) and (an), 7 and 8)	2,747,202,301	53	2,527,110,543	57	25000 Other financial liabilities (note 6(w))	18,077,284	-	14,002,013	-
15000 Investment under equity method-net (note 4 and 6(k))	96,831,353	2	94,957,589	2	25600 Provisions (note 4, 6(j), (x) and (an))	3,369,540	-	3,612,848	-
15500 Other financial assets-net (note 4, 6(f), (l) and (an), and 8)	1,753,564	-	2,028,878	-	26000 Lease liabilities (note 4, 6(z) and 7)	12,461,045	-	11,857,655	-
18500 Premises and equipment-net (note 4 and 6(m))	39,411,605	1	39,415,743	1	29300 Deferred tax liabilities (note 4 and 6(ab))	5,195,124	-	3,856,659	-
18600 Right-of-use assets-net (note 4 and 6(o))	13,954,485	-	13,542,506	-	29500 Other liabilities (note 6(y))	16,266,079	-	14,659,193	-
18700 Investment property-net (note 4 and 6(m))	4,773,557	-	4,819,089	-	<b>Total Liabilities</b>	<b>4,754,388,671</b>	<b>92</b>	<b>4,289,527,904</b>	<b>91</b>
19000 Intangible assets-net (note 4 and 6(p))	14,241,397	-	14,011,612	-	Capital stock:				
19300 Deferred tax assets (note 4 and 6(ab))	7,421,646	-	6,768,114	-	Common stock (note 6(ac))	147,962,186	3	147,962,186	3
19500 Other assets-net (note 4 and 6(q))	25,570,499	1	23,947,402	1	Capital surplus (note 6(ac))	30,139,671	1	29,872,413	1
					Retained earnings:				
					Legal reserve	127,316,868	2	116,085,819	3
					Special reserve	30,273,312	1	25,767,513	1
					Undistributed earnings (note 6(ac))	40,812,502	1	37,436,876	1
					Other equity interest (note 6(ac))	(18,713,225)	-	(19,433,920)	-
					<b>Total Equity</b>	<b>357,791,314</b>	<b>8</b>	<b>337,690,887</b>	<b>9</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,112,179,985</b>	<b>100</b>	<b>4,627,218,791</b>	<b>100</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 5,112,179,985</b>	<b>100</b>	<b>4,627,218,791</b>	<b>100</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CTBC BANK CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2023		2022		Change %	
	Amount	%	Amount	%		
41000	Interest income (note 6(ag) and 7)	\$ 129,736,450	110	81,092,065	83	60
51000	Less: Interest expenses (note 6(ag) and 7)	(74,549,907)	(64)	(26,259,132)	(27)	184
	<b>Net interest income (note 6(ag))</b>	<u>55,186,543</u>	<u>46</u>	<u>54,832,933</u>	<u>56</u>	<u>1</u>
	<b>Net non-interest income</b>					
49100	Service fee and commission income (note 6(ah) and 7)	37,295,064	32	32,946,351	34	13
49200	Gains on financial assets or liabilities measured at fair value through profit or loss (note 6(ai))	17,080,899	15	5,655,716	6	202
49310	Realized gains (losses) on financial assets measured at fair value through other comprehensive income	811,064	1	(386,025)	-	310
49450	Gains on derecognition of financial assets measured at amortized cost (note 6(e))	30	-	51,894	-	(100)
49600	Foreign exchange gains	2,632,497	2	2,092,866	2	26
49700	(Provision for) reversal of impairment losses on assets	(24,832)	-	24,431	-	(202)
49750	Proportionate share of gains from associates or joint ventures under equity method (note 6(k))	4,667,620	4	3,934,048	4	19
49800	Other net non-interest income	1,840,441	2	1,261,435	1	46
49815	(Losses) gains on investment property	(16,214)	-	135,227	-	(112)
49899	Public-welfare lottery payment	(2,700,000)	(2)	(2,700,000)	(3)	-
	<b>Net revenue</b>	<u>116,773,112</u>	<u>100</u>	<u>97,848,876</u>	<u>100</u>	<u>19</u>
58200	<b>Provision for bad debt expenses, commitment and guarantee liability provision (note 6(j))</b>	<u>(6,680,741)</u>	<u>(6)</u>	<u>(5,185,551)</u>	<u>(5)</u>	<u>29</u>
	<b>Operating expenses:</b>					
58500	Employee benefits expenses (note 6(aj) and (al))	(31,705,927)	(27)	(24,471,738)	(25)	30
59000	Depreciation and amortization expenses (note 6(ak))	(5,065,460)	(4)	(4,884,325)	(5)	4
59500	Other general and administrative expenses (note 6(am) and 7)	(23,164,930)	(20)	(18,918,725)	(19)	22
	<b>Total operating expenses</b>	<u>(59,936,317)</u>	<u>(51)</u>	<u>(48,274,788)</u>	<u>(49)</u>	<u>24</u>
	<b>Net income before tax from continuing operations</b>	<u>50,156,054</u>	<u>43</u>	<u>44,388,537</u>	<u>46</u>	<u>13</u>
61003	<b>Less: Income tax expenses (note 6(ab))</b>	<u>8,823,345</u>	<u>8</u>	<u>7,246,657</u>	<u>7</u>	<u>22</u>
	<b>Net income</b>	<u>41,332,709</u>	<u>35</u>	<u>37,141,880</u>	<u>39</u>	<u>11</u>
65000	<b>Other comprehensive income:</b>					
65200	<b>Items that will not be reclassified subsequently to profit or loss</b>					
65201	Remeasurement (losses) gains related to defined benefit plans	(10,622)	-	405,375	-	(103)
65205	Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	(361,105)	-	2,329,242	2	(116)
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,722,204	1	(1,861,748)	(2)	193
65207	Proportionate share of other comprehensive losses from associates or joint ventures under the equity method - Items that will not be reclassified subsequently to profit or loss	(1,441,076)	(1)	(955,327)	(1)	(51)
65220	Less: Income tax related to items that will not be reclassified to profit or loss	(226,178)	-	500,594	1	(145)
	<b>Subtotal</b>	<u>135,579</u>	<u>-</u>	<u>(583,052)</u>	<u>(2)</u>	<u>123</u>
65300	<b>Items that are or may be reclassified subsequently to profit or loss</b>					
65301	Exchange differences of overseas subsidiaries' financial reports translation	(2,077,291)	(2)	4,929,518	5	(142)
65308	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	1,100,921	1	(6,187,939)	(6)	118
65307	Proportionate share of other comprehensive income (losses) from associates or joint ventures under the equity method - Items that are or may be reclassified subsequently to profit or loss	754,928	1	(2,550,320)	(3)	130
65320	Less: Income tax related to items that are or may be reclassified to profit or loss	(286,309)	-	(181,020)	-	(58)
	<b>Subtotal</b>	<u>64,867</u>	<u>-</u>	<u>(3,627,721)</u>	<u>(4)</u>	<u>102</u>
65000	<b>Other comprehensive income (losses)</b>	<u>200,446</u>	<u>-</u>	<u>(4,210,773)</u>	<u>(6)</u>	<u>105</u>
66000	<b>Total comprehensive income</b>	<u>\$ 41,533,155</u>	<u>35</u>	<u>32,931,107</u>	<u>33</u>	<u>26</u>
	<b>Earnings per share (unit: NT dollars) (note 6(af))</b>	<u>\$ 2.79</u>		<u>2.51</u>		

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
CTBC BANK CO., LTD.

**Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Capital stock		Retained earnings			Other equity interest		Change in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		
<b>Balance at January 1, 2022</b>	\$ 147,962,186	29,808,171	107,112,133	16,966,072	29,912,366	(16,570,632)	1,688,088	(45,651)	316,832,728
Net income	-	-	-	-	37,141,880	-	-	-	37,141,880
Other comprehensive income (losses)	-	-	-	-	324,535	4,712,752	(11,111,453)	1,863,393	(4,210,773)
Total comprehensive income (losses)	-	-	-	-	37,466,415	4,712,752	(11,111,453)	1,863,393	32,931,107
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	8,973,686	-	(8,973,686)	-	-	-	-
Special reserve appropriated	-	-	-	8,801,441	(8,801,441)	-	-	-	-
Cash dividends of common share	-	-	-	-	(12,137,190)	-	-	-	(12,137,190)
Share-based payment transactions	-	64,242	-	-	-	-	-	-	64,242
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(29,588)	-	29,588	-	-
Balance at December 31, 2022	147,962,186	29,872,413	116,085,819	25,767,513	37,436,876	(11,857,885)	(9,393,777)	1,817,742	337,690,887
Net income	-	-	-	-	41,332,709	-	-	-	41,332,709
Other comprehensive income (losses)	-	-	-	-	(36,851)	(1,793,453)	2,319,634	(288,884)	41,332,709
Total comprehensive income (losses)	-	-	-	-	41,295,858	(1,793,453)	2,319,634	(288,884)	40,446,446
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	11,231,049	-	(11,231,049)	-	-	-	-
Special reserve appropriated	-	-	-	4,505,799	(4,505,799)	-	-	-	-
Cash dividends of common share	-	-	-	-	(21,699,986)	-	-	-	(21,699,986)
Share-based payment transactions	-	267,258	-	-	-	-	-	-	267,258
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(483,398)	-	483,398	-	-
<b>Balance at December 31, 2023</b>	\$ 147,962,186	30,139,671	127,316,868	30,273,312	40,812,502	(13,651,338)	(6,590,745)	1,528,858	357,791,314

Note: For the years ended December 31, 2023 and 2022, the compensations for employees were \$25,091 and \$22,205, respectively, which were deducted from the statement of comprehensive income.

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**CTBC BANK CO., LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities:</b>		
Net Income (Losses) Before Tax	\$ 50,156,054	44,388,537
<b>Adjustments:</b>		
<b>Income and expenses items:</b>		
Depreciation expense	4,125,287	3,996,842
Amortization expense	966,091	916,206
Provision for (reversal of) expected credit loss / bad debt expenses, commitment and guarantee liability provision	6,680,741	5,185,551
Net losses (gains) on financial assets or liabilities measured at fair value through profit or loss	(3,615,098)	(4,124,164)
Interest expense	74,549,907	26,259,132
Interest income	(129,736,450)	(81,092,065)
Dividend income	(685,091)	(993,896)
Net change in other provisions	(47,070)	62,823
Share-based payment transactions	254,885	61,194
Proportionate share of losses (gains) from subsidiaries associates and joint ventures under equity method	(4,667,620)	(3,934,048)
Losses (gains) on disposal and retirement of premises and equipment	20,877	10,823
Losses (gains) on disposal of investment properties	(6,413)	(158,954)
Losses (gains) on disposal and retirement of intangible assets	3,784	9,364
Provision for (reversal of) impairment losses on financial assets	1,848	(7,587)
Provision for (reversal of) impairment losses on non-financial assets	22,984	(16,844)
Losses (gains) on disposal of foreclosed properties	-	(5,452)
Other adjustments	187,433	901,335
<b>Subtotal of income and expense items</b>	<u>(51,943,905)</u>	<u>(52,929,740)</u>
<b>Changes in Operating Assets and Liabilities:</b>		
<b>Net Changes in Operating Assets:</b>		
(Increase) decrease in due from Central Bank and call loans to banks	(41,303,668)	(43,079,278)
(Increase) decrease in financial assets measured at fair value through profit or loss	(218,552,895)	(38,268,075)
(Increase) decrease in financial assets measured at fair value through other comprehensive income	(44,867,509)	39,973,409
(Increase) decrease in investments in debt instruments at amortized cost	132,836,214	(13,460,228)
(Increase) decrease in hedging financial assets	(279,971)	244,478
(Increase) decrease in receivables	(18,943,948)	786,438
(Increase) decrease in loans	(225,391,639)	(418,400,872)
(Increase) decrease in other financial assets	151,896	2,181,276
(Increase) decrease in other assets	(2,935,127)	(2,559,268)
<b>Net Changes in Operating Assets</b>	<u>(419,286,647)</u>	<u>(472,582,120)</u>
<b>Net Changes in Operating Liabilities:</b>		
Increase (decrease) in deposits from Central Bank and other banks	(3,163,914)	34,007,023
Increase (decrease) in financial liabilities measured at fair value through profit or loss	6,966,312	26,215,399
Increase (decrease) in hedging financial liabilities	(463,306)	501,096
Increase (decrease) in payables	4,009,890	4,649,076
Increase (decrease) in deposits and remittances	384,401,033	470,544,252
Increase (decrease) in other financial liabilities	4,848,092	5,401,315
Increase (decrease) in employee benefits reserve	(341,399)	(375,201)
Increase (decrease) in other liabilities	1,606,877	6,060,797
<b>Net Changes in Operating Liabilities</b>	<u>397,863,585</u>	<u>547,003,757</u>
<b>Net Changes in Operating Assets and Liabilities</b>	<u>(21,423,062)</u>	<u>74,421,637</u>
<b>Sum of Adjustments</b>	<u>(73,366,967)</u>	<u>21,491,897</u>
Cash provided by (used in) Operating Activities	(23,210,913)	65,880,434
Interest received	126,435,614	77,326,064
Dividends received	794,011	1,194,900
Interest paid	(58,140,648)	(18,547,319)
Income taxes refund (paid)	(6,881,579)	(8,436,769)
<b>Net Cash Flows Provided by (Used in) Operating Activities</b>	<u>38,996,485</u>	<u>117,417,310</u>

(English Translation of Financial Statements Originally Issued in Chinese)

**CTBC BANK CO., LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of premises and equipment	\$ (2,226,456)	(1,430,200)
Disposal of premises and equipment	460	52
Purchase of intangible assets	(530,181)	(811,104)
Disposal of foreclosed properties	-	35,703
Disposal of investment properties	20,172	453,137
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<u>(2,736,005)</u>	<u>(1,752,412)</u>
<b>Cash Flows from Financing Activities:</b>		
Decrease in due to Central Bank and other banks	-	(3,680,570)
Repayments of financial debentures	(2,000,000)	(2,700,000)
Increase in securities sold under repurchase agreements	59,066,669	40,041,678
Increase in designated as financial liabilities measured at fair value through profit or loss	107,366	2,351,680
Decrease in designated as financial liabilities measured at fair value through profit or loss	(72,313)	-
Payment of lease liabilities	(1,765,907)	(1,689,516)
Cash dividends paid	(21,699,986)	(12,137,190)
Interest paid	(9,557,570)	(2,964,107)
<b>Net Cash Flows Provided by (Used in) Financing Activities</b>	<u>24,078,259</u>	<u>19,221,975</u>
<b>Increase (decrease) in Cash and Cash Equivalents</b>	60,338,739	134,886,873
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<u>324,798,719</u>	<u>189,911,846</u>
<b>Cash and Cash Equivalents at the End of Period</b>	<u><b>\$ 385,137,458</b></u>	<u><b>324,798,719</b></u>
<b>Composition of Cash and Cash Equivalents:</b>		
Cash and cash equivalents recognized in balance sheet	\$ 80,885,270	64,984,492
Due from Central Bank and call loans to bank which meet IAS 7 definition of cash and cash equivalents	280,428,645	250,426,084
Securities purchased under resell agreements which meet IAS 7 definition of cash and cash equivalents	23,823,543	9,388,143
<b>Cash and Cash Equivalents at the End of Period</b>	<u><b>\$ 385,137,458</b></u>	<u><b>324,798,719</b></u>

See accompanying notes to financial statements.



CTBC BANK  
中國信託銀行