

Chang Hwa Commercial Bank, Ltd.

**Financial Statements for the
Years Ended December 31, 2024 and 2023 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Chang Hwa Commercial Bank, Ltd.

Opinion

We have audited the accompanying financial statements of Chang Hwa Commercial Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2024 and 2023, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following is the description for the key audit matter in the audit of the financial statements of the Bank for the year ended December 31, 2024.

Impairment Assessment of Loans

Loans are the most important assets of the Bank. As of December 31, 2024, the balance of the Bank's loans totaled \$1,949,859,996 thousand, accounting for 62% of the Bank's total assets. The Bank assessed the impairment on loans in accordance with IFRS 9 and with relevant regulations on recognizing allowance for loans. As the assessment of the impairment on the aforementioned assets involves the management's critical judgments, estimations and assumptions, we considered the impairment assessment on loans as a key audit matter. Refer to Notes 4, 5 and 12 to the Bank's financial statements for related information.

Our main audit procedures performed in response to the key audit matter described above were as follows:

When assessing the appropriateness of the impairment on loans, we understood and tested the internal controls relevant to the lending process and assessment of loan impairment. We tested whether the expected credit loss was calculated by loans grouped by borrowers and credit risk characteristics. We further verified the parameters utilized in the impairment loss model (including the probability of default adjusted for forward-looking factors, loss given default, and exposure at default) to reflect the actual situation, and we recalculated the impairment loss on loans, examined the classification of loan credit assets, and assessed the loan provisions in compliance with relevant regulations.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2024 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Mei Hui Wu and Tza Li Gung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 20, 2025

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

ASSETS	2024		2023	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 4, 6 and 35)	\$ 34,664,438	1	\$ 52,870,191	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 35)	178,655,876	6	172,507,850	6
Financial assets at fair value through profit or loss (Notes 4, 7, 33, 35 and 36)	81,846,946	3	72,831,553	3
Financial assets at fair value through other comprehensive income (Notes 4, 8, 10, 33 and 36)	301,850,939	10	257,735,718	9
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 10, 33 and 36)	512,002,497	16	453,100,064	16
Receivables, net (Notes 4, 11 and 12)	24,679,785	1	21,096,161	1
Current tax assets (Notes 4 and 30)	282,646	-	135,733	-
Discounts and loans, net (Notes 4, 5, 12, 33, 34, 35 and 36)	1,949,859,996	62	1,787,107,192	62
Investments measured by equity method, net (Notes 4 and 14)	15,526,275	-	14,717,022	-
Other financial assets, net (Notes 4, 13, 35 and 36)	6,153,730	-	7,727,692	-
Property and equipment, net (Notes 4 and 15)	20,718,584	1	20,347,752	1
Right-of-use assets, net (Notes 4 and 16)	1,957,080	-	1,924,106	-
Investment property, net (Notes 4 and 17)	13,932,767	-	13,872,697	-
Intangible assets, net (Notes 4 and 18)	909,344	-	905,986	-
Deferred tax assets (Notes 4 and 30)	4,423,158	-	3,277,208	-
Other assets, net (Notes 19 and 36)	<u>1,516,741</u>	<u>-</u>	<u>3,021,720</u>	<u>-</u>
TOTAL	<u>\$ 3,148,980,802</u>	<u>100</u>	<u>\$ 2,883,178,645</u>	<u>100</u>
LIABILITIES AND EQUITY				
Deposits from the Central Bank and banks (Notes 4, 20 and 35)	\$ 234,330,201	8	\$ 112,859,055	4
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 33)	2,881,955	-	6,594,822	-
Securities sold under repurchase agreements (Note 4)	11,403,907	1	11,138,326	1
Payables (Notes 4, 21 and 28)	27,618,257	1	36,111,923	1
Current tax liabilities (Notes 4 and 30)	1,816,181	-	1,767,700	-
Deposits and remittances (Notes 4, 22 and 35)	2,607,179,840	83	2,458,964,957	85
Bank notes payable (Notes 4, 23 and 33)	40,805,410	1	49,163,511	2
Other financial liabilities (Notes 4 and 24)	1,290,231	-	1,234,258	-
Reserve for liabilities (Notes 4, 5, 26 and 27)	2,579,892	-	3,301,713	-
Lease liabilities (Notes 4 and 16)	1,829,323	-	1,770,550	-
Deferred tax liabilities (Notes 4 and 30)	11,057,632	-	9,868,792	-
Other liabilities (Notes 4, 15 and 25)	<u>4,790,585</u>	<u>-</u>	<u>2,404,982</u>	<u>-</u>
Total liabilities	<u>2,947,583,414</u>	<u>94</u>	<u>2,695,180,589</u>	<u>93</u>
EQUITY (Notes 4, 28 and 30)				
Capital stock				
Common stock	112,057,583	4	108,582,930	4
Capital surplus	24	-	-	-
Retained earnings				
Legal reserve	50,685,866	2	46,674,889	2
Special reserve	12,201,590	-	12,201,590	-
Unappropriated earnings	16,476,237	-	13,482,750	1
Other equity	<u>9,976,088</u>	<u>-</u>	<u>7,055,897</u>	<u>-</u>
Total equity	<u>201,397,388</u>	<u>6</u>	<u>187,998,056</u>	<u>7</u>
TOTAL	<u>\$ 3,148,980,802</u>	<u>100</u>	<u>\$ 2,883,178,645</u>	<u>100</u>

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

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME (Notes 4, 29 and 35)	\$ 75,251,026	183	\$ 63,789,232	168	18
INTEREST EXPENSE (Notes 29 and 35)	<u>(52,837,005)</u>	<u>(129)</u>	<u>(42,183,746)</u>	<u>(111)</u>	25
NET INCOME OF INTEREST	<u>22,414,021</u>	<u>54</u>	<u>21,605,486</u>	<u>57</u>	4
NET NON-INTEREST INCOME					
Net service fee income (Notes 4 and 29)	6,841,020	17	5,136,063	14	33
Gain on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 29)	9,104,013	22	9,442,106	25	(4)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 29)	1,277,560	3	811,217	2	57
Loss arising from derecognition of financial assets at amortized cost	(37,994)	-	(233,854)	(1)	(84)
Foreign exchange gain (Notes 4 and 33)	1,053,833	2	724,134	2	46
Share of profit of subsidiaries accounted for using equity method	240,355	1	303,151	1	(21)
Net other non-interest income (Note 13)	<u>285,104</u>	<u>1</u>	<u>175,672</u>	<u>-</u>	62
Net non-interest income	<u>18,763,891</u>	<u>46</u>	<u>16,358,489</u>	<u>43</u>	15
NET REVENUE AND GAINS	<u>41,177,912</u>	<u>100</u>	<u>37,963,975</u>	<u>100</u>	8
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(3,003,225)</u>	<u>(8)</u>	<u>(3,289,434)</u>	<u>(9)</u>	(9)
OPERATING EXPENSE					
Employee benefits expenses (Notes 4 and 29)	(12,760,800)	(31)	(11,939,508)	(32)	7
Depreciation and amortization expense (Notes 4 and 29)	(1,533,792)	(4)	(1,570,873)	(4)	(2)

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Other general and administrative expense	\$ (5,545,613)	(13)	\$ (5,049,215)	(13)	10
Total operating expenses	(19,840,205)	(48)	(18,559,596)	(49)	7
INCOME BEFORE INCOME TAX	18,334,482	44	16,114,945	42	14
INCOME TAX EXPENSE (Notes 4 and 30)	(3,389,111)	(8)	(3,132,803)	(8)	8
NET INCOME	14,945,371	36	12,982,142	34	15
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans (Notes 4 and 27)	599,273	1	(297,306)	(1)	302
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	2,697,047	7	9,395,017	25	(71)
Share of other comprehensive income of subsidiaries accounted for using the equity method	(603)	-	2,089	-	(129)
Income tax related to items that will not be reclassified to profit or loss (Notes 4 and 30)	(119,852)	-	59,464	-	(302)
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation (Note 4)	2,315,673	6	(302,740)	(1)	865
Share of other comprehensive (loss) income of subsidiaries accounted for using the equity method	81,764	-	(20,038)	-	508
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	(931,796)	(2)	3,017,064	8	(131)

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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
(Reversal of) impairment loss on investments in debt instruments measured at fair value through other comprehensive income	\$ (8,178)	-	\$ 7,837	-	(204)
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 30)	<u>(207,330)</u>	<u>(1)</u>	<u>(47,290)</u>	<u>-</u>	338
Other comprehensive income (loss), net of tax	<u>4,425,998</u>	<u>11</u>	<u>11,814,097</u>	<u>31</u>	(63)
TOTAL COMPREHENSIVE INCOME	<u>\$ 19,371,369</u>	<u>47</u>	<u>\$ 24,796,239</u>	<u>65</u>	(22)
EARNINGS PER SHARE (Note 31)					
Basic	<u>\$ 1.33</u>		<u>\$ 1.16</u>		
Diluted	<u>\$ 1.33</u>		<u>\$ 1.15</u>		

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank							Other Equity		Total Equity
	Capital Stock		Capital Surplus	Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income		
	Common Stock (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 2023	10,593,457	\$ 105,934,566	\$ -	\$ 43,043,607	\$ 12,201,590	\$ 12,218,872	\$ (916,214)	\$ (3,454,203)	\$ 169,028,218	
Appropriation of 2022 earnings:										
Legal reserve appropriated	-	-	-	3,631,282	-	(3,631,282)	-	-	-	
Cash dividends	-	-	-	-	-	(5,826,401)	-	-	(5,826,401)	
Stock dividends	264,836	2,648,364	-	-	-	(2,648,364)	-	-	-	
Net income for the year ended December 31, 2023	-	-	-	-	-	12,982,142	-	-	12,982,142	
Other comprehensive income (loss) for the year ended December 31, 2023, net of tax	-	-	-	-	-	(237,842)	(295,000)	12,346,939	11,814,097	
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	12,744,300	(295,000)	12,346,939	24,796,239	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	625,625	-	(625,625)	-	
BALANCE, DECEMBER 31, 2023	10,858,293	108,582,930	-	46,674,889	12,201,590	13,482,750	(1,211,214)	8,267,111	187,998,056	
Appropriation of 2023 earnings:										
Legal reserve appropriated	-	-	-	4,010,977	-	(4,010,977)	-	-	-	
Cash dividends	-	-	-	-	-	(5,972,061)	-	-	(5,972,061)	
Stock dividends	347,465	3,474,653	-	-	-	(3,474,653)	-	-	-	
Other changes in capital surplus:										
Additional paid-in capital	-	-	11	-	-	-	-	-	11	
Due to donated assets received	-	-	13	-	-	-	-	-	13	
Net income for the year ended December 31, 2024	-	-	-	-	-	14,945,371	-	-	14,945,371	
Other comprehensive income (loss) for the year ended December 31, 2024, net of tax	-	-	-	-	-	479,421	2,171,916	1,774,661	4,425,998	
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	-	15,424,792	2,171,916	1,774,661	19,371,369	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	1,026,386	-	(1,026,386)	-	
BALANCE, DECEMBER 31, 2024	11,205,758	\$ 112,057,583	\$ 24	\$ 50,685,866	\$ 12,201,590	\$ 16,476,237	\$ 960,702	\$ 9,015,386	\$ 201,397,388	

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

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 18,334,482	\$ 16,114,945
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	3,003,225	3,289,434
Depreciation expense	1,206,505	1,175,486
Amortization expense	327,287	395,387
Share of loss (profit) loss of subsidiaries for using equity method	(240,355)	(303,151)
Interest income	(75,251,026)	(63,789,232)
Dividend income	(1,797,439)	(1,540,216)
Interest expense	52,837,005	42,183,746
Net gain on financial assets or liabilities at fair value through profit or loss	(20,040,445)	(2,774,125)
Loss on disposal of investments	552,573	956,200
Unrealized foreign exchange loss (gain)	10,936,432	(6,667,981)
Other adjustments	(71,086)	60,215
Changes in operating assets and liabilities		
Increase in due from the Central Bank	(41,270,958)	(10,988,523)
Increase in financial assets at fair value through profit or loss	(2,307,037)	(48,141,139)
(Increase) decrease in receivables	(2,262,374)	3,558,617
Increase in discounts and loans	(165,802,979)	(124,597,426)
Increase in financial assets at fair value through other comprehensive income	(42,872,727)	(37,082,447)
(Increase) decrease in investments in debt instruments at amortized cost	(58,900,158)	31,911,318
Decrease (increase) in other financial assets	1,591,115	(673,176)
Decrease (increase) in other assets	1,557,987	(1,953,058)
Increase (decrease) in deposits from the Central Bank and banks	119,840,507	(184,157)
Increase in deposits and remittances	148,214,883	121,887,903
(Decrease) increase in payables	(9,245,530)	1,613,108
(Decrease) increase in financial liabilities at fair value through profit or loss	(2,446,378)	14,473,662
Decrease in reserve for liabilities	(7,542)	(207,715)
Increase in other financial liabilities	55,973	375,375
Increase (decrease) in other liabilities	<u>2,400,662</u>	<u>(3,515,141)</u>
Cash flows used in operations	(61,657,398)	(64,422,091)
Interest received	74,921,757	62,326,435
Dividends received	1,794,089	1,605,421
Interest paid	(52,163,048)	(39,464,382)
Income taxes paid	<u>(3,624,922)</u>	<u>(1,779,958)</u>
Net cash flows used in operating activities	<u>(40,729,522)</u>	<u>(41,734,575)</u>
		(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (1,135,254)	\$ (732,300)
Proceeds from disposal of property and equipment	2,351	792
Acquisition of intangible assets	(137,613)	(231,331)
Acquisition of investment properties	<u>(11,795)</u>	<u>(1,820)</u>
Net cash flows used in investing activities	<u>(1,282,311)</u>	<u>(964,659)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	1,630,639	61,524,721
Proceeds from issuing bank notes	1,000,000	1,000,000
Repayments of bank notes	(9,330,000)	(3,000,000)
Increase in securities sold under repurchase agreement	265,581	10,197,313
Repayments of the principal portion of lease liabilities	(738,947)	(688,947)
Cash dividends paid	<u>(5,972,061)</u>	<u>(5,826,401)</u>
Net cash flows (used in) generated from financing activities	<u>(13,144,788)</u>	<u>63,206,686</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,827,936</u>	<u>(44,454)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(53,328,685)	20,462,998
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>119,159,267</u>	<u>98,696,269</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 65,830,582</u>	<u>\$ 119,159,267</u>
	December 31	
	2024	2023
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	\$ 34,664,438	\$ 52,870,191
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>31,166,144</u>	<u>66,289,076</u>
Cash and cash equivalents at end of year	<u>\$ 65,830,582</u>	<u>\$ 119,159,267</u>

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

1. ORGANIZATION AND BUSINESS SCOPE

Chang Hwa Commercial Bank, Ltd. (the “Bank”) was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and obtained its banking license from the Ministry of Economic Affairs in July 1950. The Bank’s shares have been listed and traded on the Taiwan Stock Exchange (TWSE) since February 1962.

The Bank mainly engages in the following business:

- a. All commercial banking operations allowed by the Banking Law;
- b. Trust operations;
- c. International banking operations;
- d. Overseas branch operations authorized by the respective foreign governments; and
- e. Other operations authorized by the central authority.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank’s board of directors on February 20, 2025.

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

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 21 “Lack of Exchangeability”	January 1, 2025 (Note)

Note: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

Amendments to IAS 21 “Lack of Exchangeability”

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of derecognition of financial liabilities	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

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

1) IFRS 18 “Presentation and Disclosure in Financial Statements”

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

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Bank shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Bank shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Bank labels items as “other” only if it cannot find a more informative label.

- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Bank as a whole, the Bank shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

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

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

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

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

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

The Bank shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The financial statements have been 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.

Basis of Preparation

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

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

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

Classification of Current and Non-current Assets and Liabilities

Because of its business characteristics, assets and liabilities of the Bank are classified according to their liquidity rather than classified as current or noncurrent assets or liabilities.

Foreign Currencies

In preparing the Bank's financial statements, transactions in currencies other than the Bank's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

For the purpose of presenting financial statements, the functional currencies of the Bank entities and its foreign operations (including subsidiaries and branches in other countries) are translated into the presentation currency, the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments in Subsidiaries

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

A subsidiary is an entity that is controlled by the Bank.

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

Property and Equipment

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

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for their intended use.

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

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

Investment Properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

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

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Derecognition of intangible assets

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

Impairment of Property and Equipment, Right-of-use Asset, Investment Properties and Intangible Assets

At the end of each reporting period, the Bank reviews the carrying amounts of its property and equipment, right-of-use asset and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to

which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

Financial Instruments

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

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

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement categories

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

a) Financial assets at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, and dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 33.

b) Financial assets at amortized cost

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

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

- ii. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

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

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

The Bank always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Bank recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

A financial liability may upon initial recognition be designated as at FVTPL only in one of the following circumstances:

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

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 33.

b) Financial guarantee contracts

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

- i. The amount of the loss allowance reflecting expected credit losses; and
- ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, FX swap, cross currency swap, interest rate swaps and currency option.

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

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

Bonds and Securities Purchased/Sold under Specific Agreements

Bonds and securities sold under repurchase agreement are recorded at sale price. Interest revenues and expenses are recorded on accrual basis.

Reserve for Liabilities

Reserve for liabilities, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

Revenue Recognition

a. Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts, and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected.

If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

A single or a group of financial assets are written off due to impairment loss, the subsequent recognition of interest income is calculated by using the interest rate used by discount future cash flows when measuring impairment loss.

b. Service fee

Service revenue and real estate management service revenue are recognized at once after providing loans or other services. If the service revenue belongs to several significant items, it is recognized when the significant items accomplished, such as the service revenue which the lead arranger bank of syndication loan received. If the service revenue is for further loan service and of significant amount, it is allocated during the period of the service or included in the base of calculation the effective interest rate of loans and receivables.

Leases

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

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

a. The Bank as lessor

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

When the Bank subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Bank, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

b. The Bank as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Bank by the end of the lease terms or if the costs of right-of-use assets reflect that the Bank will exercise a purchase option, the Bank depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Bank accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liability represents the actual deficit in the Bank's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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

According to the "Regulations Governing the Preparation of Financial Reports by Public Banks" Rule No. 28, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-recognized IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail. Actuarial benefits and service cost from prior periods are recognized as profit or loss when they are incurred.

Taxation

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

a. Current tax

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

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Group considers the possible impact of inflation and interest rate fluctuations on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of loans, trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions on probability of default and loss given default. The Bank uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Bank's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 8, 9, 11, 12 and 26. Where the actual future cash inflows are less than the Bank's expectation, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

a. Cash and cash equivalents

	December 31	
	2024	2023
Cash on hand	\$ 22,657,752	\$ 19,881,022
Checks for clearing	2,862,751	14,679,275
Due from banks	7,281,094	16,565,069
Foreign currencies on hand	<u>1,862,841</u>	<u>1,744,825</u>
	<u>\$ 34,664,438</u>	<u>\$ 52,870,191</u>

b. Due from the Central Bank and call loans to banks

	December 31	
	2024	2023
Call loans to banks	\$ 31,166,144	\$ 66,289,076
Reserve for checking accounts	50,605,021	25,607,848
Reserve for demand accounts	75,515,078	64,658,913
Reserve for foreign deposits	715,368	676,187
Others	<u>20,654,265</u>	<u>15,275,826</u>
	<u>\$ 178,655,876</u>	<u>\$ 172,507,850</u>

Cash and cash equivalents and due from the Central Bank and call loans to banks are assessed for impairment using the approach similar to those used for investments in debt instruments (refer to Note 10). The Bank considers its cash and cash equivalents to have low credit risk, and thus its credit loss evaluation is on a 12-month expected credit loss basis.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets at Fair Value through Profit or Loss (FVTPL)

	December 31	
	2024	2023
Financial assets mandatorily classified at FVTPL		
Derivative financial assets (not under hedge accounting)		
Futures	\$ 668,074	\$ 1,023,769
Forward exchange contracts	89,852	176,094
Interest rate swaps	359,880	200,356
Currency swaps	8,409,085	1,740,656
Currency call option premiums	58,982	65,979
Non-derivative financial assets		
Investment in bills	70,630,917	69,041,699
Funds	114,750	70,231
Government bonds	4,754	4,825
Corporate bonds	<u>1,510,652</u>	<u>507,944</u>
	<u>\$ 81,846,946</u>	<u>\$ 72,831,553</u>

The par values of notes provided for transactions with repurchase agreements were \$20,400 thousand as of December 31, 2024.

Financial Liabilities at FVTPL

	December 31	
	2024	2023
Financial liabilities held for trading		
Derivative financial liabilities (not applying hedge accounting)		
Forward exchange contracts	\$ 68,970	\$ 89,201
Interest rate swaps	347,569	163,452
Currency swaps	2,406,421	6,276,172
Currency put option premiums	<u>58,995</u>	<u>65,997</u>
	<u>\$ 2,881,955</u>	<u>\$ 6,594,822</u>

The Bank entered into derivative contracts during the years ended December 31, 2024 and 2023 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2024 and 2023 were as follows:

	December 31	
	2024	2023
Currency swaps	\$ 428,920,217	\$ 357,121,116
Currency options	21,936,081	16,876,937
Forward exchange contracts	8,228,173	10,503,383
Interest rate swaps	93,627,915	67,850,100

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2024	2023
Investments in equity instruments at FVTOCI		
Domestic listed stocks	\$ 19,696,299	\$ 20,287,125
Domestic unquoted stocks	13,698,022	11,990,722
Beneficiary and asset-based securities	<u>196,076</u>	<u>226,125</u>
	<u>33,590,397</u>	<u>32,503,972</u>
Investments in debt instruments at FVTOCI		
Government bonds	135,024,289	56,332,006
Corporate bonds	49,872,159	70,915,762
Bank notes	65,618,949	66,551,570
Bonds issued by international organizations	8,834,054	17,025,855
Beneficiary and asset-based securities	8,911,091	14,160,870
Investments in bills	-	245,683
	<u>268,260,542</u>	<u>225,231,746</u>
	<u>\$ 301,850,939</u>	<u>\$ 257,735,718</u>

A portion of investments in equity instruments is for strategic instruments and not held for trading, the management designated these investments as at FVTOCI.

- a. Refer to Note 10 for information relating to their credit risk management and impairment of investments in debt instruments at FVTOCI.
- b. The par value of bonds provided for transactions with repurchase agreements was \$11,190,300 thousand and \$11,698,975 thousand as of December 31, 2024 and 2023, respectively.
- c. Government bonds placed as deposits in courts amounted to \$424,825 thousand and \$385,100 thousand as of December 31, 2024 and 2023, respectively. Government bonds placed as operating deposits amounted to \$315,572 thousand and \$330,000 thousand as of December 31, 2024 and 2023, respectively; government bonds placed as a reserve fund for trust compensation amounted to \$277,799 thousand and \$220,000 thousand as of December 31, 2024 and 2023, respectively; overseas branches' bonds provided as collateral for operations were \$483,331 thousand and \$438,649 thousand as of December 31, 2024 and 2023, respectively. Refer to Note 36 for information relating to investments in debt instruments at FVTOCI pledged as security.

9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2024	2023
Investments in bills	\$ 362,392,924	\$ 318,855,112
Bank notes	91,057,722	65,010,577
Corporate bonds	9,160,822	7,588,197
Government bonds	27,493,537	31,778,216
Bonds issued by international organizations	4,166,899	11,628,878
Beneficiary and asset-based securities	<u>17,730,593</u>	<u>18,239,084</u>
	<u>\$ 512,002,497</u>	<u>\$ 453,100,064</u>

- a. Refer to Note 10 for information relating to their credit risk management and impairment of investments in financial assets at amortized cost.
- b. The amounts of the overseas branches' bonds provided as collateral for operations were \$163,925 thousand and \$153,525 thousand as of December 31, 2024 and 2023, respectively.
- c. Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand; certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of December 31, 2024 and 2023.
- d. Refer to Note 36 for information relating to investments in debt instruments at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at FVTOCI and as at amortized cost.

December 31, 2024

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 274,088,088	\$ 512,033,212
Less: Allowance for impairment loss	(49,113)	(30,715)
Amortized cost	274,038,975	<u>\$ 512,002,497</u>
Adjustment to fair value	(5,778,433)	
	<u>\$ 268,260,542</u>	

December 31, 2023

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 230,127,496	\$ 453,119,274
Less: Allowance for impairment loss	(57,291)	(19,210)
Amortized cost	230,070,205	<u>\$ 453,100,064</u>
Adjustment to fair value	(4,838,459)	
	<u>\$ 225,231,746</u>	

The Bank invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank's exposure and the external credit ratings are continuously monitored and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In determining the expected credit losses for debt instrument investments, the Bank considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses. The Bank's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired
Default	There is objective evidence of impairment at the reporting date	Lifetime expected credit losses

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

December 31, 2024

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.4204%	<u>\$ 274,088,088</u>	<u>\$ 512,033,212</u>

December 31, 2023

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.4012%	<u>\$ 230,127,496</u>	<u>\$ 453,119,274</u>

At FVTOCI

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Defaulted (Lifetime ECLs - Credit- impaired)	
Balance at January 1, 2024	\$ 57,291	\$ -	\$ -	\$ 57,291
Purchase of investments in debt instruments	5,803	-	-	5,803
Derecognition	(16,257)	-	-	(16,257)
Change in exchange rates or others	<u>2,276</u>	<u>-</u>	<u>-</u>	<u>2,276</u>
Balance at December 31, 2024	<u>\$ 49,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,113</u>
Balance at January 1, 2023	\$ 49,454	\$ -	\$ -	\$ 49,454
Purchase of investments in debt instruments	5,538	-	-	5,538
Derecognition	(4,778)	-	-	(4,778)
Change in exchange rates or others	<u>7,077</u>	<u>-</u>	<u>-</u>	<u>7,077</u>
Balance at December 31, 2023	<u>\$ 57,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,291</u>

At amortized cost

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Defaulted (Lifetime ECLs - Credit- impaired)	
Balance at January 1, 2024	\$ 19,210	\$ -	\$ -	\$ 19,210
Purchase of investments in debt instruments	9,762	-	-	9,762
Derecognition	(890)	-	-	(890)
Change in exchange rates or others	<u>2,633</u>	<u>-</u>	<u>-</u>	<u>2,633</u>
Balance at December 31, 2024	<u>\$ 30,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,715</u>
Balance at January 1, 2023	\$ 13,081	\$ -	\$ -	\$ 13,081
Purchase of investments in debt instruments	6,241	-	-	6,241
Derecognition	(135)	-	-	(135)
Change in exchange rates or others	<u>23</u>	<u>-</u>	<u>-</u>	<u>23</u>
Balance at December 31, 2023	<u>\$ 19,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,210</u>

11. RECEIVABLES, NET

a. Details of receivables

	December 31	
	2024	2023
Accounts receivable	\$ 5,773,591	\$ 3,799,634
Accrued incomes	4,042	5,689
Interests receivable	9,518,897	8,075,519
Acceptances receivable	3,952,490	4,131,672
Credit cards accounts receivable	4,170,975	3,117,085
Settlement price	660,184	1,060,929
Accounts receivable for settlement	784,042	993,648
Other receivables	<u>268,737</u>	<u>250,031</u>
	25,132,958	21,434,207
Less: Allowance for impairment loss	<u>(453,173)</u>	<u>(338,046)</u>
	<u>\$ 24,679,785</u>	<u>\$ 21,096,161</u>

b. Allowance for impairment loss

1) Movements in the allowance for impairment loss

For the Year Ended December 31, 2024						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Receivables						
Beginning balance	\$ 15,363	\$ 3,874	\$ 141,806	\$ 161,043	\$ 177,003	\$ 338,046
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(2,533)	2,545	(12)	-	-	-
Transfers to credit-impaired financial assets	(1,813)	(199)	2,012	-	-	-
Transfers to 12-month expected credit losses	1,413	(378)	(1,035)	-	-	-
Financial assets derecognized for the period	(13,278)	(1,681)	3,883	(11,076)	-	(11,076)
Purchased or originated financial assets	11,085	1,402	19,137	31,624	-	31,624
Recognized impairment difference based on the regulations of the procedures for banking institutions to evaluate assets and deal with non-performing loans and bad debts	-	-	-	-	105,815	105,815
Doubtful debts written off	-	-	(20,651)	(20,651)	-	(20,651)
Changes in exchange rates or others	80	11	9,324	9,415	-	9,415
Ending balance	<u>\$ 10,317</u>	<u>\$ 5,574</u>	<u>\$ 154,464</u>	<u>\$ 170,355</u>	<u>\$ 282,818</u>	<u>\$ 453,173</u>

For the Year Ended December 31, 2023						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Receivables						
Beginning balance	\$ 11,624	\$ 3,040	\$ 139,147	\$ 153,811	\$ 246,270	\$ 400,081
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(697)	833	(136)	-	-	-
Transfers to credit-impaired financial assets	(622)	(230)	852	-	-	-
Transfers to 12-month expected credit losses	630	(363)	(267)	-	-	-
Financial assets derecognized for the period	(8,927)	(1,135)	11,077	1,015	-	1,015

(Continued)

For the Year Ended December 31, 2023						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Purchased or originated financial assets	\$ 13,345	\$ 1,727	\$ 12,708	\$ 27,780	\$ -	\$ 27,780
Recognized impairment difference based on the regulations of the procedures for banking institutions to evaluate assets and deal with non-performing loans and bad debts	-	-	-	-	(69,267)	(69,267)
Doubtful debts written off	-	-	(21,487)	(21,487)	-	(21,487)
Changes in exchange rates or others	10	2	(88)	(76)	-	(76)
Ending balance	<u>\$ 15,363</u>	<u>\$ 3,874</u>	<u>\$ 141,806</u>	<u>\$ 161,043</u>	<u>\$ 177,003</u>	<u>\$ 338,046</u>

(Concluded)

2) Movements in the total carrying amount of receivables

For the Year Ended December 31, 2024				
	12-month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 20,972,677	\$ 215,762	\$ 245,768	\$ 21,434,207
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(32,133)	32,193	(60)	-
Transfers to credit-impaired financial assets	(11,906)	(613)	12,519	-
Transfers to 12-month expected credit losses	23,234	(14,929)	(8,305)	-
Purchased or originated financial assets	12,233,896	112,607	42,376	12,388,879
Derecognized	(8,554,514)	(150,546)	(16,944)	(8,722,004)
Doubtful debts written off	-	-	(20,651)	(20,651)
Changes in exchange rates or others	37,766	928	13,833	52,527
Ending balance	<u>\$ 24,669,020</u>	<u>\$ 195,402</u>	<u>\$ 268,536</u>	<u>\$ 25,132,958</u>

	For the Year Ended December 31, 2023			Total
	12-month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	
Beginning balance	\$ 22,356,743	\$ 140,547	\$ 250,948	\$ 22,748,238
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(19,210)	20,213	(1,003)	-
Transfers to credit-impaired financial assets	(2,469)	(616)	3,085	-
Transfers to 12-month expected credit losses	13,081	(11,364)	(1,717)	-
Purchased or originated financial assets	11,613,160	149,148	30,444	11,792,752
Derecognized	(12,997,453)	(82,389)	(14,371)	(13,094,213)
Doubtful debts written off	-	-	(21,487)	(21,487)
Changes in exchange rates or others	<u>8,825</u>	<u>223</u>	<u>(131)</u>	<u>8,917</u>
Ending balance	<u>\$ 20,972,677</u>	<u>\$ 215,762</u>	<u>\$ 245,768</u>	<u>\$ 21,434,207</u>

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	December 31	
	2024	2023
Negotiated and discounted	\$ 1,745,853	\$ 1,417,246
Overdrafts	1,167,870	1,062,889
Short-term loans	431,777,325	405,294,657
Margin loans receivable	447,349	330,535
Medium-term loans	656,124,372	596,991,145
Long-term loans	880,569,687	801,205,790
Overdue loans	<u>2,733,127</u>	<u>2,916,414</u>
	1,974,565,583	1,809,218,676
Less: Allowance for impairment loss	<u>(24,705,587)</u>	<u>(22,111,484)</u>
	<u>\$ 1,949,859,996</u>	<u>\$ 1,787,107,192</u>

Loans of which the accrual of interest income had ceased internally as of December 31, 2024 and 2023 were \$2,733,127 thousand and \$2,916,414 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the years ended December 31, 2024 and 2023 were \$90,467 thousand and \$92,742 thousand, respectively.

The Bank did not write off any loans without legal claims process for the years ended December 31, 2024 and 2023.

b. Allowance for impairment loss

1) Movements in the allowance for impairment loss

For the Year Ended December 31, 2024						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Discounts and loans						
Beginning balance	\$ 2,822,073	\$ 2,905,673	\$ 2,371,543	\$ 8,099,289	\$ 14,012,195	\$ 22,111,484
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(43,344)	47,019	(3,675)	-	-	-
Transfers to credit-impaired financial assets	(1,750)	(34,449)	36,199	-	-	-
Transfers to 12-month expected credit losses	845,754	(843,543)	(2,211)	-	-	-
Financial assets derecognized for the period	(2,134,516)	(1,038,181)	(138,910)	(3,311,607)	-	(3,311,607)
Purchased or originated financial assets	1,042,089	1,260,913	1,045,069	3,348,071	-	3,348,071
Recognized impairment difference based on the regulations of the procedures for banking institutions to evaluate assets and deal with non-performing loans and bad debts	-	-	-	-	4,168,079	4,168,079
Doubtful debts written off	-	-	(1,647,119)	(1,647,119)	-	(1,647,119)
Changes in exchange rates or others	13,679	7,256	15,744	36,679	-	36,679
Ending balance	<u>\$ 2,543,985</u>	<u>\$ 2,304,688</u>	<u>\$ 1,676,640</u>	<u>\$ 6,525,313</u>	<u>\$ 18,180,274</u>	<u>\$ 24,705,587</u>

For the Year Ended December 31, 2023						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Discounts and loans						
Beginning balance	\$ 2,695,633	\$ 2,842,301	\$ 4,089,850	\$ 9,627,784	\$ 12,113,104	\$ 21,740,888
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(80,732)	84,628	(3,896)	-	-	-
Transfers to credit-impaired financial assets	(1,481)	(23,123)	24,604	-	-	-
Transfers to 12-month expected credit losses	520,936	(517,132)	(3,804)	-	-	-
Financial assets derecognized for the period	(1,729,718)	(1,323,701)	327,933	(2,725,486)	-	(2,725,486)

(Continued)

For the Year Ended December 31, 2023						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Purchased or originated financial assets	\$ 1,416,690	\$ 1,842,422	\$ 1,399,961	\$ 4,659,073	\$ -	\$ 4,659,073
Recognized impairment difference based on the regulations of the procedures for banking institutions to evaluate assets and deal with non-performing loans and bad debts	-	-	-	-	1,899,091	1,899,091
Doubtful debts written off	-	-	(3,465,262)	(3,465,262)	-	(3,465,262)
Changes in exchange rates or others	745	278	2,157	3,180	-	3,180
Ending balance	<u>\$ 2,822,073</u>	<u>\$ 2,905,673</u>	<u>\$ 2,371,543</u>	<u>\$ 8,099,289</u>	<u>\$ 14,012,195</u>	<u>\$ 22,111,484</u>

(Concluded)

2) Movements in the total carrying amount of discounts and loans

For the Year Ended December 31, 2024				
	12-month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 1,725,727,876	\$ 75,103,998	\$ 8,386,802	\$ 1,809,218,676
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(15,810,272)	15,832,277	(22,005)	-
Transfers to credit-impaired financial assets	(1,062,387)	(833,353)	1,895,740	-
Transfers to 12-month expected credit losses	10,563,661	(10,543,636)	(20,025)	-
Purchased or originated financial assets	880,988,534	35,376,854	2,332,208	918,697,596
Doubtful debts written off	-	-	(1,647,119)	(1,647,119)
Derecognized	(713,759,219)	(39,562,499)	(4,452,727)	(757,774,445)
Changes in exchange rates or others	5,793,785	250,183	26,907	6,070,875
Ending balance	<u>\$ 1,892,441,978</u>	<u>\$ 75,623,824</u>	<u>\$ 6,499,781</u>	<u>\$ 1,974,565,583</u>

	For the Year Ended December 31, 2023			
	12-month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 1,603,852,056	\$ 71,717,346	\$ 12,013,893	\$ 1,687,583,295
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(12,871,950)	12,912,675	(40,725)	-
Transfers to credit-impaired financial assets	(1,109,034)	(670,574)	1,779,608	-
Transfers to 12-month expected credit losses	8,846,046	(8,810,785)	(35,261)	-
Purchased or originated financial assets	804,550,259	38,706,167	3,915,967	847,172,393
Doubtful debts written off	-	-	(3,465,262)	(3,465,262)
Derecognized	(677,926,049)	(38,771,372)	(5,791,360)	(722,488,781)
Changes in exchange rates or others	<u>386,548</u>	<u>20,541</u>	<u>9,942</u>	<u>417,031</u>
Ending balance	<u>\$ 1,725,727,876</u>	<u>\$ 75,103,998</u>	<u>\$ 8,386,802</u>	<u>\$ 1,809,218,676</u>

- c. Details of provision for bad debts expense, commitment and guarantee for the years ended December 31, 2024 and 2023

	For the Year Ended December 31	
	2024	2023
Provision for receivable and loan (including overdue loan) losses	\$ 3,118,232	\$ 3,096,991
(Reversal) provision for loan commitment	(207,046)	177,448
Provision for guarantee liability	91,820	14,980
Provision for others	<u>219</u>	<u>15</u>
	<u>\$ 3,003,225</u>	<u>\$ 3,289,434</u>

13. OTHER FINANCIAL ASSETS

	December 31	
	2024	2023
Time deposits with original maturities of more than 3 months	\$ 6,143,080	\$ 7,574,000
Exchange bills negotiated	10,758	169
Overdue receivables	3,594	3,475
Call loans to security brokers	-	153,525
Less: Allowance for impairment loss	<u>(3,702)</u>	<u>(3,477)</u>
	<u>\$ 6,153,730</u>	<u>\$ 7,727,692</u>

The ranges of market rates for time deposits with original maturities of more than 3 months were approximately 1.90%-2.65% and 2.90%-3.00% for the years ended December 31, 2024 and 2023, respectively.

14. INVESTMENTS MEASURED BY EQUITY METHOD

	December 31	
	2024	2023
Investments in subsidiaries		
Chang Hua Commercial Bank, Ltd.	\$ 14,230,268	\$ 13,535,630
Chang Hwa Bank Venture Capital Co., Ltd.	<u>1,296,007</u>	<u>1,181,392</u>
	<u>\$ 15,526,275</u>	<u>\$ 14,717,022</u>

15. PROPERTY AND EQUIPMENT

	December 31	
	2024	2023
Assets used by the Bank	\$ 20,497,860	\$ 20,136,940
Assets leased under operating leases	<u>220,724</u>	<u>210,812</u>
	<u>\$ 20,718,584</u>	<u>\$ 20,347,752</u>

a. Asset used by the Bank

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Construction in Progress and Prepayment for Building and Equipment	Total
Cost								
Balance at January 1, 2024	\$ 14,962,032	\$ 8,204,395	\$ 4,522,947	\$ 741,835	\$ 1,534,475	\$ 1,013,162	\$ 648,469	\$ 31,627,315
Additions	110,069	76,198	339,320	39,196	75,559	14,442	480,470	1,135,254
Disposals	-	-	(124,789)	(35,886)	(27,808)	(16,748)	-	(205,231)
Reclassification	(47,484)	399,297	10,332	-	3,106	14,828	(659,124)	(279,045)
Transfers to assets leased under operating leases	-	(32,832)	-	-	-	-	-	(32,832)
Effect of foreign currency exchange differences	-	-	1,193	513	1,444	2,623	47	5,820
Balance at December 31, 2024	<u>\$ 15,024,617</u>	<u>\$ 8,647,058</u>	<u>\$ 4,749,003</u>	<u>\$ 745,658</u>	<u>\$ 1,586,776</u>	<u>\$ 1,028,307</u>	<u>\$ 469,862</u>	<u>\$ 32,251,281</u>
Accumulated depreciation and impairment								
Balance at January 1, 2024	\$ -	\$ 4,719,213	\$ 3,846,168	\$ 649,518	\$ 1,356,576	\$ 918,900	\$ -	\$ 11,490,375
Disposals	-	-	(124,013)	(35,496)	(27,745)	(16,749)	-	(204,003)
Depreciation expense	-	167,907	229,255	24,394	46,628	25,238	-	493,422
Reclassification	-	(17,939)	-	-	-	-	-	(17,939)
Transfers to assets leased under operating leases	-	(13,766)	-	-	-	-	-	(13,766)
Effect of foreign currency exchange differences	-	-	950	380	1,357	2,645	-	5,332
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 4,855,415</u>	<u>\$ 3,952,360</u>	<u>\$ 638,796</u>	<u>\$ 1,376,816</u>	<u>\$ 930,034</u>	<u>\$ -</u>	<u>\$ 11,753,421</u>
Carrying amount at December 31, 2024	<u>\$ 15,024,617</u>	<u>\$ 3,791,643</u>	<u>\$ 796,643</u>	<u>\$ 106,862</u>	<u>\$ 209,960</u>	<u>\$ 98,273</u>	<u>\$ 469,862</u>	<u>\$ 20,497,860</u>
Cost								
Balance at January 1, 2023	\$ 14,817,873	\$ 8,463,742	\$ 4,448,864	\$ 733,587	\$ 1,523,268	\$ 981,109	\$ 486,933	\$ 31,455,376
Additions	169,468	184,273	150,596	34,542	72,758	17,978	188,303	817,918
Disposals	-	(385,436)	(76,549)	(26,390)	(63,088)	-	-	(551,463)
Reclassification	(25,309)	(25,460)	-	-	1,582	14,437	(26,779)	(61,529)
Transfers to assets leased under operating leases	-	(32,724)	-	-	-	-	-	(32,724)
Effect of foreign currency exchange differences	-	-	36	96	(45)	(362)	12	(263)
Balance at December 31, 2023	<u>\$ 14,962,032</u>	<u>\$ 8,204,395</u>	<u>\$ 4,522,947</u>	<u>\$ 741,835</u>	<u>\$ 1,534,475</u>	<u>\$ 1,013,162</u>	<u>\$ 648,469</u>	<u>\$ 31,627,315</u>
Accumulated depreciation and impairment								
Balance at January 1, 2023	\$ -	\$ 4,745,204	\$ 3,709,137	\$ 651,692	\$ 1,378,268	\$ 891,895	\$ -	\$ 11,376,196
Disposals	-	(238,856)	(76,086)	(26,211)	(62,969)	-	-	(404,122)
Depreciation expense	-	166,004	213,100	23,991	41,324	27,184	-	471,603
Reclassification	-	62,629	-	-	-	-	-	62,629
Transfers to assets leased under operating leases	-	(15,768)	-	-	-	-	-	(15,768)
Effect of foreign currency exchange differences	-	-	17	46	(47)	(179)	-	(163)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 4,719,213</u>	<u>\$ 3,846,168</u>	<u>\$ 649,518</u>	<u>\$ 1,356,576</u>	<u>\$ 918,900</u>	<u>\$ -</u>	<u>\$ 11,490,375</u>
Carrying amount at December 31, 2023	<u>\$ 14,962,032</u>	<u>\$ 3,485,182</u>	<u>\$ 676,779</u>	<u>\$ 92,317</u>	<u>\$ 177,899</u>	<u>\$ 94,262</u>	<u>\$ 648,469</u>	<u>\$ 20,136,940</u>

b. Assets leased under operating leases

	Buildings
<u>Cost</u>	
Balance at January 1, 2024	\$ 459,229
Transfers from assets used by the Bank	<u>32,832</u>
Balance at December 31, 2024	<u>\$ 492,061</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2024	\$ 248,417
Depreciation expense	9,154
Transfers from assets used by the Bank	<u>13,766</u>
Balance at December 31, 2024	<u>\$ 271,337</u>
Carrying amount at December 31, 2024	<u>\$ 220,724</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 426,505
Transfers from assets used by the Bank	<u>32,724</u>
Balance at December 31, 2023	<u>\$ 459,229</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2023	\$ 224,254
Depreciation expense	8,395
Transfers from assets used by the Bank	<u>15,768</u>
Balance at December 31, 2023	<u>\$ 248,417</u>
Carrying amount at December 31, 2023	<u>\$ 210,812</u>

Operating leases relate to leases of buildings with lease terms between 1 and 20 years without an option to extend lease terms. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments for property used by the Bank was as follows:

	December 31	
	2024	2023
Year 1	\$ 43,516	\$ 46,782
Year 2	39,689	41,684
Year 3	15,639	25,435
Year 4	8,374	11,315
Year 5	6,892	6,723
Year 6 onwards	<u>1,149</u>	<u>1,121</u>
	<u>\$ 115,259</u>	<u>\$ 133,060</u>

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

Buildings	
Main buildings	20-60 years
Air-conditioning units	5-10 years
Machinery equipment	4-16 years
Transportation equipment	2-10 years
Miscellaneous equipment	3-10 years
Leasehold improvements	5 years

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2024	2023
<u>Carrying amount</u>		
Land	\$ 1,156	\$ 807
Buildings	1,859,079	1,813,975
Machinery equipment	4,671	9,683
Transportation equipment	78,757	89,458
Miscellaneous equipment	<u>13,417</u>	<u>10,183</u>
	<u>\$ 1,957,080</u>	<u>\$ 1,924,106</u>

	For the Year Ended December 31	
	2024	2023
Additions to right-of-use assets	<u>\$ 713,694</u>	<u>\$ 676,781</u>
Depreciation charge for right-of-use assets		
Land	\$ 850	\$ 887
Buildings	640,916	638,251
Machinery equipment	5,453	5,684

(Continued)

	For the Year Ended December 31	
	2024	2023
Transportation equipment	\$ 40,863	\$ 36,502
Miscellaneous equipment	<u>8,209</u>	<u>7,561</u>
	<u>\$ 696,291</u>	<u>\$ 688,885</u>
		(Concluded)

b. Lease liabilities

	December 31	
	2024	2023
Carrying amount	<u>\$ 1,829,323</u>	<u>\$ 1,770,550</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2024	2023
Land	0.31%-1.81%	0.31%-1.24%
Buildings	0.20%-5.52%	0.20%-5.52%
Machinery equipment	0.31%-4.91%	0.31%-4.49%
Transportation equipment	0.35%-4.71%	0.35%-3.53%
Miscellaneous equipment	0.26%-4.89%	0.26%-3.60%

c. Material lease-in activities and terms

The Bank leases certain buildings for operations of branches with lease terms from 3 to 15 years. The lease contract for offices located in New York specifies that lease payments are subject to 4 modifications during the lease terms and the Bank can sublease the underlying assets. The lease contracts for offices located in Hong Kong and Taiwan specify that the premium for lease is \$64,406 thousand and lease payments will be adjusted each year. In addition, the Bank was prohibited from subleasing all or any portion of the underlying assets.

The Bank did not have significant acquisition of lease contracts for the years ended December 31, 2024 and 2023.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment are set out in Notes 15 and 17.

	For the Year Ended December 31	
	2024	2023
Expenses relating to short-term leases	<u>\$ 38,386</u>	<u>\$ 36,568</u>
Expenses relating to low-value asset leases	<u>\$ 28,921</u>	<u>\$ 20,532</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 250,616</u>	<u>\$ 214,287</u>
Total cash outflow for leases	<u>\$ (317,923)</u>	<u>\$ (271,387)</u>

The Bank's leases of certain land, buildings, transportation equipment and miscellaneous equipment qualify as short-term leases and leases of certain land, machinery equipment and miscellaneous equipment qualify as low-value asset leases. The Bank has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

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

	December 31	
	2024	2023
Lease commitments	<u>\$ 25,093</u>	<u>\$ 22,081</u>

17. INVESTMENT PROPERTY

	Completed Investment Property
<u>Cost</u>	
Balance at January 1, 2024	\$ 14,290,300
Additions	11,795
Retirements	(11,241)
Reclassification	<u>77,103</u>
Balance at December 31, 2024	<u>\$ 14,367,957</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2024	\$ 417,603
Depreciation expense	7,638
Retirements	(7,990)
Reclassification	<u>17,939</u>
Balance at December 31, 2024	<u>\$ 435,190</u>
Carrying amount at December 31, 2024	<u>\$ 13,932,767</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 14,233,604
Additions	1,820
Reclassification	<u>54,876</u>
Balance at December 31, 2023	<u>\$ 14,290,300</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2023	\$ 388,011
Depreciation expense	6,603
Reclassification	<u>22,989</u>
Balance at December 31, 2023	<u>\$ 417,603</u>
Carrying amount at December 31, 2023	<u>\$ 13,872,697</u>

The abovementioned investment property is leased out for 1 to 20 years with no option to extend. The lease contracts contain market review clauses in the event that the lessee exercises their options to extend. The lessees do not have a bargain purchase options to acquire the investment property at the expiry of the lease period.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2024 and 2023 was as follows:

	December 31	
	2024	2023
Year 1	\$ 218,240	\$ 175,029
Year 2	227,996	164,680
Year 3	136,906	138,029
Year 4	100,994	61,992
Year 5	91,093	43,692
Year 6 onwards	<u>238,263</u>	<u>159,654</u>
	<u>\$ 1,013,492</u>	<u>\$ 743,076</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	20-60 years
Air-conditioning	5-10 years

The investment properties are measured and stated at cost in the balance sheets. For management's purpose, the Bank periodically measures the fair value of investment properties in accordance with the Bank's internal rules and procedures. The Bank conducts valuation process regularly, which is measured by level 3 inputs. The fair values were \$34,017,161 thousand and \$30,640,227 thousand as of December 31, 2024 and 2023, respectively.

All investment properties are own right and interest.

Rental income and direct operating expenses generated by the investment property for the years ended December 31, 2024 and 2023 were as follows:

	For the Year Ended December 31	
	2024	2023
Rental incomes	<u>\$ 172,441</u>	<u>\$ 165,689</u>
Direct operating expenses	<u>\$ 106,433</u>	<u>\$ 100,515</u>

18. INTANGIBLE ASSETS

	Computer Software
Balance at January 1, 2024	\$ 905,986
Additions	137,613
Amortization expense	(326,860)
Reclassification	192,498
Effect of foreign currency exchange differences and others	<u>107</u>
Balance at December 31, 2024	<u>\$ 909,344</u>
Balance at January 1, 2023	\$ 1,062,279
Additions	231,331
Amortization expense	(394,890)
Reclassification	6,653
Effect of foreign currency exchange differences and others	<u>613</u>
Balance at December 31, 2023	<u>\$ 905,986</u>

The intangible asset mentioned above is amortized on a straight-line basis over the estimated useful life of 3 to 5 years.

19. OTHER ASSETS

	December 31	
	2024	2023
Refundable deposits	\$ 916,609	\$ 2,677,256
Assumed collateral and residuals	196,328	195,720
Less: Accumulated impairment	(127,415)	(23,418)
Prepayments	256,874	171,553
Prepaid pension cost	265,855	-
Others	<u>8,490</u>	<u>609</u>
	<u>\$ 1,516,741</u>	<u>\$ 3,021,720</u>

20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2024	2023
Deposits from the Central Bank	\$ 24,897	\$ 24,839
Deposits from banks	136,429	269,680
Overdrafts on banks	313,496	371,766
Call loans from banks	113,724,080	112,035,171
Deposits transferred from Chunghwa Post Co., Ltd.	<u>120,131,299</u>	<u>157,599</u>
	<u>\$ 234,330,201</u>	<u>\$ 112,859,055</u>

21. PAYABLES

	December 31	
	2024	2023
Checks issued to payees for clearing	\$ 5,519,762	\$ 14,927,967
Accounts payable	2,298,715	2,245,814
Accrued expenses	3,530,717	3,055,188
Accrued interests	6,625,982	5,874,118
Acceptances	4,006,207	4,219,358
Others	<u>5,636,874</u>	<u>5,789,478</u>
	<u>\$ 27,618,257</u>	<u>\$ 36,111,923</u>

22. DEPOSITS AND REMITTANCES

	December 31	
	2024	2023
Checking account deposits	\$ 49,880,450	\$ 52,061,653
Demand deposits	571,722,632	552,371,123
Time deposits	749,497,790	712,603,582
Negotiable certificates of deposit	3,515,332	3,985,498
Savings account deposits	1,231,212,647	1,136,359,002
Remittances	<u>1,350,989</u>	<u>1,584,099</u>
	<u>\$ 2,607,179,840</u>	<u>\$ 2,458,964,957</u>

23. BANK NOTES PAYABLE

The Bank has issued bank notes to enhance its capital adequacy ratio and raised medium to long-term operating funds. The information of the bank notes is as follows:

The Bank issued \$2,200 million subordinated bank notes A 103-1 with 7-year term on April 16, 2014. The Bank notes had been redeemed on April 16, 2021.

The Bank issued \$5,300 million subordinated bank notes B 103-1 with 10-year term on April 16, 2014. The Bank notes had been redeemed on April 16, 2024.

The Bank issued \$2,500 million subordinated bank notes C 103-1 with 10-year term on April 16, 2014. The Bank notes had been redeemed on April 16, 2024.

The Bank issued \$3,000 million subordinated bank notes A 105-1 with 7-year term on September 27, 2016. The Bank notes had been redeemed on September 27, 2023.

The Bank issued \$3,300 million subordinated bank notes B 105-1 with 10-year term on September 27, 2016.

The Bank issued \$1,530 million subordinated bank notes A 106-1 with 7-year term on March 29, 2017. The Bank notes had been redeemed on March 29, 2024.

The Bank issued \$8,670 million subordinated bank notes B 106-1 with 10-year term on March 29, 2017.

The Bank issued \$7,000 million perpetual subordinated bank notes 107-1 on April 26, 2018. Callable 5 years and 3 months after issue date.

The Bank issued \$3,000 million perpetual subordinated bank notes 107-2 on November 8, 2018. Callable 5 years and 1 month after issue date.

The Bank issued \$5,960 million perpetual subordinated bank notes 108-1 on June 27, 2019. Callable 5 years and 1 month after issue date.

The Bank issued \$4,040 million perpetual subordinated bank notes 109-1 on May 27, 2020. Callable 5 years and 1 month after issue date.

The Bank issued \$6,800 million perpetual subordinated bank notes 109-2 on December 25, 2020. Callable 5 years and 1 month after issue date.

The Bank issued \$1,000 million senior bank notes 112-1 with 5-year term on February 22, 2023.

The Bank issued \$1,000 million senior bank notes 113-1 with 5-year term on February 5, 2024.

The outstanding balance and details of subordinated bank notes are as follows:

Bank Note, Interest Rate and Maturity Date	December 31	
	2024	2023
<u>Non-hedged bank notes payable</u>		
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	\$ -	\$ 5,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	-	2,500,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	3,300,000	3,300,000
106-1 Note A, 7-year term, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	-	1,530,000
106-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000
108-1, no maturity date, interest payable annually, interest rate 1.90%	5,960,000	5,960,000
109-1, no maturity date, interest payable annually, interest rate 1.40%	4,040,000	4,040,000
109-2, no maturity date, interest payable annually, interest rate 1.25%	6,800,000	6,800,000
112-1, 5-year term, interest payable annually, interest rate 1.40%, maturity date: February 22, 2028	1,000,000	1,000,000
113-1, 5-year term, interest payable annually, interest rate 1.50%, maturity date: February 5, 2029	1,000,000	-
Valuation adjustment	<u>35,410</u>	<u>63,511</u>
	<u>\$ 40,805,410</u>	<u>\$ 49,163,511</u>

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2024	2023
Principal received on structured notes	\$ 1,225,162	\$ 1,072,471
Appropriations for loans	<u>65,069</u>	<u>161,787</u>
	<u>\$ 1,290,231</u>	<u>\$ 1,234,258</u>

The principals as received on structured notes were the hybrid instruments issued at fixed income. The related income of structured notes was determined by the interest rates linked to targets.

25. OTHER LIABILITIES

	December 31	
	2024	2023
Advance receipts	\$ 834,251	\$ 780,750
Guarantee deposits	3,929,820	1,614,385
Deferred revenue	20,923	9,847
Business tax received	<u>5,591</u>	<u>-</u>
	<u>\$ 4,790,585</u>	<u>\$ 2,404,982</u>

26. RESERVE FOR LIABILITIES

	December 31	
	2024	2023
Reserve for employee benefits (Note 27)	\$ 1,610,392	\$ 2,210,264
Reserve for guarantee liabilities	746,891	655,012
Reserve for loan commitments	161,499	367,404
Reserve for decommissioning restoration and rehabilitation costs	28,983	37,368
Reserve for contingencies	130	-
Others	<u>31,997</u>	<u>31,665</u>
	<u>\$ 2,579,892</u>	<u>\$ 3,301,713</u>

Movements in reserve for guarantee liabilities, reserve for loans commitments and reserve for others were as follows:

For the Year Ended December 31, 2024						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations	Total
Beginning balance	\$ 528,034	\$ 53,099	\$ 19,642	\$ 600,775	\$ 453,306	\$ 1,054,081
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(4,076)	4,076	-	-	-	-
Transfers to 12-months expected credit losses	6,782	(6,782)	-	-	-	-
Financial instruments derecognized for the period	(411,038)	(45,694)	(53)	(456,785)	-	(456,785)
Purchased or originated financial instruments	141,775	5,311	86	147,172	-	147,172
Recognized impairment difference based on regulations	-	-	-	-	195,064	195,064
Changes in exchange rates and others	841	14	-	855	-	855
Ending balance	<u>\$ 262,318</u>	<u>\$ 10,024</u>	<u>\$ 19,675</u>	<u>\$ 292,017</u>	<u>\$ 648,370</u>	<u>\$ 940,387</u>
For the Year Ended December 31, 2023						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations	Total
Beginning balance	\$ 350,928	\$ 39,276	\$ 22,256	\$ 412,460	\$ 461,195	\$ 873,655
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(1,868)	1,868	-	-	-	-
Transfers to 12-months expected credit losses	6,050	(5,437)	(613)	-	-	-
Financial instruments derecognized for the period	(142,905)	(11,633)	(2,001)	(156,539)	-	(156,539)
Purchased or originated financial instruments	315,798	29,033	-	344,831	-	344,831
Recognized impairment difference based on regulations	-	-	-	-	(7,889)	(7,889)
Changes in exchange rates and others	31	(8)	-	23	-	23
Ending balance	<u>\$ 528,034</u>	<u>\$ 53,099</u>	<u>\$ 19,642</u>	<u>\$ 600,775</u>	<u>\$ 453,306</u>	<u>\$ 1,054,081</u>

27. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Bank in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Bank has no right to influence the investment policy and strategy.

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

	December 31	
	2024	2023
Present value of defined benefit obligation	\$ 7,867,754	\$ 8,236,631
Fair value of the plan assets	<u>(8,133,609)</u>	<u>(7,609,423)</u>
Surplus (deficit)	<u>\$ (265,855)</u>	<u>\$ 627,208</u>

Certain overseas branches of the bank, in compliance with local regulations, have allocated accrued pension liabilities of \$11,685 thousand and \$10,609 thousand as of December 31, 2024 and 2023, respectively.

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2024	<u>\$ 8,236,631</u>	<u>\$ (7,609,423)</u>	<u>\$ 627,208</u>
Service cost			
Current service cost	174,429	-	174,429
Net interest cost	<u>98,915</u>	<u>(92,227)</u>	<u>6,688</u>
Recognized in profit or loss	<u>273,344</u>	<u>(92,227)</u>	<u>181,117</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(691,186)	(691,186)
Actuarial (gain) loss			
- changes in financial assumptions	(185,721)	-	(185,721)
- experience adjustments	<u>277,574</u>	<u>-</u>	<u>277,574</u>
Recognized in other comprehensive income	<u>91,853</u>	<u>(691,186)</u>	<u>(599,333)</u>
Contributions from the employer	-	(474,847)	(474,847)
Benefits paid	<u>(734,074)</u>	<u>734,074</u>	<u>-</u>
Balance at December 31, 2024	<u>\$ 7,867,754</u>	<u>\$ (8,133,609)</u>	<u>\$ (265,855)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2023	<u>\$ 8,220,462</u>	<u>\$ (7,719,255)</u>	<u>\$ 501,207</u>
Service cost			
Current service cost	181,776	-	181,776
Net interest cost	<u>139,081</u>	<u>(132,732)</u>	<u>6,349</u>
Recognized in profit or loss	<u>320,857</u>	<u>(132,732)</u>	<u>188,125</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(30,778)	(30,778)
Actuarial (gain) loss			
- changes in financial assumptions	328,287	-	328,287
- experience adjustments	<u>(268)</u>	<u>-</u>	<u>(268)</u>
Recognized in other comprehensive income	<u>328,019</u>	<u>(30,778)</u>	<u>297,241</u>
Contributions from the employer	-	(359,365)	(359,365)
Benefits paid	<u>(632,707)</u>	<u>632,707</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 8,236,631</u>	<u>\$ (7,609,423)</u>	<u>\$ 627,208</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Bank is exposed to the following risks:

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

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

	December 31	
	2024	2023
Discount rate(s)	1.55%	1.25%
Expected rate(s) of salary increase	2.05%	2.05%

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

	December 31	
	2024	2023
Discount rate(s)		
0.25% increase	<u>\$ (149,777)</u>	<u>\$ (166,690)</u>
0.25% decrease	<u>\$ 154,302</u>	<u>\$ 171,986</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 153,154</u>	<u>\$ 170,193</u>
0.25% decrease	<u>\$ (149,414)</u>	<u>\$ (165,803)</u>

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

	December 31	
	2024	2023
The expected contributions to the plan for the next year	<u>\$ 176,700</u>	<u>\$ 184,325</u>
The average duration of the defined benefit obligation	10 years	10 years

c. Plan of high-yield savings account for employee

The Bank has the obligation to pay premium interest on the high-yield savings account of its present employees and retired employees. Such obligation is recognized based on its internal guidelines in the Rules of Employee Preferential Deposit for Retired Employees. Refer to Note 29 for information on related expenses.

- 1) Reconciliation of assets and liabilities at the end of the reporting period with the present value of defined benefit obligation and the fair value of plan assets was as follows:

	December 31	
	2024	2023
Present value of defined benefit obligation	\$ 1,598,707	\$ 1,572,447
Less: Fair value of defined benefit plan assets	<u>-</u>	<u>-</u>
Assets and liabilities at the end of the reporting period	<u>\$ 1,598,707</u>	<u>\$ 1,572,447</u>

- 2) Analysis of defined benefit obligation

	December 31	
	2024	2023
All or part of defined benefit obligation contributed	\$ -	\$ -
Defined benefit obligation not contributed	<u>1,598,707</u>	<u>1,572,447</u>
	<u>\$ 1,598,707</u>	<u>\$ 1,572,447</u>

3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31	
	2024	2023
Balance at January 1	\$ 1,572,447	\$ 1,584,141
Interest cost	59,904	60,349
Actuarial gains and losses	263,847	220,635
Benefits paid	<u>(297,491)</u>	<u>(292,678)</u>
Balance at December 31	<u>\$ 1,598,707</u>	<u>\$ 1,572,447</u>

4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2024	2023
Balance at January 1	\$ -	\$ -
Contribution by employers	297,491	292,678
Benefits paid	<u>(297,491)</u>	<u>(292,678)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2024	2023
Interest cost	\$ 59,904	\$ 60,349
Actuarial gains and losses	<u>263,847</u>	<u>220,635</u>
	<u>\$ 323,751</u>	<u>\$ 280,984</u>

6) Main actuarial assumptions

	For the Year Ended December 31	
	2024	2023
Discount rate of high-yield savings account for employee	4.00%	4.00%
Return rate of funds deposited	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Probability of future high-yield savings account system change	50.00%	50.00%
Mortality rate	Based on Taiwan Life Insurance Industry Mortality Tables 6	Based on Taiwan Life Insurance Industry Mortality Tables 6
Rate provided to ordinary clients for similar deposit	1.63%-1.77%	1.63%-1.77%

28. EQUITY

a. Capital

Common stock

	December 31	
	2024	2023
Share authorized (in thousands)	<u>12,000,000</u>	<u>12,000,000</u>
Capital authorized	<u>\$ 120,000,000</u>	<u>\$ 120,000,000</u>
Shares issued and fully paid (in thousands)	<u>11,205,758</u>	<u>10,858,293</u>
Capital stock issued	<u>\$ 112,057,583</u>	<u>\$ 108,582,930</u>

Fully paid common stock, which have a par value at \$10, carry one vote per stock and carry a right to dividends.

As of January 1, 2023, the Bank's authorized and registered capital was \$120,000,000 thousand divided into 12,000,000 thousand shares at \$10 par value; the total paid-in capital was \$105,934,566 thousand. In August 2024 and 2023, the paid-in capital was increased by \$3,474,653 thousand and \$2,648,364 thousand, respectively. As of December 31, 2024 and 2023, the Bank's authorized capital was both of \$120,000,000 thousand; the number of authorized shares was both of 12,000,000 thousand shares, and the paid-in capital was \$112,057,583 thousand and \$108,582,930 thousand, representing 11,205,758 thousand shares and 10,858,293 thousand shares respectively, both of which are ordinary shares with a par value of \$10 per share.

b. Retained earnings and dividends policy

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank generates profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing distribution plan, and 30% to 100% of the basis for proposing distribution plan should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of compensation of employees and remuneration of directors after amendment, refer to Note 29 (g) "Compensation of employees and remuneration of directors".

To ensure the Bank has sufficient cash for present and future expansion plans and to enhance the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than \$0.1 per share, the Bank will not distribute any cash dividends, unless otherwise resolved in the stockholders' meeting.

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

The amendments explicitly stipulate that when a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient. Before the amendment of the Articles, the special reserve is appropriated from the prior unappropriated earnings.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate 0.5%-1.0% net income as a special reserve when distributing surplus earnings for 2016, 2017 and 2018. Since 2017, the Bank should reverse an amount which is the same as the distributed surplus earnings mentioned above for the expense of employees' bridging-over arrangements and settlements caused by the development of financial technology.

The Bank cannot distribute cash dividends or purchase treasury stock if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital as based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria from the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 2023 and 2022 were approved in the stockholders' meetings on June 21, 2024 and June 16, 2023, respectively. The appropriations of earnings and dividends per stock were as follows:

	For the Year Ended December 31	
	2023	2022
Legal reserve	<u>\$ 4,010,977</u>	<u>\$ 3,631,282</u>
Cash dividends	<u>\$ 5,972,061</u>	<u>\$ 5,826,401</u>
Share dividends	<u>\$ 3,474,653</u>	<u>\$ 2,648,364</u>
Cash dividends per share (NT\$)	\$ 0.55	\$ 0.55
Share dividends per share (NT\$)	\$ 0.32	\$ 0.25

c. Special reserve

	December 31	
	2024	2023
Initial application of IFRSs	<u>\$ 12,201,590</u>	<u>\$ 12,201,590</u>

The special reserve relating to land may be reversed on the disposal or reclassification of the related assets. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRS Accounting Standards. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

29. NET INCOME

a. Net interest income

	For the Year Ended December 31	
	2024	2023
Interest income		
Loans	\$ 53,963,381	\$ 47,165,205
Due from and call loans to banks	4,680,218	3,818,528
Investments in marketable securities	16,338,135	12,499,597
Others	<u>269,292</u>	<u>305,902</u>
	<u>75,251,026</u>	<u>63,789,232</u>
Interest expense		
Deposits	(43,853,940)	(35,973,650)
Due to Central Bank and call loans from banks	(7,387,130)	(4,765,376)
Others	<u>(1,595,935)</u>	<u>(1,444,720)</u>
	<u>(52,837,005)</u>	<u>(42,183,746)</u>
Net interest income	<u>\$ 22,414,021</u>	<u>\$ 21,605,486</u>

b. Net service fee income

	For the Year Ended December 31	
	2024	2023
Service fee income		
Fees from import and export	\$ 215,310	\$ 215,273
Remittance fees	350,174	345,332
Loan fees	1,244,642	758,627
Fees from trust	1,808,446	1,111,618
Fees from trust business	595,236	437,813
Fees from insurance agency	2,935,717	2,293,241
Others (1) (2)	<u>1,465,543</u>	<u>1,356,157</u>
	<u>8,615,068</u>	<u>6,518,061</u>
Service charge		
Interbank charges	(193,931)	(181,210)
Charges from trust	(2,450)	(1,444)
Custodian charges	(162,142)	(110,420)
Charges from insurance agency	(364,247)	(255,359)
Others	<u>(1,051,278)</u>	<u>(833,565)</u>
	<u>(1,774,048)</u>	<u>(1,381,998)</u>
Net service fee income	<u>\$ 6,841,020</u>	<u>\$ 5,136,063</u>

- 1) The service fee income from electronic payment business was \$475 thousand and \$513 thousand for the years ended December 31, 2024 and 2023, respectively.
- 2) In accordance with “Regulation Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions”, the yield income from electronic payment business was \$3 thousand and \$2 thousand for the years ended December 31, 2024 and 2023, respectively.

c. Gain (loss) on financial assets or liabilities measured at FVTPL

	For the Year Ended December 31	
	2024	2023
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and mutual funds	\$ 2,523	\$ (4,209)
Bonds	(9,378)	(2,341)
Bills	(1)	(30)
Derivative financial instruments	8,475,485	7,834,621
Net interest gain	1,129,168	846,162
Stock dividends and bonus	<u>5,300</u>	<u>6,653</u>
	<u>9,603,097</u>	<u>8,680,856</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and mutual funds	(13,521)	(14,965)
Bonds	(15,046)	(157,774)
Bills	6,743	(9,824)
Derivative financial instruments	<u>(477,260)</u>	<u>943,813</u>
	<u>(499,084)</u>	<u>761,250</u>
	<u>\$ 9,104,013</u>	<u>\$ 9,442,106</u>

d. Realized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2024	2023
Stock dividends and bonus	\$ 1,792,139	\$ 1,533,563
Disposal gains		
Bonds	160,165	121,138
Disposal losses		
Beneficiary securities	(241,624)	(240,336)
Bonds	<u>(433,120)</u>	<u>(603,148)</u>
	<u>\$ 1,277,560</u>	<u>\$ 811,217</u>

e. Depreciation and amortization expense

	For the Year Ended December 31	
	2024	2023
Property and equipment	\$ 502,576	\$ 479,998
Investment property	7,638	6,603
Right-of-use assets	696,291	688,885
Intangible assets and other deferred assets	<u>327,287</u>	<u>395,387</u>
	<u>\$ 1,533,792</u>	<u>\$ 1,570,873</u>

f. Employee benefits expenses

	For the Year Ended December 31	
	2024	2023
Short-term employee benefits	\$ 11,551,549	\$ 10,800,775
Post-employment benefits		
Defined contribution plans	274,696	252,588
Defined benefit plans (Note 27)	181,117	188,125
High-yield savings account for employees (Note 27)	323,751	280,984
Other post-employment benefits	412,656	400,220
Termination benefits	<u>17,031</u>	<u>16,816</u>
	<u>\$ 12,760,800</u>	<u>\$ 11,939,508</u>

Salary adjustments for 2024:

- 1) The bank considering the changes in prices and referencing the salary standards of the financial industry, proactively planned and implemented salary structure adjustments and conducted the 2024 annual employee salary review. This ensured that employees who had reached the maximum base salary for their position could still benefit from a salary increase within the revised base salary cap.
- 2) The bank's 2024 salary adjustment was implemented through a combination of "project salary adjustments" and "performance salary adjustment":
 - a) Project salary adjustment: The 2023 annual individual performance evaluation for those with ratings from 1 to 6 was conducted with a fixed salary adjustment of 4% of the monthly base salary.
 - b) Performance salary adjustment: To encourage mid- and junior-level employees at grade 8 and below to actively pursue promotions, retain high-performing employees, and further implement differentiated salary adjustments based on performance, an additional 1% salary increase will be granted on top of the standard performance salary adjustment rates for employees who have been promoted or appointed to grades 2 to 8 within the past three years. The performance salary adjustment for the current year (2024) is structured as follows:

Performance Evaluation Ratings	6	5A	5B	4A	4B	4C	3
Category one: General employee salary adjustment ratio	4.8%	4%	3.8%	3.2%	3%	2.8%	1%
Category two: Salary adjustment rate for employees promoted or appointed to levels 2-8 within 3 years (inclusive)	5.8%	5%	4.8%	4.2%	4%	3.8%	2%

- 3) The annual salary adjustment in 2024 was implemented on April 1, 2024. The average salary increase of 6.23%. (the lunch allowance will be increased by to 7.13%). Employees with outstanding performance may receive an increase of up to 9.8%, marking the highest salary adjustment in the company's history.

The Salary Adjustment Plan in 2024			
2023 Rating	All Members Salary Adjustment		
	Project Salary Adjustment	Performance Salary Adjustment	
	Salary Adjustment (Monthly Salary)	General Employees (Adjustment)	Grades 2 to 8 within 3 Years (Inclusive) (Adjustment)
6 (premium)	4%	4.8%	5.8%
5A (excellent)		4.0%	5.0%
5B (excellent)		3.8%	4.8%
4A (good)		3.2%	4.2%
4B (well)		3.0%	4.0%
4C (normal)		2.8%	3.8%
3 (qualified)		1.0%	2.0%
2 (unqualified)		0	
1 (unqualified)		0	
Average		6.23%	

g. Compensation of employees and remuneration of directors

According to the Bank's Articles, the Bank accrued compensation of employees and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2024 and 2023, which were approved by the Bank's board of directors on March 2025 and March 20, 2024, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2024 (Expected)	2023
Compensation of employees	5.1%	5.0%
Remuneration of directors	0.4%	0.4%

Amount

	For the Year Ended December 31	
	2024 (Expected)	2023
Compensation of employees	\$ 981,276	\$ 858,114
Remuneration of directors	\$ 77,837	\$ 68,649

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

Due to changes in accounting estimates, the actual amount of compensation of employees and directors' remuneration, which was resolved in the meeting of the board of directors dated on March 20, 2024 and March 25, 2023 differs from what was accrued in the financial statements. The difference was then adjusted to profit and loss for 2024 and 2023.

	For the Year Ended December 31			
	2023		2022	
	Compensation of Employees	Remuneration of Directors	Compensation of Employees	Remuneration of Directors
Amounts approved in the board of directors' meeting	\$ 858,114	\$ 68,649	\$ 689,611	\$ 55,169
Amounts recognized in the annual financial statements	\$ 864,242	\$ 69,400	\$ 692,192	\$ 55,000
Differences	\$ (6,128)	\$ (751)	\$ (2,581)	\$ 169

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

30. INCOME TAX

- a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2024	2023
Current income tax		
In respect of the current period	\$ 3,640,797	\$ 2,684,659
Deferred income tax		
In respect of the current period	(251,686)	448,144
Income tax expense recognized in profit or loss	\$ 3,389,111	\$ 3,132,803

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

	For the Year Ended December 31	
	2024	2023
Profit before tax	\$ 18,334,482	\$ 16,114,945
Income tax expense calculated at the statutory rate	\$ 3,666,896	\$ 3,222,989
Non-deductible expenses in determining taxable income	-	16,132
Overseas branch's additional income of deferred tax effect	-	159,382
Tax-exempt income	(433,027)	(285,291)
Non-deductible tax of overseas branches	123,509	(22,361)
Adjustments for prior years' tax	(774)	(2,020)
Others	32,507	43,972
Income tax expense recognized in profit or loss	\$ 3,389,111	\$ 3,132,803

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2024	2023
<u>Deferred tax</u>		
In respect of the current year:		
Exchange differences on translation	\$ 143,757	\$ (7,740)
Unrealized valuation gains (losses) on financial assets at FVTOCI	63,573	55,030
Remeasurement of defined benefit plan	<u>119,852</u>	<u>(59,464)</u>
Total income tax benefit recognized in other comprehensive income	<u>\$ 327,182</u>	<u>\$ (12,174)</u>

c. Current tax assets and liabilities

	December 31	
	2024	2023
Current tax assets		
Others	<u>\$ 282,646</u>	<u>\$ 135,733</u>
Current tax liabilities		
Income tax payable	<u>\$ 1,816,181</u>	<u>\$ 1,767,700</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2024

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Doubtful debts	\$ 842,177	\$ 208,545	\$ -	\$ -	\$ 1,050,722
Others	<u>2,435,031</u>	<u>1,231,981</u>	<u>(327,182)</u>	<u>32,606</u>	<u>3,372,436</u>
	<u>\$ 3,277,208</u>	<u>\$ 1,440,526</u>	<u>\$ (327,182)</u>	<u>\$ 32,606</u>	<u>\$ 4,423,158</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	\$ 6,154,216	\$ -	\$ -	\$ -	\$ 6,154,216
Temporary differences	<u>3,714,576</u>	<u>1,188,840</u>	<u>-</u>	<u>-</u>	<u>4,903,416</u>
	<u>\$ 9,868,792</u>	<u>\$ 1,188,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,057,632</u>

For the year ended December 31, 2023

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences					
Doubtful debts	\$ 948,856	\$ (106,679)	\$ -	\$ -	\$ 842,177
Others	<u>2,323,808</u>	<u>109,176</u>	<u>12,174</u>	<u>(10,127)</u>	<u>2,435,031</u>
	<u>\$ 3,272,664</u>	<u>\$ 2,497</u>	<u>\$ 12,174</u>	<u>\$ (10,127)</u>	<u>\$ 3,277,208</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	\$ 6,154,216	\$ -	\$ -	\$ -	\$ 6,154,216
Temporary differences	<u>3,263,935</u>	<u>450,641</u>	<u>-</u>	<u>-</u>	<u>3,714,576</u>
	<u>\$ 9,418,151</u>	<u>\$ 450,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,868,792</u>

e. Income tax assessments

The Bank's income tax returns through 2022 had been examined and cleared by the tax authority.

31. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issued on August 21, 2024. The basic and diluted after-tax earnings per stock for 2023 were adjusted retrospectively as follows:

Unit: NT\$ Per Stock

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per stock	<u>\$ 1.20</u>	<u>\$ 1.16</u>
Diluted earnings per stock	<u>\$ 1.19</u>	<u>\$ 1.15</u>

The earnings and weighted average number of common stock outstanding in the computation of earnings per stock were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Net profit for the year	<u>\$ 14,945,371</u>	<u>\$ 12,982,142</u>

The weighted average number of common stock outstanding (in thousands of stock) is as follows:

	For the Year Ended December 31	
	2024	2023
Weighted average number of common stock used in the computation of basic earnings per stock	11,205,758	11,205,758
Effect of potentially dilutive common stock:		
Compensation of employees issued	<u>65,280</u>	<u>57,433</u>
Weighted average number of common stock used in the computation of diluted earnings per stock	<u>11,271,038</u>	<u>11,263,191</u>

The Bank may settle compensation or bonuses paid to employees in cash or stock; therefore, the Bank assumes that the entire amount of the compensation or bonus will be settled in stocks and the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per stock, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per stock until the number of stocks to be distributed to employees is resolved in the following year.

32. CAPITAL MANAGEMENT

a. Summary

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

- 1) The Bank's qualified regulatory capital should meet the requirement of capital adequacy regulations and reached the minimum capital adequacy ratio.
- 2) To ensure that the Bank is able to meet the capital needs, it should be evaluated periodically and observed the variation between regulatory capital and risk assets to keep common equity ratio in the interval approved by the board of directors.
- 3) Related to the calculation of qualified regulatory capital and legal capital were according to the regulation of administration.

b. Capital management procedures

The Bank kept capital adequacy ratio completely to meet the requirement of the administration and declared to the administration quarterly.

In addition, the capital management procedures for the overseas subsidiaries of the Bank were carried out according to the regulation of local administrations.

The Bank's capital adequacy performance, which was calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, was reported to the Asset and Liability Management Committee of the Bank periodically. The regulatory capital was classified into Tier 1 Capital, other Tier 1 Capital and Tier 2 Capital.

- 1) Tier 1 Capital: Include Common Equity and other Tier 1 Capital

Common Equity: Include common stock (include capital collected in advance), Capital reserves (exclude additional paid-in capital in excess of par - preferred stock), accumulated profit, reserve and adjusted equity. Deduct: Legal adjustments.

- 2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.
- 3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of financial assets at fair value through other comprehensive income convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

The following table illustrates the Bank's self-owned capital, risk-weighted assets and calculated capital adequacy. The Bank has conformed to the capital management regulation in the local authority for the years ended December 31, 2024 and 2023.

c. Capital adequacy

Item			Period	December 31, 2024	December 31, 2023
Self-owned capital	Common equity Tier I			\$ 179,558,643	\$ 165,982,206
	Other Tier I capital			26,800,000	26,800,000
	Tier II capital			42,329,791	43,595,912
	Self-owned capital			248,688,434	236,378,118
Risk-weighted assets	Credit risk	Standardized approach		1,669,012,693	1,571,143,399
		IRB		-	-
		Securitization		5,436,817	6,579,076
	Operation risk	Basic indicator approach		-	-
		Standardized approach/ optional standard		71,614,974	61,963,486
		Advanced internal rating based approach		-	-
	Market price risk	Standardized approach		19,706,050	23,327,571
		Internal model approach		-	-
	Total			1,765,770,534	1,663,013,532
Capital adequacy ratio				14.08%	14.21%
Common equity Tier I to risk-weighted assets ratio				10.17%	9.98%
Tier I capital to risk-weighted assets ratio				11.69%	11.59%
Leverage ratio				6.21%	6.29%

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital category of Banks.

Note 2: Annual financial report should include the capital adequacy ratio in current and previous period. Besides semiannual report should disclose the ratio the end of last year.

Note 3: Formula:

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

- e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- f. Leverage ratio = Tier I capital ÷ Adjusted average assets

33. FINANCIAL INSTRUMENTS

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

Fair value of financial assets and liabilities have material difference at carrying amount

December 31, 2024

<u>December 31, 2024</u>					
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 512,002,497	\$ 103,566,236	\$ 398,716,613	\$ -	\$ 502,282,849
<u>Financial liabilities</u>					
Bank notes payable	40,805,410	-	35,410	39,452,179	39,487,589

December 31, 2023

<u>December 31, 2023</u>					
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 453,100,064	\$ 96,629,717	\$ 348,033,766	\$ -	\$ 444,663,483
<u>Financial liabilities</u>					
Bank notes payable	49,163,511	-	63,511	48,576,924	48,640,435

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

- 1) Fair value hierarchy

December 31, 2024

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ -	\$ 72,146,323	\$ 114,750	\$ 72,261,073
Financial assets mandatorily measured at FVTPL				
Fund investments	-	-	114,750	114,750
Bond investments	-	1,515,406	-	1,515,406
Others	-	70,630,917	-	70,630,917
Financial assets at FVTOCI	156,884,577	131,268,340	13,698,022	301,850,939
Stock investments	19,696,299	-	13,698,022	33,394,321
Bond investments	128,081,111	131,268,340	-	259,349,451
Others	9,107,167	-	-	9,107,167
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	668,074	8,917,799	-	9,585,873
Liabilities				
Financial liabilities at FVTPL	-	2,881,955	-	2,881,955

December 31, 2023

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ -	\$ 69,554,468	\$ 70,231	\$ 69,624,699
Financial assets mandatorily measured at FVTPL				
Bond investments	-	512,769	-	512,769
Others	-	69,041,699	70,231	69,111,930
Financial assets at FVTOCI	145,830,510	99,914,486	11,990,722	257,735,718
Stock investments	20,287,125	-	11,990,722	32,277,847
Bond investments	110,910,707	99,914,486	-	210,825,193
Others	14,632,678	-	-	14,632,678
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	1,023,769	2,183,085	-	3,206,854
Liabilities				
Financial liabilities at FVTPL	-	6,594,822	-	6,594,822

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2024

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI
	Equity Instrument	Equity Instrument
Beginning balance	\$ 70,231	\$ 11,990,722
Recognized in profit or loss (loss on financial assets or liabilities measured at FVTPL)	(2,481)	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	1,707,300
Purchase	<u>47,000</u>	<u>-</u>
Ending balance	<u>\$ 114,750</u>	<u>\$ 13,698,022</u>

For the year ended December 31, 2023

	Financial Assets at FVTPL	Financial Assets at FVTOCI
Financial Assets	Equity Instrument	Equity Instrument
Beginning balance	\$ -	\$ 8,354,418
Recognized in profit or loss (loss on financial assets or liabilities measured at FVTPL)	(14,965)	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	3,636,304
Purchase	50,883	-
Transfer to Level 3	<u>34,313</u>	<u>-</u>
Ending balance	<u>\$ 70,231</u>	<u>\$ 11,990,722</u>

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Bank investments in listed stock, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Bank's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Bank are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Bank's investments in derivatives and equity investments without an active market are included in Level 3.

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

A quoted market price is used as the fair value when a financial instrument has an active market. Such market prices are provided by the Stock Exchange Corporation, Bloomberg and Reuters, which are all the foundation of fair values for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from the Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently and readily obtained and the price represents actual and frequent at arm's length transactions, then a financial instrument is deemed to have an active market. If the above conditions are not met, the market is deemed inactive. In general, a significant price variance between the purchase price and selling price or a significantly increasing price variance are both indicators of an inactive market.

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEx and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Bank usually adopt the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments without quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Bank need to make appropriate estimates based on assumptions.

- b) The types and nature of the valuation methods for financial instruments used by the Bank and its subsidiaries are as follows:
- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEx.
 - ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEx, and the Bank uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.
 - iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEx on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEx.
 - iv. Securitization instruments: Prices are those quoted from Bloomberg.
 - v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
 - vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
 - vii. Listed stock, call/put warrants and depository receipts: The closing price listed on TWSE or TPEx is adopted.
 - viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price or parameter of listed companies which have similar service attributes.

- ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.
- x. Derivatives:
 - i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
 - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
 - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
 - iv) Certain derivatives use the quoted price from counterparties.
- xi. Mix tools: The price from the active market, deal brokers and evaluation models is used.
- c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD), assuming the condition that the Bank does not default.

c. The impact of the interest rate benchmark reform

The financial instruments of the Bank affected by the interest rate benchmark reform include loan, floating-rate bonds and asset exchanges. The link of interest rate benchmark is London Interbank Offered Rate (LIBOR). It is expected that LIBOR will be replaced by the alternative interest rate recommended by the interest rate reform group of various countries; the differences of the two rates are discussed in the next paragraph.

LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes inter-bank credit discounts. The alternative interest rate recommended by the interest rate reform group of various countries is Overnight Financing Rate (secured or unsecured), which is a retrospective interest rate indicator calculated using actual transaction data, and does not include credit discounts. Therefore, when an existing contract is modified from a linked LIBOR to a linked Overnight Financing Rate, additional adjustments must be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

The Bank has formulated a plan for LIBOR conversion and exit and has handled risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to match the interest benchmark reform. The Bank has identified all the information systems and internal processes that need to be updated, and has updated some of them. For affected financial instrument contracts, the Group has completed amendments with most contract counterparties, and some of them are still in the process of agreement amendments.

Due to the interest benchmark reform, the Bank faces interest rate basis risks. If the Bank fails to complete the negotiation with the counterparty in the financial instrument, it will bring about material uncertainty, and trigger exposure to interest rate risk that the Bank had not expected.

December 31, 2023

		Projects Affected by Interest Rate Benchmark Reform Indicators	
		USD LIBOR	
		Amount of risk exposure	Number of Contracts
Non-derivative financial assets			
Holding bonds		\$ 1,919,650	6
d. Financial risk management objectives and policies			
1) Market risk			
a) The source and definition of market risk			
<p>Market risk is the uncertainty of changes in fair value of on- and off-balance sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.</p> <p>The major market risks of the Bank are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Bank's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.</p>			
b) Market risk management policy			
<p>The Bank classifies the financial instruments held by the Bank as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Bank establishes "Market Risk Management Regulation", "Derivative Financial Trading Process" and various financial instruments related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to assets and liabilities management committee.</p> <p>The market risk management regulations are as follows:</p> <ol style="list-style-type: none"> Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk. Follow the regulations of Basel Accord. Establish the market risk management system and economic capital allocation process. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR, and report the result of market risk monitoring to risk management committee periodically and the board of directors quarterly. 			

c) Market risk management procedures

According to “Whole Risk Management Policy”, risk management department is the second line of defense against the market risk. Risk management department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, risk management department establishes independent risk management process and ensures its effectiveness.

i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Bank reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Bank’s risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVO1, Delta, VaR, etc.

ii. Monitoring and reporting

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

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

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the risk management committee in order to improve the effectiveness of the market risk management.

iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. The Bank performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

i. Strategy

The Bank determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.

ii. Management policy and procedures

The Bank follows “Market Risk Management Rules”, “Derivative Financial Trading Process” and various financial instruments related regulations as the important management rules of trading book.

iii. Valuation policy

The trading positions are valued on a real-time or daily basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.

iv. Risk measuring methods

- i) The sensitivity of the interest rate changes of investment portfolio is measured by DVO1. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).
- ii) With regard to the Bank’s Value at Risk assumptions and calculation methods, refer to item i.
- iii) The Bank performs the stress test quarterly and report the result to risk management committee periodically.

e) Trading book interest rate risk management

i. Definition of interest rate risk

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

ii. Management procedures on trading book interest rate risk

The Bank defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.

iii. Measuring methods

The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DVO1. With regard to the Bank’s Value at Risk assumptions and calculation methods, please refer to item i.

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

The Bank’s banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenue and costs or assets and liabilities and causes a decrease in earnings or impairment of economic value.

ii. Management strategy on banking book interest rate risk

According to the Bank's interest rate risk management policy, the Bank has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Bank applies appropriate management strategy including on- and off-balance sheet adjustments and maintains appropriate amounts of assets and liabilities.

iii. Banking book interest rate risk report/range of measuring system

The Bank mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the asset and liability management committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the board of directors periodically to let the high-level management controls such risks.

g) Exchange rate risk management

i. Definition of exchange rate risk

Every financial derivative listed in the trading book is affected by changes in exchange rate risk factors that affect the profit and loss of the commodity, and all foreign exchange positions of the Bank must be included in the measurement. The exchange rate risk of the Bank is mainly due to the derivatives business as spot and forward foreign exchange and exchange rate options. Most of the foreign exchange transactions that the Bank engages in are based on the principle of leveling customer positions on the same day. The exchange rate option is based on back-to-back transactions, so the exchange rate risk assumed is relatively small.

ii. Exchange rate risk management policy, procedures and measuring methods

To control exchange rate risk, the Bank has set operating limits and stop-loss limits for the trading rooms and traders of each unit, and keep losses within an acceptable range.

Exchange rate derivatives use Delta, Gamma, Vega, and other sensitivity factors to measure the sensitivity of such commodities to exchange rates and their volatility.

The exchange rate risk is mainly based on the risk value control basis, refer to item i.

h) Equity security price risk management

i. Definition of equity security price risk

Equity security price risk is the valuation effect on the position held by the Bank when the equity security price changes. The Bank's equity security price risk mainly comes from public and over-the-counter stock, index futures and options.

ii. Equity security price risk management purpose

Avoid drastic fluctuations in the price of equity securities, which may adversely affect the Bank's financial position or suffer loss of earnings. Hoping to improve the efficiency of capital utilization and improve business operations.

iii. Equity security price risk management procedures

The Bank sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk management department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, risk management department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to risk management committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of trading book is monitored and controlled by VaR, please refer to item i.

The Bank would perform stress testing for the equity security price risk of non-trading position and report the result to risk management committee.

i) Market risk measuring method

i. Value at Risk, “VaR”

The Bank uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that the Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Bank has been using historical simulation method to calculate VaR since January 27, 2014. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Bank would use proxy to respond to the limitations mentioned above.

According to the Bank’s “Risk Management Committee Establishment Points”, the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the risk management committee. VaR is an important internal risk control in the Bank. The VaR limits of investment portfolio are approved annually by the risk management committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Bank’s risk management department.

- ii. As of December 31, 2024 and 2023, the Bank's VaR factors based on historical simulation method were as follows:

For the Year Ended December 31, 2024				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 270,077	\$ 420,201	\$ 122,842	\$ 160,561
Interest rate VaR	13,896	68,533	1,033	1,099
Equity securities VaR	<u>4,798</u>	<u>9,658</u>	<u>243</u>	<u>3,903</u>
Value at risk	<u>\$ 288,771</u>	<u>\$ 498,392</u>	<u>\$ 124,118</u>	<u>\$ 165,563</u>

For the Year Ended December 31, 2023				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 417,594	\$ 454,466	\$ 388,457	\$ 400,878
Interest rate VaR	44,938	87,737	1,303	1,339
Equity securities VaR	<u>2,801</u>	<u>5,638</u>	<u>-</u>	<u>-</u>
Value at risk	<u>\$ 465,333</u>	<u>\$ 547,841</u>	<u>\$ 389,760</u>	<u>\$ 402,217</u>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2024 and 2023 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

December 31, 2024			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,540,365	32.7850	\$ 312,780,867
GBP	57,398	41.1800	2,363,650
AUD	1,962,081	20.4200	40,065,694
HKD	852,748	4.2220	3,600,302
CAD	69,869	22.8600	1,597,205
CHF	74,663	36.3050	2,710,640
ZAR	2,368,163	1.7440	4,130,076
JPY	259,571,517	0.2096	54,406,190
EUR	1,197,424	34.1400	40,880,055
NZD	99,777	18.5000	1,845,875
RMB	6,156,024	4.4840	27,603,612

(Continued)

December 31, 2024			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 15,197,916	32.7850	\$ 498,263,676
GBP	53,434	41.1800	2,200,412
AUD	1,396,258	20.4200	28,511,588
HKD	1,401,266	4.2220	5,916,145
CAD	92,730	22.8600	2,119,808
CHF	39,560	36.3050	1,436,226
ZAR	2,999,694	1.7440	5,231,466
JPY	254,423,293	0.2096	53,327,122
EUR	1,148,753	34.1400	39,218,427
NZD	87,614	18.5000	1,620,859
RMB	6,843,662	4.4840	30,686,980
			(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

December 31, 2023			
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,290,227	30.7050	\$ 285,256,420
GBP	56,182	39.1200	2,197,840
AUD	2,653,052	21.0000	55,714,092
HKD	487,146	3.9290	1,913,997
CAD	79,666	23.2200	1,849,845
ZAR	4,088,106	1.6570	6,773,992
JPY	126,118,758	0.2171	27,380,382
EUR	965,627	34.0200	32,850,631
NZD	148,439	19.5000	2,894,561
RMB	8,922,290	4.3280	38,615,671

Financial liabilities

Monetary items			
USD	15,574,846	30.7050	478,225,646
GBP	53,758	39.1200	2,103,013
AUD	1,653,326	21.0000	34,719,846
HKD	470,128	3.9290	1,847,133
CAD	80,739	23.2200	1,874,760
ZAR	4,162,367	1.6570	6,897,042
JPY	173,844,448	0.2171	37,741,630
EUR	969,955	34.0200	32,997,869
NZD	111,055	19.5000	2,165,573
RMB	9,311,936	4.3280	40,302,059

For the years ended December 31, 2024 and 2023, net foreign exchange gains were \$1,053,833 thousand and \$724,134 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank and entities under its control.

3) Credit risk

a) Credit risk source and definition

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

b) Credit risk management policy

The related mechanism and procedures for monitoring credit risk includes:

- i. The Bank continuously improves its credit risk management technology and its efficiency to meet the requirements of internal operations, business scale and management objectives and buildup the risk management system that fits the requirement of accuracy and completeness of the Bank's risk management technology.
- ii. The Bank is building a complete monitoring mechanism, setting up a loan early warning system to track down bad indications and risk changes of high-risk credits, setting up "corporate clients' risk exposure and credit risk quick-search system" to understand the negative reporting and transactions with the Bank in order to enhance the credit risk's identification, measurement and monitoring and improve the quality of risk management.
- iii. "Chang Hwa Bank Customer Credit Define Notice and Control Index Notice" has been developed to strengthen the control of customer credit risk and to prevent the Bank's debts from being damaged.
- iv. To control concentration risk, the Bank sets limits for statutory single creditors, related companies, stakeholders limit of the Bank, industries, real estate, and high-risk industries in mainland China to monitor and control the overall credit risk. In addition, in order to effectively control the credit risk limit control of the Bank's credit, securities investment and derivative financial product transactions with customers, the credit risk limit of the same legal person and group companies are distinguished according to the risk rating, so as to strengthen the Bank's management on credit, investment and of derivative financial product transactions.
- v. The Bank actively utilizes the database system and related risk quantification tools to identify, measure and monitor risks. The Bank also adjusts risk management policies and procedures in a timely manner to implement an independent and professional risk management mechanism, which enhances risk management effectiveness.
- vi. The Bank implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Bank and in compliance with the requirements of the competent authority supervising risk management and improves the effectiveness of the Bank's risk management.

- vii. The Bank is holding sessions and training in risk management to strengthen risk management intelligence and increase the Group's financial institution of loan.
- viii. Information on credit risk would be presented to the high-level management periodically.

The Bank's expected credit loss and measuring methods for major business operations are described as follows:

i. Credit business (including loan commitments and guarantees)

The various types of credit assets of the Bank are classified as follows based on credit quality and internal and external ratings.

i) A determined significant increase in credit risk since initial recognition.

At the end of every reporting period, the Bank evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

For this credit risk evaluation, the Bank considers corroborative information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators

A change in internal credit rating

A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the score of a housing loan debtor is lower than 340.

- Qualitative indicators

A credit account is rated as ordinary overdue in accordance with the Bank's "Detailed Rules for the Processing of Ordinary-overdue Accounts".

The result of the credit review shows that the credit application and the loan application are inconsistent.

A list of early warning accounts and the latest financial statements show a net worth of less than three-fourths of the share capital.

ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Bank has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.

- The case has been negotiated and agreed upon in accordance with “The Statute for Consumer Debt Clearance” (excluding secured debt fulfilled under the original contractual conditions).
- The case is ruled to undergo restructuring or liquidation by the court.
- The case is ruled to be restricted by the court.
- The case is declared bankrupt by the court.
- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.
- Enterprises apply to the Ministry of Economic Affairs for credit and debt negotiation in accordance with the “Operating Guidelines for Assisting Enterprises in Bank Credit and Debt Negotiation by the Ministry of Economic Affairs”.
- The case involves a credit account which has an internal credit rating at the level of 19-21.
- The case is a mortgage loan credit account of the Bank which has no rating score.
- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Bank.

iii) Expected credit loss measurement

The Bank classifies credit assets into the following nine categories by the characteristics of the debtor’s industry and organization size:

Business	Combination
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	Legal person/group
	Overseas credit account
	Other groups
Individual banking loans	Individual - residential loan group
	Individual - other groups (unsecured)
	Individual - other groups (secured)

The Bank measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk

The Bank measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECLs based on past loss experience. The ECLs is the difference between the respective asset’s EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.

- Stage 2, significant increase in credit risk

The Bank measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.

- Stage 3, credit impairment

The Bank measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is determined using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Bank shall update the probability of default at least once a year.
- The EAD is the total expected exposure amount of default which includes the unsecured line of credit. The exposure amount of impairment-tested off-balance sheet assets (i.e. guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the credit risk standardized approach of the Capital Adequacy Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.
- The LGD is one minus the present value of the annual recovery rate. The annual recovery rate refers to the annual recovery amount of principal (including litigation expenses) and interest over non-performing loans plus accrued interest and litigation expenses.

iv) Forward-looking information

The Bank classifies credit assets as either corporate banking - domestic, corporate banking - overseas and individual banking business. Macroeconomic indicators for each the above categories are estimated using the domestic economic growth rate, global economic growth rate and the domestic unemployment rate, respectively, and are updated at least once a year.

Macroeconomic indicators include the actual statistical value of the past five years and predicted value of the current year and the next five years at the time of calculation. The forward-looking adjusted PD is adjusted based on the reasonableness of each value's predicted trend.

The total amount of undiscounted ECL at the time of initial recognition of the credit-impaired financial assets - loans which were purchased or originated is as follows:

	December 31	
	2024	2023
Discounts and loans	<u>\$ 2,332,208</u>	<u>\$ 3,915,967</u>

ii. Call loans to banks

The Bank evaluates the credit status of counterparties before deals are closed. The Bank grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Bank assesses the credit limits of counterparties by level and financial status; the Bank efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting.

Additionally, in accordance with the application of IFRS 9, the Bank performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

iii. Debt instruments

The Bank identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

A change in an external credit rating announced by international credit rating institutions (e.g. S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVTOCI. The measurement of ECL is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Bank measures ECL using such credit ratings it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

c) Credit risk hedging or mitigation policies

i. Collateral

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

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Bank has included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. For the Bank's credit extension, securities investment and derivative financial product transactions with customers, the credit risk limit for the same legal person and group company is distinguished according to the risk rating, to manage the concentration risk on the assets, and the Bank has set credit limits by industry, conglomerate, real estate loan, and high-risk industries in China to supervise concentration of credit risk in these categories, and control single counterparties, related companies, group, industries, and ultimate risks concentration of various types of credit risk by country. Various credit limits are regularly evaluated and revised in a timely manner based on the economic circumstances, financial environment and business development strategies, etc.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Bank's balance sheets:

December 31, 2024

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
		Collateral	Master Netting Arrangement	Other Credit Enhancements	
Discounts and loans	\$ 1,974,565,583	\$ 1,364,861,512	\$ -	\$ -	\$ 1,364,861,512
Financial assets at FVTPL	81,846,946	5,104,133	-	-	5,104,133
Investments in debt instruments at FVTOCI	268,260,542	10,225,407	-	-	10,225,407
Investments in debt instruments at amortized cost	512,002,497	-	-	-	-

December 31, 2023

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
		Collateral	Master Netting Arrangement	Other Credit Enhancements	
Discounts and loans	\$ 1,809,218,676	\$ 1,279,559,603	\$ -	\$ -	\$ 1,279,559,603
Financial assets at FVTPL	72,831,553	4,774,473	-	-	4,774,473
Investments in debt instruments at FVTOCI	225,231,746	8,241,920	-	-	8,241,920
Investments in debt instruments at amortized cost	453,100,064	-	-	-	-

The carrying amount of financial assets with maximum exposure is as follows:

Discounts and Loans				
December 31, 2024				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15 (Note)	\$ 1,155,755,312	\$ 26,645,962	\$ 67,616	\$ 1,182,468,890
Levels 16-18	-	46,988,601	756,730	47,745,331
Levels 19-21	-	-	4,047,090	4,047,090
No rating	<u>736,686,666</u>	<u>1,989,261</u>	<u>1,628,345</u>	<u>740,304,272</u>
Total carrying amount	<u>\$ 1,892,441,978</u>	<u>\$ 75,623,824</u>	<u>\$ 6,499,781</u>	<u>\$ 1,974,565,583</u>
Expected credit losses	\$ 2,543,985	\$ 2,304,688	\$ 1,676,640	\$ 6,525,313
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				<u>18,180,274</u>
				<u>\$ 24,705,587</u>

Note: In addition to quantitative indicators, the Bank takes qualitative indicators into consideration as well.

Discounts and Loans				
December 31, 2023				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15 (Note)	\$ 1,055,649,521	\$ 25,797,508	\$ 73,165	\$ 1,081,520,194
Levels 16-18	-	47,512,981	1,203,974	48,716,955
Levels 19-21	-	-	5,734,718	5,734,718
No rating	<u>670,078,355</u>	<u>1,793,509</u>	<u>1,374,945</u>	<u>673,246,809</u>
Total carrying amount	<u>\$ 1,725,727,876</u>	<u>\$ 75,103,998</u>	<u>\$ 8,386,802</u>	<u>\$ 1,809,218,676</u>
Expected credit losses	\$ 2,822,073	\$ 2,905,673	\$ 2,371,543	\$ 8,099,289
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				<u>14,012,195</u>
				<u>\$ 22,111,484</u>

Note: In addition to quantitative indicators, the Bank takes qualitative indicators into consideration as well.

Guarantees Issued in Guarantee Business				
December 31, 2024				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 51,778,132	\$ 853,654	\$ 76,135	\$ 52,707,921
Expected credit losses	118,886	2,597	19,589	141,072

Guarantees Issued in Guarantee Business				
December 31, 2023				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 55,648,944	\$ 911,921	\$ 76,135	\$ 56,637,000
Expected credit losses	204,821	12,082	19,642	236,545

Unused Loan Commitments				
December 31, 2024				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 101,214,411	\$ 1,621,113	\$ 279	\$ 102,835,803
Carry amount - cancellable	<u>638,780,739</u>	<u>13,604,953</u>	<u>6,886</u>	<u>652,392,578</u>
	<u>\$ 739,995,150</u>	<u>\$ 15,226,066</u>	<u>\$ 7,165</u>	<u>\$ 755,228,381</u>
Expected credit losses - non-cancellable	\$ 60,130	\$ 7,044	\$ 86	\$ 67,260
Expected credit losses - cancellable	<u>80,473</u>	<u>291</u>	<u>121</u>	<u>80,885</u>
	<u>\$ 140,603</u>	<u>\$ 7,335</u>	<u>\$ 207</u>	<u>\$ 148,145</u>

Unused Loan Commitments				
December 31, 2023				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 108,763,664	\$ 3,240,939	\$ 1	\$ 112,004,604
Carry amount - cancellable	<u>694,918,113</u>	<u>19,110,312</u>	<u>87,385</u>	<u>714,115,810</u>
	<u>\$ 803,681,777</u>	<u>\$ 22,351,251</u>	<u>\$ 87,386</u>	<u>\$ 826,120,414</u>
Expected credit losses - non-cancellable	\$ 84,165	\$ 40,120	\$ -	\$ 124,285
Expected credit losses - cancellable	<u>230,053</u>	<u>238</u>	<u>96</u>	<u>230,387</u>
	<u>\$ 314,218</u>	<u>\$ 40,358</u>	<u>\$ 96</u>	<u>\$ 354,672</u>

d) Maximum exposure to credit risk

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

As of December 31, 2024 and 2023, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) were as follows:

Financial Instrument Type	December 31	
	2024	2023
Unused loan commitments (excluding credit card)	\$ 102,835,803	\$ 112,004,604
Credit card commitments	335,136	204,468
Unused issued letters of credit	17,557,290	19,758,506
Guarantees issued in guarantee business	52,707,921	56,637,000

e) Situation of credit risk concentration

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

The Bank's information on prominent concentration of credit risk was as follows:

Industry Type	December 31, 2024	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 129,455,057	7
Manufacturing	473,226,635	24
Wholesale and retail	176,141,641	9
Real estate and leasing	165,479,904	8
Service	44,190,837	2
Individuals	714,642,151	36
Others	271,429,358	14

\$ 1,974,565,583

Industry Type	December 31, 2023	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 114,989,838	6
Manufacturing	470,060,546	26
Wholesale and retail	160,200,783	9
Real estate and leasing	157,807,542	9
Service	42,216,560	2
Individuals	645,838,552	36
Others	218,104,855	12

\$ 1,809,218,676

Geographic Location	December 31, 2024	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,832,510,106	93
America	75,502,876	4
Europe	36,160,158	2
Others	30,392,443	1

\$ 1,974,565,583

Geographic Location	December 31, 2023	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,688,192,221	93
America	65,670,773	4
Europe	29,602,142	2
Others	25,753,540	1

\$ 1,809,218,676

Securities Type	December 31, 2024	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 609,704,071	31
Secured		
Properties	1,170,737,535	59
Others	<u>194,123,977</u>	10
	<u>\$ 1,974,565,583</u>	
Securities Type	December 31, 2023	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 529,659,073	30
Secured		
Properties	1,090,480,952	60
Others	<u>189,078,651</u>	10
	<u>\$ 1,809,218,676</u>	

f) Financial assets credit quality and non-performing impairment analysis

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

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Bank may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Bank's liquidity risk management policy, the Bank clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and asset and liability committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Bank's funding liquidity.

As of December 31, 2024 and 2023, the ratio of the liquidity reserve were 27.75% and 23.85%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Bank adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to perform maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2024					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 25,600,416	\$ -	\$ -	\$ -	\$ -	\$ 25,600,416
Due from the Central Bank and call loans to banks	79,281,008	9,276,705	8,004,987	13,850,580	37,814,677	148,227,957
Financial assets at FVTPL	70,635,670	-	-	-	114,751	70,750,421
Receivables	18,785,688	1,243,216	1,573,883	799,552	125,066	22,527,405
Discounts and loans	101,913,707	141,683,665	187,034,878	271,259,513	1,000,123,042	1,702,014,805
Investments in equity instruments designated at FVTOCI	-	-	-	-	33,590,397	33,590,397
Investments in debt instruments at FVTOCI	-	99,243	2,067,706	9,051,107	119,919,371	131,137,427
Investments in debt instruments at amortized cost	194,574,935	14,202,626	43,450,101	64,634,962	40,787,183	357,649,807
Other maturity funds inflow items	-	-	-	-	30,208,974	30,208,974
	<u>490,791,424</u>	<u>166,505,455</u>	<u>242,131,555</u>	<u>359,595,714</u>	<u>1,262,683,461</u>	<u>2,521,707,609</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	129,496	20,018	1,815	120,119,237	-	120,270,566
Due to the Central Bank and banks	20,000	10,000	-	-	-	30,000
Securities sold under repurchase agreements	832,274	686,956	-	-	-	1,519,230
Payables	15,908,524	712,227	2,666,785	2,548,848	3,001,090	24,837,474
Deposits and remittances	173,649,705	243,595,511	210,428,500	364,092,624	993,311,796	1,985,078,136
Bank notes payable	-	-	-	3,000,000	37,770,000	40,770,000
Other maturity fund outflow items	19,596	37,542	26,989	267,564	2,711,117	3,062,808
	<u>190,559,595</u>	<u>245,062,254</u>	<u>213,124,089</u>	<u>490,028,273</u>	<u>1,036,794,003</u>	<u>2,175,568,214</u>
Gap	<u>\$ 300,231,829</u>	<u>\$ (78,556,799)</u>	<u>\$ 29,007,466</u>	<u>\$ (130,432,559)</u>	<u>\$ 225,889,458</u>	<u>\$ 346,139,395</u>

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2023					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 34,827,651	\$ -	\$ -	\$ -	\$ -	\$ 34,827,651
Due from the Central Bank and call loans to banks	53,834,824	6,420,414	7,266,902	11,495,010	34,072,383	113,089,533
Financial assets at FVTPL	69,046,524	-	-	-	70,232	69,116,756
Receivables	18,049,952	869,815	857,863	553,545	91,756	20,422,931
Discounts and loans	83,265,126	147,486,758	174,230,704	245,538,477	925,746,465	1,576,267,530
Investments in equity instruments designated at FVTOCI	-	-	-	-	32,503,972	32,503,972
Investments in debt instruments at FVTOCI	-	-	3,496,834	5,227,590	91,039,709	99,764,133
Investments in debt instruments at amortized cost	180,749,735	8,500,000	35,800,000	42,218,415	39,401,754	306,669,904
Other maturity funds inflow items	-	-	-	-	29,018,392	29,018,392
	<u>439,773,812</u>	<u>163,276,987</u>	<u>221,652,303</u>	<u>305,033,037</u>	<u>1,151,944,663</u>	<u>2,281,680,802</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	257,497	32,004	2,715	132,629	-	424,845
Due to the Central Bank and banks	13,020,000	10,000	-	-	-	13,030,000
Securities sold under repurchase agreements	640,680	922,719	-	-	-	1,563,399
Payables	31,817,095	617,100	2,207,979	1,878,847	2,430,095	38,951,116
Deposits and remittances	156,717,120	183,305,778	207,797,041	328,699,800	972,401,788	1,848,921,527
Bank notes payable	-	1,530,000	7,800,000	-	39,770,000	49,100,000
Other maturity fund outflow items	12,515	29,074	9,326	306,411	3,410,890	3,768,216
	<u>202,464,907</u>	<u>186,446,675</u>	<u>217,817,061</u>	<u>331,017,687</u>	<u>1,018,012,773</u>	<u>1,955,759,103</u>
Gap	<u>\$ 237,308,905</u>	<u>\$ (23,169,688)</u>	<u>\$ 3,835,242</u>	<u>\$ (25,984,650)</u>	<u>\$ 133,931,890</u>	<u>\$ 325,921,699</u>

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2024					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 87,077	\$ -	\$ -	\$ -	\$ -	\$ 87,077
Due from the Central Bank and call loans to banks	617,671	134,308	33,128	22,830	2,908	810,845
Financial assets at FVTPL	46,078	-	-	-	-	46,078
Receivables	301,224	116,560	103,146	18,283	17,927	557,140
Discounts and loans	508,596	340,323	385,524	290,152	4,538,056	6,062,651
Investments in debt instruments at FVTOCI	-	71,767	97,401	125,829	3,486,171	3,781,168
Investments in debt instruments at amortized cost	-	-	-	128,098	2,818,104	2,946,202
Other maturity fund inflow items	-	-	-	-	9,890	9,890
	<u>1,560,646</u>	<u>662,958</u>	<u>619,199</u>	<u>585,192</u>	<u>10,873,056</u>	<u>14,301,051</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	10,002	-	-	-	46	10,048
Due to the Central Bank and banks	1,892,836	766,000	20,000	-	-	2,678,836
Securities sold under repurchase agreements	-	301,500	-	-	-	301,500
Payables	495,625	88,365	19,068	13,217	32	616,307
Deposits and remittances	3,611,615	5,437,210	2,537,570	2,328,129	2,417,078	16,331,602
Other maturity fund outflow items	43,959	5,838	1,200	2,000	71,353	124,350
	<u>6,054,037</u>	<u>6,598,913</u>	<u>2,577,838</u>	<u>2,343,346</u>	<u>2,488,509</u>	<u>20,062,643</u>
Gap	<u>\$ (4,493,391)</u>	<u>\$ (5,935,955)</u>	<u>\$ (1,958,639)</u>	<u>\$ (1,758,154)</u>	<u>\$ 8,384,547</u>	<u>\$ (5,761,592)</u>

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2023					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 272,151	\$ -	\$ -	\$ -	\$ -	\$ 272,151
Due from the Central Bank and call loans to banks	1,086,279	612,768	52,995	98,305	3,147	1,853,494
Financial assets at FVTPL	16,543	-	-	-	-	16,543
Receivables	538,337	98,806	73,331	15,325	10,265	736,064
Discounts and loans	322,503	324,471	376,765	647,592	3,882,465	5,553,796
Investments in debt instruments at FVTOCI	112,753	223,919	361,401	213,233	2,469,534	3,380,840
Investments in debt instruments at amortized cost	15,030	50,132	135,048	396,262	2,326,276	2,922,748
Other maturity fund inflow items	5,000	-	-	-	69,034	74,034
	<u>2,368,596</u>	<u>1,310,096</u>	<u>999,540</u>	<u>1,370,717</u>	<u>8,760,721</u>	<u>14,809,670</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	6,611	-	-	-	66	6,677
Due to the Central Bank and banks	1,989,964	441,000	-	10,000	-	2,440,964
Securities sold under repurchase agreements	120,309	191,527	-	-	-	311,836
Payables	567,862	96,820	19,077	17,186	22	700,967
Deposits and remittances	3,988,556	4,943,562	2,509,590	2,791,313	2,731,637	16,964,658
Other maturity fund outflow items	50,211	2,710	-	14,216	3,210	70,347
	<u>6,723,513</u>	<u>5,675,619</u>	<u>2,528,667</u>	<u>2,832,715</u>	<u>2,734,935</u>	<u>20,495,449</u>
Gap	<u>\$ (4,354,917)</u>	<u>\$ (4,365,523)</u>	<u>\$ (1,529,127)</u>	<u>\$ (1,461,998)</u>	<u>\$ 6,025,786</u>	<u>\$ (5,685,779)</u>

Note: The amounts listed above were the position in U.S. dollars of the Bank.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Bank, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

(New Taiwan Dollars and Foreign Currencies Combined in Thousands of New Taiwan Dollars)

Item	December 31, 2024					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 123,091,246	\$ 165,588,927	\$ 78,056,770	\$ 42,342,869	\$ -	\$ 409,079,812
Inflows	124,981,775	168,358,315	79,679,141	43,466,842	-	416,486,073
Interest rate derivative instruments						
Outflows	-	-	-	-	-	-
Inflows	645,345	-	-	-	-	645,345
Others						
Outflows	-	-	-	-	-	-
Inflows	16,220	-	-	-	-	16,220
Total outflows	\$ 123,091,246	\$ 165,588,927	\$ 78,056,770	\$ 42,342,869	\$ -	\$ 409,079,812
Total inflows	\$ 125,643,340	\$ 168,358,315	\$ 79,679,141	\$ 43,466,842	\$ -	\$ 417,147,638

(New Taiwan Dollars and Foreign Currencies Combined in Thousands of New Taiwan Dollars)

Item	December 31, 2023					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 81,233,907	\$ 141,170,064	\$ 75,254,339	\$ 58,256,169	\$ 296,240	\$ 356,210,719
Inflows	80,709,478	140,651,780	74,657,858	58,227,120	307,050	354,553,286
Interest rate derivative instruments						
Outflows	-	-	-	-	-	-
Inflows	1,019,408	-	-	-	-	1,019,408
Others						
Outflows	-	-	-	-	-	-
Inflows	23,090	-	-	-	-	23,090
Total outflows	\$ 81,233,907	\$ 141,170,064	\$ 75,254,339	\$ 58,256,169	\$ 296,240	\$ 356,210,719
Total inflows	\$ 81,751,976	\$ 140,651,780	\$ 74,657,858	\$ 58,227,120	\$ 307,050	\$ 355,595,784

e) Maturity analysis of off-balance sheet items

Bank's off-balance sheet items - irrevocable loans, guarantees, and letters of credit - presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2024					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit card)	\$ 90,206,512	\$ 832,331	\$ 1,682,370	\$ 1,779,002	\$ 8,335,588	\$ 102,835,803
Credit card commitments	7	45	66	278	334,740	335,136
Unused issued letters of credit	17,327,492	229,798	-	-	-	17,557,290
Guarantees issued in guarantee business	52,621,167	412	29,961	-	56,381	52,707,921
	\$ 160,155,178	\$ 1,062,586	\$ 1,712,397	\$ 1,779,280	\$ 8,726,709	\$ 173,436,150

(In Thousands of New Taiwan Dollars)

Item	December 31, 2023					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit card)	\$ 99,909,625	\$ 1,055,149	\$ 153,566	\$ 1,891,066	\$ 8,995,198	\$ 112,004,604
Credit card commitments	10	76	85	337	203,960	204,468
Unused issued letters of credit	19,603,924	145,461	9,121	-	-	19,758,506
Guarantees issued in guarantee business	56,573,409	-	18,814	-	44,777	56,637,000
	\$ 176,086,968	\$ 1,200,686	\$ 181,586	\$ 1,891,403	\$ 9,243,935	\$ 188,604,578

34. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Item			December 31, 2024					December 31, 2023				
			Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Business Type												
Corporate finance	Secured		\$ 1,756,072	\$ 658,320,975	0.27%	\$ 7,970,404	453.88%	\$ 1,899,230	\$ 640,268,055	0.30%	\$ 7,524,747	396.20%
	Unsecured		165,865	601,602,457	0.03%	7,134,957	4,301.67%	355,876	523,112,069	0.07%	6,008,934	1,688.49%
Consumer finance	Mortgage loans (Note d)		534,671	467,954,575	0.11%	7,060,067	1,320.45%	439,924	410,440,414	0.11%	6,183,503	1,405.58%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		17,610	4,476,172	0.39%	59,836	339.78%	10,419	4,071,051	0.26%	49,898	478.91%
	Others (Note f)	Secured	623,558	240,561,042	0.26%	2,460,834	394.64%	483,150	230,090,157	0.21%	2,330,429	482.34%
		Unsecured	228	1,650,362	0.01%	19,489	8,547.81%	325	1,236,930	0.03%	13,973	4,299.38%
Total			3,098,004	1,974,565,583	0.16%	24,705,587	797.47%	3,188,924	1,809,218,676	0.18%	22,111,484	693.38%

Business Type \ Item		December 31, 2024					December 31, 2023				
		Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Credit card		\$ 5,371	\$ 4,130,316	0.13%	\$ 22,756	423.68%	\$ 3,324	\$ 2,958,934	0.11%	\$ 22,112	665.22%
No recourse receivable factoring (Note g)		-	4,657,377	-	96,574	-	-	3,248,039	-	82,480	-

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

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

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

Note d: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, their spouses or their minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

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

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

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Bank does not engage in cash cards business.

Item Business Type	December 31, 2024		December 31, 2023	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	\$ -	\$ 112	\$ -	\$ 167
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	2,095	16,665	864	16,207
Total	2,095	16,777	864	16,374

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

December 31, 2024			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Group (other holdings industry)	\$ 20,834,810	10.35
2	B Corporation (railway transportation industry)	19,399,297	9.63
3	C Group (steel smelting industry)	18,441,198	9.16
4	D Group (uncategorized other financial services)	14,035,975	6.97
5	E Group (steel manufacturing industry)	11,151,653	5.54
6	F Group (air transportation industry)	9,538,756	4.74
7	G Group (chemical raw material manufacturing)	9,510,571	4.72
8	H Group (real estate development industry)	9,392,000	4.66
9	I Group (integrated circuit manufacturing)	9,037,222	4.49
10	J Group (liquid crystal panel and components manufacturing industry)	8,566,597	4.25

December 31, 2023			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	B Corporation (railway transportation industry)	\$ 19,320,716	10.28
2	D Group (uncategorized other financial services)	15,853,600	8.43
3	A Group (other holdings industry)	13,424,933	7.14
4	J Group (liquid crystal panel and components manufacturing industry)	12,770,274	6.79
5	C Group (steel smelting industry)	11,943,756	6.35
6	G Group (chemical raw material manufacturing)	10,534,172	5.60
7	I Group (integrated circuit manufacturing)	9,081,532	4.83
8	E Group (steel manufacturing industry)	9,055,165	4.82
9	K Group (computer manufacturing)	8,289,129	4.41
10	H Group (real estate development industry)	8,132,000	4.33

Note a: Sorted by the balance of loans on December 31, 2024 and 2023, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

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

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2024				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,964,362,627	\$ 63,055,481	\$ 107,209,668	\$ 251,662,189	\$ 2,386,289,965
Interest-sensitive liabilities	662,477,189	1,228,177,097	154,506,099	53,163,230	2,098,323,615
Interest sensitivity gap	1,301,885,438	(1,165,121,616)	(47,296,431)	198,498,959	287,966,350
Net equity					172,695,971
Ratio of interest-sensitive assets to liabilities					113.72%
Ratio of interest sensitivity gap to net equity					166.75%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2023				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,823,919,093	\$ 64,565,992	\$ 78,357,214	\$ 197,534,058	\$ 2,164,376,357
Interest-sensitive liabilities	482,461,826	1,219,934,991	110,361,112	48,697,648	1,861,455,577
Interest sensitivity gap	1,341,457,267	(1,155,368,999)	(32,003,898)	148,836,410	302,920,780
Net equity					161,945,644
Ratio of interest-sensitive assets to liabilities					116.27%
Ratio of interest sensitivity gap to net equity					187.05%

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

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

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

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

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

Item	December 31, 2024				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 14,474,499	\$ 618,776	\$ 244,950	\$ 5,394,799	\$ 20,733,024
Interest-sensitive liabilities	22,237,602	2,291,677	1,832,165	-	26,361,444
Interest sensitivity gap	(7,763,103)	(1,672,901)	(1,587,215)	5,394,799	(5,628,420)
Net equity					623,792
Ratio of interest-sensitive assets to liabilities					78.65%
Ratio of interest sensitivity gap to net equity					(902.29%)

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

Item	December 31, 2023				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 14,767,521	\$ 801,721	\$ 651,492	\$ 3,948,973	\$ 20,169,707
Interest-sensitive liabilities	21,528,309	2,340,281	2,253,684	-	26,122,274
Interest sensitivity gap	(6,760,788)	(1,538,560)	(1,602,192)	3,948,973	(5,952,567)
Net equity					631,648
Ratio of interest-sensitive assets to liabilities					77.21%
Ratio of interest sensitivity gap to net equity					(942.39%)

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

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

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

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

d. Profitability

Item		December 31, 2024	December 31, 2023
Return on total assets	Pretax	0.61%	0.58%
	After tax	0.50%	0.47%
Return on net equity	Pretax	9.42%	9.03%
	After tax	7.68%	7.27%
Profit margin		36.29%	34.20%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2024 and 2023, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2024					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 2,643,123,452	\$ 346,927,361	\$ 170,538,247	\$ 220,613,869	\$ 251,025,810	\$ 370,311,834	\$ 1,283,706,331
Major maturity cash outflows	3,256,338,604	129,097,466	190,150,997	473,511,400	429,348,859	819,705,110	1,214,524,772
Gap	(613,215,152)	217,829,895	(19,612,750)	(252,897,531)	(178,323,049)	(449,393,276)	69,181,559

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2023					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 2,382,113,410	\$ 282,454,033	\$ 177,046,029	\$ 210,167,138	\$ 230,140,874	\$ 309,863,499	\$ 1,172,441,837
Major maturity cash outflows	3,040,156,182	134,856,312	173,412,615	397,651,604	444,446,490	704,453,515	1,185,335,646
Gap	(658,042,772)	147,597,721	3,633,414	(187,484,466)	(214,305,616)	(394,590,016)	(12,893,809)

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

(In Thousands of U.S. Dollars)

	Total	December 31, 2024				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 30,640,002	\$ 10,888,747	\$ 4,522,021	\$ 2,758,507	\$ 1,582,254	\$ 10,888,473
Major maturity cash outflows	35,060,602	13,882,878	8,856,470	3,748,332	4,290,097	4,282,825
Gap	(4,420,600)	(2,994,131)	(4,334,449)	(989,825)	(2,707,843)	6,605,648

(In Thousands of U.S. Dollars)

	Total	December 31, 2023				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 29,512,824	\$ 10,538,095	\$ 3,937,746	\$ 3,149,671	\$ 3,100,456	\$ 8,786,856
Major maturity cash outflows	35,092,149	14,129,358	7,242,338	3,792,608	5,076,604	4,851,241
Gap	(5,579,325)	(3,591,263)	(3,304,592)	(642,937)	(1,976,148)	3,935,615

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

f. Non-performing loan selling information

December 31, 2023							
Transaction Date	Trading Partners	Non-perform Loan Composition	Book Value	Price	Distribution Profit	Accompanying	Relationship
2022.12.8 sign up, 2023.1.30 settlement completed and strike a balance	SC Lowy Primary Investments, Ltd.	International lending (foreign currencies secured loan)	\$ -	\$ 91,482	\$ 91,482	None	None

g. Trust accounts

Under article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of December 31, 2024 and 2023 were as follows:

	December 31	
	2024	2023
Special purpose trust accounts - domestic	\$ 43,395,966	\$ 35,012,774
Special purpose trust accounts - foreign	104,910,411	85,697,738
Insurance trust	10,082	9,962
Retirement and breeds trust	2,788,861	1,961,320
Umbilical cord blood trust	17,152,325	16,023,737
Money claim and guarantee trust	43,800	51,800
Marketable securities trust	1,616,368	1,868,611
Real estate trust	55,242,700	38,781,766
Securities under custody	743,243,462	352,546,535
Other money trust	<u>6,377,787</u>	<u>4,015,813</u>
	<u>\$ 974,781,762</u>	<u>\$ 535,970,056</u>

h. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

Balance Sheet of Trust					
Trust Assets	December 31		Trust Liabilities	December 31	
	2024	2023		2024	2023
Bank deposits	\$ 13,370,026	\$ 7,889,660	Trust capital		
Insurance claims	43,800	51,800	Money trust	\$ 173,860,310	\$ 141,952,096
Financial assets			Insurance claims	43,800	51,800
Common stock	5,776,794	5,708,397	Marketable securities trust	1,600,073	1,851,592
Mutual funds	168,568,761	134,107,812	Real estate trust	55,231,531	38,777,990
Bonds	3,609,317	4,187,148	Securities under custody		
Interest receivable	805	511	payable	743,243,462	352,546,535
Land	22,443,217	19,887,340	Withholding income tax	-	48
Buildings	1,006,676	1,007,174	Profit and loss	428,094	469,529
Construction in progress	16,718,904	10,583,679	Unappropriated retained		
Securities under custody	<u>743,243,462</u>	<u>352,546,535</u>	earnings - realized capital		
			gain/loss	124,641	(1,503)
			Unappropriated retained		
			earnings - gain on revenue/		
			expense investment	1,895,663	1,589,293
			Unappropriated retained		
			earning	<u>(1,645,812)</u>	<u>(1,267,324)</u>
Total trust assets	<u>\$ 974,781,762</u>	<u>\$ 535,970,056</u>	Total trust liabilities	<u>\$ 974,781,762</u>	<u>\$ 535,970,056</u>

Trust Assets Register

Investments	December 31	
	2024	2023
Bank deposits	\$ 13,370,026	\$ 7,889,660
Insurance claims	43,800	51,800
Financial assets		
Common stock	5,776,794	5,708,397
Mutual funds	168,568,761	134,107,812
Bonds	3,609,317	4,187,148
Land	22,443,217	19,887,340
Buildings	1,006,676	1,007,174
Construction in progress	16,718,904	10,583,679
Others	805	511
Securities under custody	<u>743,243,462</u>	<u>352,546,535</u>
Total trust assets	<u>\$ 974,781,762</u>	<u>\$ 535,970,056</u>

Income Statement of Trust

Investments	For the Year Ended December 31	
	2024	2023
Revenue		
Interest income	\$ 167,829	\$ 118,847
Dividends	156,862	158,735
Gain on mutual funds	42,368	33,974
Foreign exchange gains	1,220,566	1,007,926
Realized capital gain - mutual funds	21,414	722
Realized capital gain - bonds	11,986	4,485
Realized capital gain - quoted stock	<u>47</u>	<u>120,803</u>
	<u>1,621,072</u>	<u>1,445,492</u>
Expense		
Maintenance	(4,989)	(5,579)
Tax expense	(13,953)	(10,845)
Others	(28)	(53)
Foreign exchange losses	(1,119,413)	(948,973)
Realized capital loss - bonds	(38,233)	(4,628)
Realized capital loss - mutual funds	(4,082)	(997)
Realized capital loss - quoted stock	<u>(12,280)</u>	<u>(4,888)</u>
	<u>(1,192,978)</u>	<u>(975,963)</u>
	<u>\$ 428,094</u>	<u>\$ 469,529</u>

35. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Chang Hua Commercial Bank, Ltd.	The Bank's subsidiary
Chang Hwa Bank Venture Capital Co., Ltd.	The Bank's subsidiary
Chunghwa Post Co., Ltd.	The Bank's corporate director
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
CPC Corporation, Taiwan	Its director is the Bank's corporate director representative
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is the Bank's corporate director
CSBC Corporation	Its director is the Bank's corporate director
China Airlines, Ltd.	Its director is the Bank's corporate director
Lungteh Shipbuilding Co., Ltd.	Its director is the Bank's corporate director
TSEC Corporation	Its director is the Bank's corporate director
China Metal Products Co., Ltd.	Its director is the Bank's director
ScinoPharm Taiwan, Ltd.	Its director is the Bank's corporate director
Others	Other related parties (IAS 24 "Related Party Disclosures")

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of December 31, 2024	\$ 40,615,211	2.08
Balance as of December 31, 2023	43,627,123	2.44

For the years ended December 31, 2024 and 2023, interest rates ranged from 1.46%-6.85% and 1.55%-7.21%, respectively, and interest income amounted to \$840,828 thousand and \$765,959 thousand, respectively.

December 31, 2024							Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Consumer loans</u>							
35 accounts	\$ 16,824	\$ 17,933	\$ 16,824	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
231 accounts	1,937,853	1,990,967	1,937,853	-	Real estate	None	
<u>Others</u>							
Taiwan High Speed Rail Corporation	19,308,161	19,308,161	19,308,161	-	Station equipment	None	
CPC Corporation, Taiwan	17,500,000	52,500,000	17,500,000	-	Credit	None	
CSBC Corporation	1,162,546	2,940,285	1,162,546	-	Credit	None	
TSEC Corporation	331,173	682,475	331,173	-	Credit and land and plant	None	
Other - 11 corporation accounts (Note 1)	328,737	3,372,815	328,737	-	Credit and fund guarantee and real estate	None	
Other - 5 individual accounts (Note 2)	29,917	31,059	29,917	-	Deposit	None	
December 31, 2023							
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties	
<u>Consumer loans</u>							
38 accounts	\$ 17,135	\$ 18,428	\$ 17,135	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
228 accounts	1,568,911	1,682,452	1,568,911	-	Real estate	None	
<u>Others</u>							
Taiwan High Speed Rail Corporation	19,308,161	20,318,882	19,308,161	-	Station equipment	None	
China Airlines, Ltd.	200,000	750,000	200,000	-	Credit and fund guarantee	None	
CPC Corporation, Taiwan	20,000,000	20,000,000	20,000,000	-	Credit	None	
CSBC Corporation	1,240,000	3,518,825	1,240,000	-	Credit	None	
TSEC Corporation	554,611	681,624	554,611	-	Credit and land and plant	None	
China Metal Products Co., Ltd.	312,500	1,440,000	312,500	-	Credit	None	
Other - 12 corporation accounts (Note 1)	422,597	3,809,887	422,597	-	Credit and fund guarantee and real estate	None	
Other - 5 individual accounts (Note 2)	3,208	3,334	3,208	-	Deposit	None	

Note 1: The balance of each corporate entity does not exceed \$0.1 billion.

Note 2: The balance of each single entity does not exceed 1% of the total ending balance.

Mortgage loans to managers within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests were 1.89% and 1.76% in December 31, 2024 and 2023, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Guaranteed loans

December 31, 2024					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 1,992,982	\$ 2,027,094	\$ 19,930	0.50-0.65	None
Yang Ming Marine Transport Corporation	503,375	1,008,925	5,034	0.80	None
Lungteh Shipbuilding Co., Ltd.	97,524	97,524	975	1.00-1.20	None
December 31, 2023					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,027,094	\$ 2,082,149	\$ 20,271	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,008,925	1,514,475	10,089	0.80-1.00	None
Lungteh Shipbuilding Co., Ltd.	52,442	102,347	524	1.00	None

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2024	\$ 28,983,956	1.11
Balance as of December 31, 2023	46,936,183	1.91

For the years ended December 31, 2024 and 2023, the interest rates intervals were both between 0.00%-13.00%; the interest expense amounted to \$782,903 thousand and \$566,255 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The part of deposit exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and other terms provided to the other related parties are the same as those offered to general public.

4) Transactions of derivative financial products

(In Thousands of New Taiwan Dollars)						
December 31, 2024						
Name	Contract	Duration	Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2024.4.12-2025.11.13	\$ 21,900,380	\$ 707,749	Financial assets at fair value through profit or loss	\$ 707,749
ScinoPharm Taiwan, Ltd.	Currency forward	2024.12.11-2025.2.13	51,472	430	Financial assets at fair value through profit or loss	430
December 31, 2023						
Name	Contract	Duration	Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet Subject	Amount
Chunghwa Post Co., Ltd.	Currency swaps	2023.3.31-2024.8.12	\$ 20,510,940	\$ (525,734)	Financial liabilities at fair value through profit or loss	\$ 525,734

5) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

December 31, 2024					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Land Bank	DBU	NTD	\$ 25,000	0.69-1.68	\$ 2,964
	OBU	USD	10,000	4.61-5.90	3,070
Taiwan Business Bank	OBU	USD	20,000	4.60-5.71	1,199
December 31, 2023					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
The Export-Import Bank	DBU	NTD	\$ 500,000	1.17-1.40	\$ 4,611
Land Bank	DBU	NTD	25,000	0.56-1.50	9,157
	OBU	USD	85,000	4.25-5.90	822
	London Branch	USD	20,000	5.69-5.83	222
	Hong Kong Branch	USD	33,000	4.32-6.00	2,068
Taiwan Business Bank	OBU	USD	10,000	4.62-5.71	29
	Hong Kong Branch	USD	30,000	4.60-5.78	320

Call loans from banks

(In Thousands of Original Currencies)

December 31, 2024					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	DBU	NTD	\$ 5,000	0.70-1.68	\$ 1,976
	OBU	HKD	18,000	4.30	40
Taiwan Business Bank	OBU	HKD	100,000	4.20-4.35	187
December 31, 2023					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	DBU	NTD	\$5,005,000	0.56-1.50	\$ 4,081
	New York Branch	USD	40,000	4.23-5.83	691
	Los Angeles Branch	USD	15,000	4.27-6.00	427

6) Due from banks and deposits from banks

Due from banks

(In Thousands of Original Currencies)

			December 31	
			2024	2023
Name	Department	Currency	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 9	\$ 9
Taiwan Business Bank	DBU	NTD	13	8
Chunghwa Post Co., Ltd.	DBU	NTD	134	103
Chang Hua Commercial Bank, Ltd.	DBU	USD	1,800	1,373
	DBU	RMB	2,092	7,657

Deposits from banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31	
			2024	2023
			Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 275	\$ 277
The Export-Import Bank	DBU	NTD	3,420	3,424
Chunghwa Post Co., Ltd.	DBU	NTD	120,160,203	216,579
Chang Hua Commercial Bank, Ltd.	Tokyo Branch	JPY	57,630	77,174
	Hong Kong Branch	USD	235	235
	Hong Kong Branch	HKD	182	321

7) Other financial assets

(In Thousands of Original Currencies)

Name	Department	Currency	December 31	
			2024	2023
			Ending Balance	Ending Balance
Chang Hua Commercial Bank, Ltd.	DBU	RMB	\$ 1,300,000	\$ 1,500,000

The interest income recognized by the Bank in 2024 and 2023 was \$177,240 thousand and \$180,495 thousand, respectively.

8) Deposits and remittances

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	December 31	
			2024	2023
			Ending Balance	Ending Balance
Chang Hwa Bank Venture Capital Co., Ltd.	DBU	NTD	\$ 328,614	\$ 346,937

The interest expense recognized by the Bank in 2024 and 2023 was \$3,821 thousand and \$2,693 thousand, respectively.

c. Compensation of directors and management personnel

	For the Year Ended December 31	
	2024	2023
Short-term employee benefits	\$ 138,695	\$ 126,747
Post-employment benefits	<u>36,015</u>	<u>27,783</u>
	<u>\$ 174,710</u>	<u>\$ 154,530</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Others

The Bank signed three-year legal advice service contract with its subsidiary, Chang Hwa Bank Venture Capital Co., Ltd., on December 26, 2022. Under the contract, the annual service fee is \$73 thousand. In 2024, the Bank recognized other income in the amount of \$69 thousand.

The Bank signed three-year information system service contracts in the amounts of \$4,410 thousand and \$68 thousand each on April 6, 2022 and February 15, 2022, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd. In 2024, the Bank recognized other income in the amount of \$1,411 thousand and \$21 thousand, respectively.

36. PLEDGED ASSETS

The summary of the Bank's pledged assets as of December 31, 2024 and 2023 is as follows:

Pledged Assets	Description	December 31	
		2024	2023
Investments in debt instruments at FVTOCI	Bonds	\$ 1,501,527	\$ 1,373,749
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,463,925	41,453,525
Refundable deposits	Cash	916,609	2,677,256

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those mentioned in Note 7, the Bank had the following contingent liabilities and commitments as of December 31, 2024 and 2023:

	December 31	
	2024	2023
Trust liabilities	\$ 974,781,762	\$ 535,970,056
Unused loan commitments (excluding credit cards)	102,835,803	112,004,604
Credit card commitments	335,136	204,468
Unused issued letters of credit	17,557,290	19,758,506
Guarantees in guarantee business	52,707,921	56,637,000
Repayment notes and times deposit held for custody	19,781,507	19,013,292
Liabilities on joint loans	70,601	167,319

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security service as of December 31, 2024 were \$629,237 thousand, \$3,557,301 thousand, \$406,137 thousand and \$157,663 thousand, respectively.

- b. The Bank's North Taichung branch was fined due to the misappropriation of customers' deposits. The customer filed a lawsuit against the Bank at the Taiwan Taichung District Court. The amount in dispute is \$414,598 thousand. The Taichung District Court held a hearing on April 17, 2024, and is scheduled to continue the proceedings on March 5, 2025.

38. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Information on significant transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2024	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2024	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2024	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2024	None
6	Sale of NPL	Note 34
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's Investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2024	None
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2024	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2024	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2024	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2024	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 2.

d. Information of major shareholders: The name of the shareholder, shareholding amount and ratio of shareholders with a shareholding ratio more than 5%. (Table 3)

39. INFORMATION ON INVESTEEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Stock	Imputed Stock (Note b)	Stock	Ownership Interest (%) (Note e)
Chang Hua Commercial Bank, Ltd.	Mainland China	Banking	100.00	\$ 14,230,268	\$ 125,137	(Note 3)	-	(Note 3)	100.00
Chang Hwa Bank Venture Capital Co., Ltd.	Taipei City	Venture capital business	100.00	1,296,007	115,218	115,567,568	-	115,567,568	100.00
Taiwan High Speed Rail Corporation	Taipei City	High speed railroad	0.79	1,237,100	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00	7,285,332	-	39,978,774	-	39,978,774	3.00
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	1,610,261	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.41	947,621	-	235,726,532	-	235,726,532	0.41
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	32,025	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,736	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	736,020	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	77,981	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.26	229,569	-	8,566,014	-	8,566,014	1.26
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00	959,197	-	6,220,471	-	6,220,471	1.00
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35	1,648,800	-	120,000,000	-	120,000,000	11.35
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94	49,700	-	5,000,000	-	5,000,000	2.94
Financial Evolution Co., Ltd.	Taipei City	Financial information systems development	4.12	9,019	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08	91,317	-	645,808	-	645,808	0.08
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	513	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic information provider	3.00	10,206	-	1,800,000	-	1,800,000	3.00
Taiwan Urban Regeneration & Financial Service Co., Ltd.	Taipei City	Urban renewal industry	5.00	8,725	-	2,500,000	-	2,500,000	5.00

Note a: The investees' voting shares, and imputed stock were owned by the Bank and related parties.

Note b: 1) Imputed stock refers to the purchase of securities with equity or derivative commodity contracts (not yet converted into equity holding), which is linked to the equity of the reinvestment business according to the agreed transaction conditions and the bank's commitment to be used as Article 74 of The Banking Act of The Republic of China stipulates that for the purpose of reinvestment, under the assumption of conversion, the shares acquired as a result of the conversion.

2) The above-mentioned "securities with equity" refers to the securities stipulated in the first paragraph of Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

3) The above-mentioned "derivative commodity contract" refers to those who meet the definition of derivative instruments in IFRS 9, such as stock options.

Note c: Limited company organization.

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the divisions which are identified by the type of services provided. The accounting policies adopted in the operating segments are the same as those described in Note 4. The operating results and identified assets of the operating segments are disclosed in the consolidated financial statements.

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD.

**INFORMATION ON INVESTEEES’ NAMES, LOCATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)**

Investor	Investees’ Names	Investees’ Location	Line of Business	Original Investment Amount		Ending Balance			Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of December 31, 2024	End of December 31, 2023	Stock	Ownership Interest (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd. Chang Hwa Bank Venture Capital Co., Ltd.	Mainland China Taiwan	Banking Venture capital	\$ 12,117,288 1,155,676	\$ 12,117,288 1,042,686	Note 115,567,568	100 100	\$ 14,230,268 1,296,007	\$ 125,137 115,218	\$ 125,137 115,218	

Note: Limited company organization.

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2024	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2024	Accumulated Repatriation of Investment Income as of December 31, 2024	Note
					Outflow	Inflow							
Chang Hua Commercial Bank, Ltd.	Banking	\$ 12,117,288 (US\$ 399,558)	Note 1.c.	\$ 12,117,288 (US\$ 399,558)	\$ -	\$ -	\$ 12,117,288 (US\$ 399,558)	\$ 125,137	100	\$ 125,137	\$ 14,230,268	\$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 12,117,288 (US\$ 399,558)	\$ 12,117,288 (US\$ 399,433)	\$ 30,209,608

Note 1: The three methods of investment are as follows:

a.

Direct investment in mainland China.

b.

Investment in mainland China through reinvestment in existing enterprise in a third area.

c.

Others.

Note 2: Equity in the profit (loss):

a.

If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.

b.

The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.

1)

Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.

2)

Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.

3)

Others.

Note 3: In accordance with the “Bank, Financial Holding Corporation and Related Party Invest China Business Rules” announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

a.

Banks in Taiwan (or subsidiaries in a third area) which establish branches, establish/acquire subsidiaries or acquire stock or capital contributions from local stockholders in mainland China.

b.

The subsidiaries whose issued stock with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

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TABLE 3**CHANG HWA COMMERCIAL BANK, LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2024**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ministry of Finance	1,366,316,484	12.19
Chunghwa Post Co., Ltd.	840,479,538	7.50
National Development Fund, Executive Yuan	607,672,862	5.42
Taishin Financial Holdings Co., Ltd.	579,966,185	5.17

Note: The main shareholder information in this table is calculated by the insurance company on the last business day at the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders who have completed the delivery without physical registration (including treasury shares) is more than 5%. The share capital recorded in the Bank's consolidated financial statement and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.

CHANG HWA COMMERCIAL BANK, LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
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Statement of financial assets at fair value through other comprehensive income	2
Statement of investments in debt instruments at amortized cost	3
Statement of changes in investments measured by equity method	4
Statement of other financial assets	Note 13
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Major Accounting Items in Profit or Loss	
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CHANG HWA COMMERCIAL BANK, LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Maturity	Shares (Thousand)	Amounts	Rate (%)	Cost	Fair Value	
						Price	Amounts
Investment in bills							
Negotiable certificates of deposits	January 13, 2025 - March 27, 2025	-	\$ 9,600,000	1.71-1.80	\$ 9,601,958		\$ 9,602,041
Commercial papers	January 2, 2025 - February 14, 2025	-	<u>61,108,900</u>	1.64-1.70	<u>61,032,517</u>		<u>61,028,876</u>
			<u>70,708,900</u>		<u>70,634,475</u>		<u>70,630,917</u>
Government bonds		-	<u>4,700</u>		<u>4,656</u>		<u>4,754</u>
Corporate bonds		-	<u>1,524,503</u>		<u>1,524,503</u>		<u>1,510,652</u>
Derivative financial instruments							
Futures		-	-		668,074		668,074
Forward exchange contracts		-	-		-		89,852
Interest rate swaps		-	-		-		359,880
Currency swaps		-	-		-		8,409,085
Currency call option premiums		-	<u>-</u>		<u>64,990</u>		<u>58,982</u>
			<u>-</u>		<u>733,064</u>		<u>9,585,873</u>
Others		-	<u>-</u>		<u>143,236</u>		<u>114,750</u>
		-	<u>\$ 72,238,103</u>		<u>\$ 73,039,934</u>		<u>\$ 81,846,946</u>

Note: The part of financial assets at FVTPL were provided for transaction with repurchase agreements.

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Maturity	Shares (Thousand)	Par Value	Rate (%)	Cost	Valuation Adjustment	Fair Value		Guarantee or Pledge
							Price	Amount	
Domestic listed stocks		287,977	\$ 2,879,770		\$ 14,806,890	\$ 4,889,409		\$ 19,696,299	
Domestic unquoted stocks		500,870	5,008,700		3,905,999	9,792,023		13,698,022	
Beneficiary and asset-based securities		19,588	<u>195,880</u>		<u>195,880</u>	<u>196</u>		<u>196,076</u>	
			<u>8,084,350</u>		<u>18,908,769</u>	<u>14,681,628</u>		<u>33,590,397</u>	
Government bonds			<u>138,364,072</u>		<u>137,938,843</u>	<u>(2,914,554)</u>		<u>135,024,289</u>	Deposits in courts amounted to \$424,825 thousand, operating deposits amounted to \$315,572 thousand and reserve fund for trust compensation amounted to \$277,799 thousand
Corporate bonds			<u>50,469,121</u>		<u>50,387,030</u>	<u>(514,871)</u>		<u>49,872,159</u>	
Bank notes			<u>66,970,079</u>		<u>66,927,290</u>	<u>(1,308,341)</u>		<u>65,618,949</u>	The overseas branches provided as collateral for operations were \$483,331 thousand
Bonds issued by international organizations		-	<u>9,040,653</u>		<u>9,002,205</u>	<u>(168,151)</u>		<u>8,834,054</u>	
Beneficiary and asset - based securities		-	<u>9,878,079</u>		<u>9,832,720</u>	<u>(921,629)</u>		<u>8,911,091</u>	
			<u>\$ 282,806,354</u>		<u>\$ 292,996,857</u>	<u>\$ 8,854,082</u>		<u>\$ 301,850,939</u>	

Note: The part of financial assets at FVOCI were provided to transaction with repurchase agreements.

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENT OF INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Maturity	Amount	Rate (%)	Unamortized Premium (Discount)	Cost	Accumulated Impairment	Book Value	Guarantee or Pledge
Investments in bills								
Central Bank certificates of deposit	January 1, 2025 - December 19, 2026	\$ 359,030,000	0.81-1.49	\$ -	\$ 359,030,000	\$ -	\$ 359,030,000	Placed at the Central Bank amounted to \$36,000,000 thousand and pledged for call loans from banks amounted to \$5,300,000 thousand
Others		<u>3,373,414</u>		<u>(10,490)</u>	<u>3,362,924</u>	<u>-</u>	<u>3,362,924</u>	
		<u>362,403,414</u>		<u>(10,490)</u>	<u>362,392,924</u>	<u>-</u>	<u>362,392,924</u>	
Government bonds		<u>27,712,980</u>		<u>(219,443)</u>	<u>27,493,537</u>	<u>-</u>	<u>27,493,537</u>	
Bank notes		<u>91,085,650</u>		<u>636</u>	<u>91,086,286</u>	<u>(28,564)</u>	<u>91,057,722</u>	The overseas branches provided as collateral for operations were \$163,925 thousand
Corporate bonds		<u>9,169,225</u>		<u>(6,252)</u>	<u>9,162,973</u>	<u>(2,151)</u>	<u>9,160,822</u>	
Bonds issued by international organizations		<u>4,229,265</u>		<u>(62,366)</u>	<u>4,166,899</u>	<u>-</u>	<u>4,166,899</u>	
Beneficiary and asset - based securities		<u>17,873,315</u>		<u>(142,722)</u>	<u>17,730,593</u>	<u>-</u>	<u>17,730,593</u>	
		<u>\$ 512,473,849</u>		<u>\$ (440,637)</u>	<u>\$ 512,033,212</u>	<u>\$ (30,715)</u>	<u>\$ 512,002,497</u>	

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENT OF CHANGES IN INVESTMENTS MEASURED BY EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee	Balance at January 1, 2024		Additions		Decrease		Balance at December 31, 2024			Market Value or Net Equity		Valuation Basis	Guarantee or Pledge
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Price	Amount		
Equity method													
Chang Hua Commercial Bank, Ltd.	Note	\$ 13,535,630	-	\$ 707,482	-	\$ (12,844)	Note	100	\$ 14,230,268	-	\$ 14,230,268	Equity method	N
Chang Hwa Bank Venture Capital Co., Ltd.	104,269	<u>1,181,392</u>	11,299	<u>114,615</u>	-	<u>-</u>	115,568	100	<u>1,296,007</u>	11.21	<u>1,296,007</u>	Equity method	N
		<u>\$ 14,717,022</u>		<u>\$ 822,097</u>		<u>\$ (12,844)</u>			<u>\$ 15,526,275</u>		<u>\$ 15,526,275</u>		

Note: Limited company organization.

CHANG HWA COMMERCIAL BANK, LTD.**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)**

Item	Balance at January 1, 2024	Addition	Reduction	Balance at December 31, 2024
Land	\$ 3,835	\$ 1,195	\$ (978)	\$ 4,052
Buildings	3,592,733	663,914	(436,209)	3,820,438
Machinery equipment	15,367	441	-	15,808
Transportation equipment	183,091	30,796	(26,297)	187,590
Miscellaneous equipment	<u>28,672</u>	<u>17,348</u>	<u>(16,554)</u>	<u>29,466</u>
	<u>\$ 3,823,698</u>	<u>\$ 713,694</u>	<u>\$ (480,038)</u>	<u>\$ 4,057,354</u>

CHANG HWA COMMERCIAL BANK, LTD.**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2024****(In Thousands of New Taiwan Dollars)**

Item	Balance at January 1, 2024	Addition	Reduction	Balance at December 31, 2024
Land	\$ 3,028	\$ 850	\$ (982)	\$ 2,896
Buildings	1,778,758	640,916	(458,315)	1,961,359
Machinery equipment	5,684	5,453	-	11,137
Transportation equipment	93,633	40,863	(25,663)	108,833
Miscellaneous equipment	<u>18,489</u>	<u>8,209</u>	<u>(10,649)</u>	<u>16,049</u>
	<u>\$ 1,899,592</u>	<u>\$ 696,291</u>	<u>\$ (495,609)</u>	<u>\$ 2,100,274</u>

CHANG HWA COMMERCIAL BANK, LTD.**STATEMENT OF SECURITIES SOLD UNDER REPURCHASE AGREEMENTS****DECEMBER 31, 2024****(In Thousands of New Taiwan Dollars)**

Item	Per Value	Amount
Notes with repurchase agreements		
Others	\$ 20,400	\$ 20,000
Bonds with repurchase agreements		
Government bonds		
113-2 Note A	768,200	849,501
110-11 Note A	586,600	649,728
US Treasury	<u>9,835,500</u>	<u>9,884,678</u>
	<u>11,190,300</u>	<u>11,383,907</u>
	<u>\$ 11,210,700</u>	<u>\$ 11,403,907</u>

CHANG HWA COMMERCIAL BANK, LTD.

**STATEMENT OF FOREIGN EXCHANGE GAIN (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)**

Item	Amount
Spot transaction	<u>\$ 1,053,833</u>

CHANG HWA COMMERCIAL BANK, LTD.**STATEMENT OF NET OTHER NON-INTEREST INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)**

Item	Amount
Rental revenue	\$ 172,441
Net Securities brokering revenue	181,542
Other miscellaneous net loss	<u>(68,879)</u>
	<u>\$ 285,104</u>

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENT OF EMPLOYEE BENEFITS EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2024

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

	Employee Benefits Expenses	Net Non-interest Income	Total
Payroll expenses	\$ 10,213,600	\$ 515,206	\$ 10,728,806
Labor and health insurance expenses	719,777	-	719,777
Pension expenses	1,192,220	-	1,192,220
Director compensation	89,333	-	89,333
Other employee benefits expenses	<u>545,870</u>	<u>-</u>	<u>545,870</u>
	<u>\$ 12,760,800</u>	<u>\$ 515,206</u>	<u>\$ 13,276,006</u>

- a. The Bank had 6,750 and 6,702 employees in 2024 and 2023, respectively, including 9 non-employee directors in both years.
- b. The average employee benefits expenses was NT\$1,956,189 and NT\$1,820,486 in 2024 and 2023, respectively.
- c. The average employee payroll expenses was NT\$1,591,575 and NT\$1,474,946 in 2024 and 2023, respectively.
- d. Adjustment of average employee payroll expenses was 7.91%.
- e. The Bank's remuneration policy:
 - 1) The remuneration of directors (including the chairman of the board and independent directors) is based on the provisions of Article 20, Clause 13 of the Bank's Articles of Incorporation. The amount of remuneration is determined by the board of directors in accordance with the level of remuneration of directors of financial institutions equivalent to the size of the Bank. The Board of Directors' Performance Evaluation Measures, Article 7, Paragraph 1, Paragraph 2, stipulates that, in conjunction with the results of the Board's performance evaluation, the remuneration of directors (including the chairman of the board and independent directors) shall be regularly evaluated annually.
 - 2) The remuneration of the general manager is determined by the board of directors in accordance with Article 20, Clause 14 of the Bank's Articles of Incorporation.
 - 3) The remuneration of the deputy general manager shall be determined by the board of directors in accordance with Article 20, Clause 14 of the Bank's Articles of Incorporation, and shall be paid within the scope of the "Salary of Current Employees of Chang Hwa Bank".
 - 4) For employees of the Bank except for those mentioned, their salaries are based on the "Salary of Current Employees of Chang Hwa Bank".

CHANG HWA COMMERCIAL BANK, LTD.**STATEMENT OF DEPRECIATION AND AMORTIZATION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)**

Item	Amount
Depreciation and amortization expenses	
Depreciation expense	\$ 1,206,505
Amortization expense	<u>327,287</u>
	<u>\$ 1,533,792</u>

CHANG HWA COMMERCIAL BANK, LTD.**STATEMENT OF OTHER GENERAL AND ADMINISTRATIVE EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)**

Item	Amount
Other general and administrative expense	
Rental expenses	\$ 317,923
Repair and warranty expenses	236,547
Insurance expenses	576,820
Professional service fees	341,767
Tax	2,784,517
Others	<u>1,288,039</u>
	<u>\$ 5,545,613</u>