Stock Code:5858

BANK OF TAIWAN AND SUBSIDIARY

Consolidated Financial Statements

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

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Independent Auditors' Report

To the Board of Directors of Bank of Taiwan:

Opinion

We have audited the consolidated financial statements of Bank of Taiwan ("the Bank") and its subsidiaries ("the Bank and subsidiary"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the the Bank and subsidiary as at December 31, 2023 and 2022, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China ("FSC").

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants, Ruling No. 10802731571 issued by the FSC and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and subsidiary in accordance with the Norm of Professional Ethics for Certified Public Account of 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 of our opinion.

Emphasis of Matter

In accordance with the auditing regulations in Taiwan, the financial statements of the Bank and subsidiary are required to be audited by the Ministry of Audit (the "MoA"). The financial statement for the financial year ended December 31, 2022 has been audited and approved by the MoA. For further information, please see note 16(b). Our opinion is not modified in respect of this matter.

Other Matter

As stated in note 6(j) of the consolidated financial statements, we did not audit the financial statements of Hua Nan Financial Holdings Co., Ltd. and Tai Yi Real Estate Co., Ltd. of investments in associates accounted for using equity method of the Bank and subsidiary amounting to NT$44,148,540 thousand and NT$39,263,825 thousand as of December 31, 2023 and 2022, respectively, constituting 0.72% and 0.64% of the related consolidated total assets; nor the related shares of investment profit in associates accounted for using equity method of NT$4,602,638 thousand and NT$3,681,099 thousand for the years then ended, respectively, constituting 8.24% and 8.60% of the related consolidated net revenue. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts includes above, is based solely on the report of the other auditors.

We have also audited the separated financial statements of Bank of Taiwan as of 2023 and 2022, and have issued an unmodified opinion.

Key Audit Matters

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

1. The assessment of impairment of financial assets

   Please refer to Note 4(l) "Impairment of assets" for related accounting policy, Note 5(c) "The evaluation of financial asset impairments" for the uncertainty of accounting assumptions and estimations, and Note 8 "Financial risk management " for the details of the evaluation of financial asset impairments.

   <u>Description of key audit matters</u>

   When assessing whether there is any indication that the financial assets other than measured at fair value through profit or loss may be impaired based on IFRS 9, the Bank and subsidiary rely on management for considering all kinds of observable data and using the expected credit loss model, including probability of default, loss of default, exposure at default and prospective economic factors, to calculate the impairment loss. The calculation process is complicated and involves the exercise of judgment. Eventually, the assumptions used may also affect the estimated amount significantly. Furthermore, the amount of financial assets which required impairment tests is material to the Bank and subsidiary as of December 31, 2023. Therefore, the assessment of impairment of financial assets has been identified as a key audit matter in our audit.

   <u>How the matter was addressed in our audit</u>

   Our principal audit procedures included (i) inspecting the internal guidelines of impairment assessment of credit and investment business, understanding the Bank's and subsidiary's procedures of the assessment of impairment of financial assets, and testing related internal control procedures; (ii) performing analytical procedures; (iii) assessing the reasonableness of the Bank's and subsidiary's assessment of impairment of financial assets and, if necessary, acquiring assistance from internal specialists; (iv) verifying the accuracy of loan loss provision based on "Regulations Governing the Procedures for Enterprises Engaging in Insurance to Evaluate Assets and Deal with Non performing/Non accrual Loans"; (v) assessing whether the impairment of financial assets is presented and disclosed fairly.

2. The valuation of financial instruments

   Please refer to Note 4(f) "Financial instrument" for related accounting policy, Note 5(b) "The fair value valuation of non-active market or non-quoted financial instruments" for major sources of uncertainty for assumptions and estimation, and Note 7 "The fair value and fair value hierarchy of the financial instruments" for the details of valuation of financial instruments.

   Description of key audit matters

   The Bank and subsidiary hold the value of financial assets and liabilities, which shall calculated by a model are classified as level 2 and level 3 expect for which shall calculated by an observable for active market are classified as level 1. The parameters of inputs which often involve the exercise of judgment in valuation process. The valuation of financial instruments may be misstated due to the use difference of valuation techniques and assumptions. The amount of financial asset and liabilities the Bank and subsidiary hold as of December 31, 2023 were significant. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

   How the matter was addressed in our audit

   Our main audit procedures included (i) reviewing accounting policy about the fair value of financial instruments measurement and disclosure, and performing an assessment over the investment cycle of its initial recognition, subsequent measurement and disclosures on financial statement; (ii) for the financial instruments measured at fair value with active market, sampling test of prices are quoted in an active market; (iii) sampling to test whether the fair value of the financial instruments measured at fair value without an active market are appropriate by re-calculating and obtaining the quoted price from counter parties or independent third parties, as well as appointing our valuation specialists to assess the reasonableness of the models and parameters the Bank used when deemed necessary; (iv) assessing whether the disclosure of financial instruments in accordance with International Financial Reporting Standards.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Budget Law, Account Settlement Law, Regulations Governing the Preparation of Financial Reports by Public Banks and with the IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank and subsidiary'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 and subsidiary or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Bank's and subsidiary's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and subsidiary'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 and subsidiary's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wu, Lin and Chen, Fu-Jen.

KPMG

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2024

Notes to Readers

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

BANK OF TAIWAN AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
	Assets	**Amount**	**%**	**Amount**	**%**
11000	Cash and Cash Equivalents (notes 6(a), 8 and 10)	$ 116,062,640	2	152,030,876	2
11500	Placement with Central Bank and Call Loans to Banks (notes 6(b), 8, 10 and 11)	565,834,947	9	595,288,771	10
12000	Financial Assets Measured at Fair Value through Profit or Loss (notes 6(c), 7, 8 and 10)	370,501,347	6	287,624,682	5
12100	Financial Assets Measured at Fair Value through Other Comprehensive Income (notes 6(d), (q), 7, 8 and 11)	1,358,202,266	22	1,138,542,757	18
12200	Debt Investments Measured at Amortized Cost (notes 6(i), (q), 7, 8 and 11)	291,174,762	5	276,063,085	4
12300	Hedging Derivative Financial Assets, net (notes 6(e), 7 and 8)	1,419	-	9,467	-
13000	Receivables, net (notes 6(g), 8 and 10)	61,493,891	1	55,471,096	1
13200	Current Income Tax Assets	31,421	-	175,241	-
13500	Loans and Discounts, net (notes 6(h), 8 and 10)	3,131,758,621	51	3,418,227,678	55
15000	Investments under Equity Method, net (note 6(j))	45,134,098	1	40,484,622	1
15500	Other Financial Assets, net (notes 6(g), (k), (q), 8 and 10)	24,129,434	-	27,441,000	-
18500	Property and Equipment, net (notes 6(l), (q) and 8)	139,035,349	2	139,164,541	3
18600	Right-of use assets (note 6(m))	1,536,560	-	1,279,796	-
18700	Investment Property (note 6(n))	15,238,207	-	15,238,207	-
19000	Intangible Assets, net (notes 6(o) and 8)	1,296,635	-	1,134,142	-
19300	Deferred Tax Assets (note 6(ad))	327,223	-	337,789	-
19500	Other Assets, net (notes 6(p), 8 and 10)	38,797,013	1	29,872,334	1
	Total assets	**$ 6,160,555,833**	**100**	**6,178,386,084**	**100**

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
21000	Deposits of Central Bank and other banks (notes 6(r), 8 and 10)	$ 337,827,114	5	273,183,040	4
21500	Due to the Central Bank and banks (notes 6(b) and (s))	3,531,075	-	253,840,625	4
22000	Financial Liabilities Measured at Fair Value through Profit or Loss (notes 6(t), 7, 8 and 10)	32,905,513	1	25,066,050	-
22500	Bills and Bonds Sold under Repurchase Agreements (notes 6(f) and 8)	16,272,079	-	23,857,909	-
23000	Payables (notes 6(u), 8 and 10)	54,355,760	1	47,327,496	1
23200	Current Income Tax Liabilities	3,560,943	-	1,448,666	-
23500	Deposits and Remittances (notes 6(v), 8 and 10)	4,734,638,404	77	4,670,905,961	76
24000	Financial Bonds Payable (notes 6(w) and 8)	10,999,390	-	25,999,370	-
25500	Other Financial Liabilities (notes 6(x) and 8)	1,415,804	-	548,381	-
25600	Provision (notes 6(y), (z) and 8)	499,313,921	8	432,704,782	8
26000	Lease Liabilities (notes 6(aa) and 8)	1,472,662	-	1,218,855	-
29300	Deferred Tax Liabilities (note 6(ad))	18,723,733	-	18,490,095	-
29500	Other Liabilities (notes 6(ac), 8 and 10)	7,520,207	-	8,321,581	-
	Total liabilities	5,722,536,605	92	5,782,912,811	93
	Equity attributable to owners of parent (note 6(ae)):				
31101	Capital stock	109,000,000	2	109,000,000	2
31500	Capital surplus	108,453,642	2	108,453,043	2
	Retained earnings:				
32001	Legal reserve	59,541,379	1	54,663,265	1
32003	Special reserve	56,843,137	1	49,933,409	1
32005	Unappropriated retained earnings	39,899,486	1	30,751,016	-
	Total retained earnings	156,284,002	3	135,347,690	2
32500	Other equity	64,281,584	1	42,672,540	1
	Total equity	438,019,228	8	395,473,273	7
	Total liabilities and equity	**$ 6,160,555,833**	**100**	**6,178,386,084**	**100**

See accompanying notes to consolidated financial statements.

BANK OF TAIWAN AND SUBSIDIARY
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2023		2022		Change
		Amount	%	Amount	%	%
	Revenue and income:					
41000	Interest income (notes 6(af) and 10)	$117,897,483	211	70,057,905	163	68
51000	Less:Interest expense (notes 6(af) and 10)	79,731,155	143	34,835,741	81	129
	Net interest income (note 6(af))	38,166,328	68	35,222,164	82	8
	Non-interest income, net					
49100	Service fees ,net (notes 6(ag) and 10)	3,723,978	7	4,070,368	10	(9)
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (notes 6(ah) and 10)	72,247,771	129	(61,355,261)	(143)	218
49310	Realized gains from financial assets measured at fair value through other comprehensive income (note 6(ai))	3,242,453	6	4,588,552	11	(29)
49450	Net gain from derecognition of financial assets measured at amortized cost (note 6(i))	-	-	1,727	-	(100)
49600	Foreign exchange gain (loss) (notes 6(aj) and 10)	4,583,114	8	16,235,244	38	(72)
49700	Gain on reversal (provision) of impairment loss on assets (notes 6(l) and (q))	(18,905)	-	(19,224)	-	2
49750	Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(j))	4,362,157	8	3,633,028	8	20
49837	Net premium (note 6(ak))	(8,388,629)	(15)	(6,715,208)	(16)	(25)
49843	Sales income (notes 6(p) and (ak))	535,033	1	507,814	1	5
48054	Subsidized income from government (notes 6(ak) and 16(c))	9,060,440	16	9,207,821	22	(2)
49898	Excess preferential interest expenses (notes 6(g) and (ak))	(6,278,721)	(11)	(5,811,768)	(14)	(8)
49871	Provisions for policyholders' premium (note 6(ak))	(66,371,429)	(119)	43,014,084	101	(254)
49899	Other miscelloneous income, net (notes 6(aa), (ak) and 10)	1,003,250	2	201,597	-	398
	Net Revenue	55,866,840	100	42,780,938	100	31
58200	**Bad debts expense, commitment and guarantee liability provision (note 6(h))**	(2,177,689)	(4)	(624,714)	(1)	249
	Expenses: (note 16(a))					
58500	Employee benefits expenses (notes 6(z), (al) and 10)	(14,628,336)	(26)	(13,967,748)	(33)	5
59000	Depreciation and amortization expenses (note 6(am))	(2,121,469)	(4)	(1,942,453)	(5)	9
59500	Other general and administrative expenses (notes 6(an) and 10)	(8,456,496)	(15)	(7,055,292)	(16)	20
	Total Expenses	(25,206,301)	(45)	(22,965,493)	(54)	10
	Profit from continuing operations before tax	28,482,850	51	19,190,731	45	48
61003	Less: Income tax expenses (note 6(ad))	4,663,721	8	2,144,913	5	117
	Net profit	23,819,129	43	17,045,818	40	40
65000	**Other comprehensive income:**					
65200	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**					
65201	Gains (losses) on remeasurements of defined benefit plans (note 6(z))	(512,716)	(1)	337,568	1	(252)
65205	Change in fair value of financial liability attributable to change in credit risk of liability	(27,629)	-	24,698	-	(212)
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	16,382,522	29	(5,360,932)	(13)	406
65206	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	763,331	1	(436,309)	(1)	275
65220	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	16,605,508	29	(5,434,975)	(13)	406
65300	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**					
65301	Exchange differences on translation of foreign financial statements	(67,544)	-	1,684,083	4	(104)
65308	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	4,251,446	8	(12,455,730)	(29)	134
65306	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	1,240,345	2	(4,402,402)	(10)	128
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(ad))	3,528	-	(27,843)	-	113
	Components of other comprehensive income that will be reclassified to profit or loss	5,420,719	10	(15,146,206)	(35)	136
65000	**Other comprehensive income**	22,026,227	39	(20,581,181)	(48)	207
	Total comprehensive income	**$ 45,845,356**	**82**	**(3,535,363)**	**(8)**	1,397
	Basic earnings per share(In dollars) (note 6(ae))	**$ 2.19**		**1.56**		

See accompanying notes to consolidated financial statements.

BANK OF TAIWAN AND SUBSIDIARY
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
							Other equity interest						
	Share capital		Retained earnings										
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	Gains (losses) on financial instruments for hedging	Other comprehensive income reclassified by applying overlay approach	Total	Total equity
Balance at January 1, 2022	$ 109,000,000	108,453,043	50,631,691	44,559,358	27,079,618	122,270,667	(3,281,013)	65,697,429	(19,502)	4,099	65,889	62,466,902	402,190,612
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	4,031,574	-	(4,031,574)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	5,375,432	(5,375,432)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(3,181,976)	(3,181,976)	-	-	-	-	-	-	(3,181,976)
Reversal of special reserve due to sale of land	-	-	-	(1,381)	1,381	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	17,045,818	17,045,818	-	-	-	-	-	-	17,045,818
Other comprehensive income	-	-	-	-	496,815	496,815	2,405,606	(23,383,592)	24,698	3,081	(127,789)	(21,077,996)	(20,581,181)
Total comprehensive income	-	-	-	-	17,542,633	17,542,633	2,405,606	(23,383,592)	24,698	3,081	(127,789)	(21,077,996)	(3,535,363)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,283,634)	(1,283,634)	-	1,283,634	-	-	-	1,283,634	-
Balance at December 31, 2022	109,000,000	108,453,043	54,663,265	49,933,409	30,751,016	135,347,690	(875,407)	43,597,471	5,196	7,180	(61,900)	42,672,540	395,473,273
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	4,878,114	-	(4,878,114)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	6,953,321	(6,953,321)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(3,300,000)	(3,300,000)	-	-	-	-	-	-	(3,300,000)
Changes in equity of associates and joint ventures accounted for using equity method	-	599	-	-	-	-	-	-	-	-	-	-	599
Reserval of special reserve due to sale of land	-	-	-	(43,593)	43,593	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	23,819,129	23,819,129	-	-	-	-	-	-	23,819,129
Other comprehensive income	-	-	-	-	(540,570)	(540,570)	(137,014)	22,623,448	(27,629)	1,206	106,786	22,566,797	22,026,227
Total comprehensive income	-	-	-	-	23,278,559	23,278,559	(137,014)	22,623,448	(27,629)	1,206	106,786	22,566,797	45,845,356
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	957,753	957,753	-	(957,753)	-	-	-	(957,753)	-
Balance at December 31, 2023	**$ 109,000,000**	**108,453,642**	**59,541,379**	**56,843,137**	**39,899,486**	**156,284,002**	**(1,012,421)**	**65,263,166**	**(22,433)**	**8,386**	**44,886**	**64,281,584**	**438,019,228**

See accompanying notes to consolidated financial statements.

BANK OF TAIWAN AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	$ 28,482,850	19,190,731
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,734,876	1,605,260
Amortization expense	441,794	390,841
Expected credit loss	2,177,689	624,714
Interest expense	79,731,155	34,835,741
Interest income	(117,897,483)	(70,057,905)
Dividend income	(8,951,232)	(11,703,882)
Net change in other provisions	66,371,429	(43,014,084)
Share of profit of associates and joint ventures accounted for using equity method	(4,362,157)	(3,633,028)
Loss on disposal of property and equipment	224,392	41,826
Impairment loss on financial assets	23,233	19,532
Reversal of impairment loss on non-financial assets	(4,328)	(308)
Total adjustments to reconcile profit	19,489,368	(90,891,293)
Changes in operating assets and liabilities:		
(Increase) decrease in due from the central bank and call loans to banks	(2,798,568)	104,372,390
(Increase) decrease in financial assets measured at fair value through profit or loss	(56,997,484)	56,352,746
Increase in financial assets measured at fair value through other comprehensive income	(100,554,584)	(61,941,045)
Increase in investments in debt instruments measured at amortised cost	(10,646,277)	(110,172,332)
Decrease (increase) in financial assets for hedging	8,048	(9,467)
Decrease in receivables	681,121	10,087,906
Decrease (increase) in discounts and loans	284,339,784	(478,333,564)
Decrease in other financial assets	3,311,566	2,718,160
(Increase) decrease in other assets	(9,517,273)	980,476
Increase (decrease) in deposits from the central bank and banks	64,644,074	(28,392,813)
Increase in financial liabilities measured at fair value through profit or loss	7,839,463	5,387,519
Decrease in financial liabilities for hedging	-	(16,241)
(Decrease) increase in notes and bonds issued under repurchase agreement	(7,585,830)	19,870,694
Decrease in payables	(14,680,423)	(17,844)
Increase in deposits and remittances	63,732,443	461,308,845
Increase (decrease) in provisions for employee benefits	198,693	(981,222)
Increase (decrease) in other liabilities	372,750	(308,225)
Total adjustments	241,836,871	(109,985,310)
Cash inflow (outflow) generated from operations	270,319,721	(90,794,579)
Interest received	111,179,161	63,266,717
Dividends received	10,654,507	13,828,350
Interest paid	(73,022,448)	(29,973,932)
Income taxes paid	(2,163,420)	(806,537)
Net Cash flows from (used in) operating activities	316,967,521	(44,479,981)
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(1,146,117)	(1,299,349)
Decrease (increase) in refundable deposits	792,139	(2,853,904)
Acquisition of intangible assets	(603,096)	(470,322)
Net cash flows used in investing activities	(957,074)	(4,623,575)
Cash flows from (used in) financing activities:		
(Decrease) increase in due to the central bank and banks	(250,309,550)	217,670,295
(Decrease) increase in guarantee deposits received	(1,174,125)	430,561
Payment of lease liabilities	(681,782)	(484,326)
Increase in other financial liabilities	867,423	125,165
Cash dividends paid	(3,500,000)	(3,300,000)
Net cash flows (used in) from financing activities	(254,798,034)	214,441,695
Effect of exchange rate changes on cash and cash equivalents	(138,555)	2,363,860
Net increase (decrease) in cash and cash equivalents	61,073,858	167,701,999
Cash and cash equivalents at beginning of period	1,002,925,420	835,223,421
Cash and cash equivalents at end of period	**$ 1,063,999,278**	**1,002,925,420**
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	$ 116,062,640	152,030,876
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	286,140,799	318,411,878
Other items qualifying for cash and cash equivalents under the definition of IAS 7	661,795,839	532,482,666
Cash and cash equivalents at end of period	**$ 1,063,999,278**	**1,002,925,420**

See accompanying notes to consolidated financial statements.

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Organization and Business Scope:

Bank of Taiwan (the Bank) was incorporated on May 20, 1946 and transformed into a corporate entity since July 1, 2003, as approved by the Ministry of Finance on April 24, 2003, and became a public company from September 16, 2004.

On November 18, 2005, the House of Administration (Executive Yuan) authorized the merger of the Bank and the Central Trust of China. The merger plan was approved by the Fair Trade Commission, the Executive Yuan, and the Ministry of Finance. On December 22, 2006, the Financial Supervisory Commission, Executive Yuan, reauthorized the merger and indicated the Central Trust of China was the dissolved party and the Bank was the surviving party. The merger was accomplished on July 1, 2007.

On January 1, 2008, the Ministry of Finance organized Taiwan Financial Holding Co., Ltd. in accordance with the Act of Taiwan Financial Holding Co., Ltd., and the Bank is its subsidiary.

On January 2, 2008, the Bank decreased its capital by $8 billion and split off its part of business and assets to set up two other subsidiaries of Taiwan Financial Holding Co., Ltd. (Taiwan Financial Holdings): BankTaiwan Securities Co., Ltd. (BankTaiwan Securities) and BankTaiwan Life Insurance Co., Ltd. (BankTaiwan Life Insurance), whose capital was $3 billion and $5 billion, respectively.

The Bank is primarily involved in (a) all commercial banking operations allowed under the Banking Law; (b) foreign exchange operations allowed under the Foreign Exchange Regulation Act; (c) operations of offshore banking unit allowed under the Offshore Banking Act; (d) savings and trust operations; (e) overseas branch operations authorized by the respective foreign governments; and (f) other operations as authorized by the central competent authority in charge.

The Bank’s Trust department is engaged in the planning, management and operation of trusts under the Banking Law and Trust Law, along with the investment of overseas securities and trust funds.

In accordance to the Bank’s policy approved by the Government, the Bank’s mission’s is to perform all functions in providing stable financial environment, contribute to the economic infrastructure and develop manufacturing industries. The Bank manages public treasury and ensures the smooth settlement of national operations, which later translated into providing normal banking facilities and managing business operations associated with the issuance of banknotes as Central Bank of the Republic of China was later promulgated in July, 1961. The relationship between the Bank and the Central Bank remained closely attached. Among the financial institutions in Taiwan, the Bank has always maintained its importance in the financial industry.

The assets of the Bank have continuously increased through revaluations of its legal and special reserve over the period since the Government provided the capital for the establishment of the Bank. After the currency revolution in June 1949, the Government approved $5 million as the Bank’s capital in May 1950; $100 million in May 1954; $300 million in August 1963; $600 million in September 1967; $1 billion in May 1973; $2 billion in September 1977; $4 billion in September 1980; $8 billion in November 1982; $12 billion in May 1990; $16 billion in April 1992; $22 billion in December 1994; $32 billion in August 1998; $48 billion in September 2002; $53 billion in July 2007; $45 billion in January 2008; $70 billion in November 2010; $95 billion in October 2014 and $109 billion in September 2019 .

(Continued)

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

As the Bank is funded by the government, the execution and compliance with government policies is of importance to the Bank. The economy of Taiwan has developed considerably from the 50s and the Bank has contributed by supporting the planning and implementation of many medium to long term infrastructure. Through the years, the Government has actively increased strategic and critical industrial development. The Bank has similarly increased its support for the fund needed for such infrastructure in compliance with the Government policy.

The Bank has its Head Office in Taipei, and the Bank has established domestic and worldwide branch offices for expansion of various banking services. As of December 31, 2023, in addition to the Department of Planning, Department of Corporate Finance, Department of Credit Management, Department of Consumer Finance, Department of Treasury, Department of Business, Department of Circulation, Department of Public Treasury, Department of International Banking, Department of Trusts, Department of Electronic Banking, Department of Risk Management, Department of Wealth Management, Department of Loan Management, Department of Real Estate Management, Department of Procurement, Department of Precious Metals, Department of Government Employees Insurance, Department of Domestic Operations, Department of Credit Analysis, Department of Auditing Board of Directors, Secretariat, Department of General Affairs, Department of Accounting, Department of Human Resources, Department of Ethics, Department of Information Management, Department of Compliance, Department of Cyber Security, Board Secretariat, Department of Economic Research and Training Institute. There were 163 domestic branches, 1 offshore banking unit, 11 overseas branches, 1 subbranch (in Shanghai Jiading), 10 representative offices (in Mumbai, Yangon, Silicon Valley, Bangkok, Frankfurt, Manila, Ho Chi Minh City, Djakarta, Kuala Lumpur and Phoenix City).

The Bank invested $20 million dollars to set up a subsidiary, BankTaiwan Insurance Brokers, which was approved on January 23, 2013 and officially set up on February 6, 2013.

The parent company of the Bank is Taiwan Financial Holding Co., Ltd.

The consolidated financial statements as of December 31, 2023 include the accounts of the Bank and subsidiary (hereby referred as the Bank and subsidiary).

(2) Financial statements authorization date and authorization process:

The consolidated financial statements were approved by Audit Committee on March 7, 2024 and Board of Directors on March 8, 2024.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(3) New Standards, Amendments and Interpretations Adopted:

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

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

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

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

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

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IAS21 "Lack of Exchangeability"

(Continued)

(4) Summary of material accounting policies:

(a) Statement of compliance

The Bank and subsidiary are public companies. The Bank and subsidiary set up their accounting policies and prepared financial statements according to the Regulations Governing the Preparation of Financial Reports by Public Banks, the International Financial Reporting Standards, the International Accounting Standards and the IFRS interpretation hereinafter referred to as "IFRS Accounting Standards endorsed by the FSC".

The Bank and subsidiary are government owned enterprises, so its accounting practices mainly follow the Budget Law and Account Settlement Law. The annual financial statements are audited by the Ministry of Audit (the MoA) to ensure that the Bank and subsidiary comply with the budget approved by the Legislative Yuan, the parliament of ROC Taiwan. The financial statements become final only after such an endorsement by the MoA.

The financial statements of 2022 have been certified by the MoA; hence, the opening balances in consolidated balance sheets of 2023 and 2022 are according to the audited year-end balances of 2022 and 2021. Please refer to Note 16(b) for the government audit adjustments.

(b) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Bank and subsidiary. The financial statements of its subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) List of subsidiaries in the consolidated financial statements

			Shareholdings		
Name of Investor	**Name of Subsidiary**	**Principal activities**	**December 31, 2023**	**December 31, 2022**	**Note**
Bank of Taiwan	BankTaiwan Insurance Brokers (“BTIB”)	Life and Property insurance broker	100.00 %	100.00 %	

(c) Basis of preparation

(i) Basis of measurement

The consolidated financial statements are prepared on a historical cost basis, except for the following items.

1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);

2) Financial assets measured at fair value through other comprehensive income;

3) Derivative financial instruments designated as hedges which are measured at fair value;

4) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(p).

(Continued)

(ii) Functional and presentation currency

The functional currency of the Bank's and subsidiary's entities are determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollars, the functional currency of the Bank. All financial information represented in New Taiwan Dollars has been rounded to the nearest thousand.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Bank and subsidiary at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

1) equity instruments measured at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Bank's and subsidiary's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Bank's and subsidiary's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

(Continued)

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Bank and subsidiary dispose of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Bank and subsidiary dispose of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Cash and cash equivalents

For consolidated balance sheets, Cash and cash equivalents include cash on hand, due from banks, demand deposits and highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of change in value. The aforementioned time deposits which are held for short-term cash commitment rather than investment or other purposes are recognized as cash equivalents.

For consolidated statement of cash flows, cash and cash equivalents refer to cash and cash equivalents presented in consolidated statement of balance sheet, deposit in the central bank, call loans to banks, and investments which are in accordance with the definition of cash and cash equivalents in the International Accounting Standards 7 accepted by the FSC.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank and subsidiary become a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“ FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

The Bank and subsidiary shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost (including cash and cash equivalent, placement with central bank and call loans to banks, discounts and loans, receivables, other financial assets and guarantee deposits paid)

   A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

   · it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

   · its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

   These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (“ FVOCI”)

   A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

   · it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

   · its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

   On initial recognition of an equity investment that is not held for trading, the Bank and subsidiary may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

   Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

   Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

   Dividend income is recognized in profit or loss on the date on which the Bank’s and subsidiary’s right to receive payment is established.

(Continued)

3) Fair value through profit or loss (“ FVTPL”)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Bank and subsidiary may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Bank and subsidiary make an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

· the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’ s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

· how the performance of the portfolio is evaluated and reported to the Bank's and subsidiary's management;

· the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

· the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Bank's and subsidiary's continuing recognition of the assets.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘ principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank and subsidiary consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank and subsidiary consider:

· contingent events that would change the amount or timing of cash flows;

· terms that may adjust the contractual coupon rate, including variable rate features;

· prepayment and extension features; and

· terms that limit the Bank's and subsidiary's claim to cash flows from specified assets (e.g. non-recourse features)

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Bank and subsidiary transfer substantially all the risks and rewards of ownership of the financial assets.

The Bank and subsidiary enter into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Bank and subsidiary comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Bank and subsidiary derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank and subsidiary also derecognize a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Bank and subsidiary currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

7) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

(Continued)

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(iii) Derivative financial instruments and hedge accounting

The Bank and subsidiary hold derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Bank and subsidiary choose to continue to apply the hedge accounting requirements of IAS 39.

The Bank and subsidiary designate certain hedging instruments as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At initial designated hedging relationships, the Bank and subsidiary document the risk management objectives and strategy for undertaking the hedge. The Bank and subsidiary also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged items and hedging instrument are expected to offset each other.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

(iv) Interest Rate Benchmark Reform－Phase 2

1) Modifications to the financial instruments

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Bank and subsidiary will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

· the change is necessary as a direct consequence of the reform; and

· the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank and subsidiary will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Bank and subsidiary will apply the policies on accounting for modifications to the additional changes.

2) Hedge accounting

a) Modifications to the hedged item /financial instruments

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Bank and subsidiary will amend the hedge documentation of that hedging relationship to reflect the changes required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

· designating an alternative benchmark rate as the hedged risk;

· updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or

· updating the description of the hedging instrument.

The Bank and subsidiary amend the description of the hedging instrument only if the following conditions are met:

· it makes a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;

· the original hedging instrument is not derecognized; and

· the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument.

The Bank and subsidiary amend the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

(Continued)

If changes are made in addition to those changes required by IBOR reform described above, then the Bank and subsidiary will first consider whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Bank and subsidiary will amend the formal hedge documentation for changes required by IBOR reform as mentioned above.

b) Non-contractually specified risk component

If the Bank and subsidiary reasonably expect an alternative benchmark interest rate will be separately identifiable within a period of 24 months, that rate is not a separately identifiable component at the date it is designated. The Bank and subsidiary should designate the alternative benchmark interest rate as a non-contractually specified risk component.

(g) Investments in associates

Associate refers to an entity in which the Bank, TFH and its subsidiaries hold 20% of the voting power or less than 20% of the voting power but have significant influence. If the Bank and subsidiary have rights on the finance and operating policy decisions but not control or joint control these decisions, it is presumed that the Bank and subsidiary have significant influence.

The Bank and subsidiary use equity method for investments in associates. Under the equity method, an equity investment is initially recorded at cost. In the subsequent period, the carrying amount of the investments is adjusted by the share of the profit or loss of the associate and the distributions received. Besides, the Bank and subsidiary recognize the changes according to the holding shares.

If the Bank and subsidiary dispose the investment and loss significant influence, the residual investments shall be remeasured at fair value of the disposal date. The difference between the fair value of the residual investment plus the disposal price and the original carrying amount of the investment at that date is recognized in income statement. The related other comprehensive income is reclassified as profit or loss.

The associate issues additional share capital, but the Bank and subsidiary do not participate in the share issue on a pro-rata basis. It will lead to change in holding, but the Bank and subsidiary still have significant influence. As a result, the Bank and subsidiary shall adjust the APIC and investments in equity method accounts according to the changes in net assets of the associate.

Gains and losses resulting from transactions between the Bank and subsidiary and an associate are recognized only to the extent of unrelated the Bank’s and subsidiary’s interests in the associate.

When the Bank’ s and subsidiary’ s share of losses exceed its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Bank and subsidiary have an obligation or have made payments on behalf of the investee.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

When there is a change in use, the Bank and subsidiary treat the owner-occupied property as investment property; the property shall be reclassified to investment property at carrying amount from then on.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank and subsidiary.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Buildings	8 to 55 years
Machinery and equipment	2 to 20 years
Transportation equipment	2 to 15 years
Miscellaneous equipment	2 to 25 years
Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed every year and adjusted if appropriate.

(i) Lease

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

(i) As a leasee

The Bank and subsidiary recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank's and subsidiary's incremental borrowing rate. Generally, the Bank and subsidiary use its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Bank and subsidiary's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank and subsidiary account for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank and subsidiary present right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Bank and subsidiary have elected not to recognize right-of-use assets and lease liabilities for short-term leases. The Bank and subsidiary recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Bank and subsidiary elect not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

— the rent concessions occurring as a direct consequence of the COVID-19 pandemic;

— the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and

— there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a leasor

When the Bank and subsidiary act as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank and subsidiary make an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank and subsidiary consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Bank and subsidiary choose not to allocate the consideration in the contract.

(Continued)

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

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

(k) Intangible assets

(i) Recognition and measurement

The intangible assets acquired by the Bank and its subsidiary include computer software which is measured at cost, less accumulated amortization and accumulated impairment loss and carbon credits which are recognized at the cost of acquisition. In addition, since there is no foreseeable limit on the period during which such assets are expected to generate net cash inflows for the Bank and its subsidiary, the carbon credits are considered to have non-definite useful life. They are also not amortized and are subject to impairment testing on a regular basis.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software	5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

Intangible asset is derecognized when disposed or expected that the usage or disposal will not generate economic benefit in the future. The resulted gain or loss is recognized in the income statement.

(l) Impairment of Assets

(i) Impairment of financial assets

The Bank and subsidiary recognize loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, placement with central bank and call loans to banks, amortized costs, discounts and loans, receivables, loans, margins or security deposits, and other financial assets) and debt investments measured at fair value througn other comprehensive income.

At each reporting date, the Bank and subsidiary assess whether the credit risk of a financial asset has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition or the financial assets are credit impaired, the Bank and subsidiary should measure loss allowance for financial assets at an amount equal to lifetime ECL at each reporting date; if the credit risk has not increased significantly since initial recognition, the Bank and subsidiary measure loss allowance for financial assets as 12 month ECL at reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank and subsidiary are exposed to credit risk.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Bank and subsidiary in accordance with the contract and the cash flows that the Bank and subsidiary expect to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Bank and subsidiary recognize the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank and subsidiary determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank and subsidiary' procedures for recovery of amounts due.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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The Bank categorize and recognize allowance for doubtful accounts according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and the Bank's evaluation guidelines. The Bank use the higher amounts of these two rules above as allowance for doubtful accounts to comply with the legal minimum allowance. The Bank recognize additional allowance for doubtful accounts further in accordance with its guidelines to strengthen the Bank's risk tolerance.

Period of loans under one year is recognized as short-term; over one year but under seven years is recognized as medium-term; over seven years is recognized as long-term. Loans with fully mortgage, pledge or other legal guarantee object are recognized as secured loans. Non-performing loans refer to loans whose repayment of principal or interest have been overdue for more than 3 months, as well as any loan whose principal debtors and surety have been sued for non-payment or the underlying collateral has been disposed, although the repayment of principal or interest have not been overdue for more than 3 months. All non-performing loans shall be transferred to non-accrual loans account item within six months after the end of the payment period. However, those restructured loans to be performed in accordance with the agreement shall not be subject to this restriction. Interest shall not be accrued to non-performing loans that are transferred to non-accrual loans account item. However, loan collection shall continue as per the terms of the relevant agreement, and accrued interest shall continue to be posted to the interest column of the non-accrual loans account for each borrower, or a notation of such shall be made.

The write-off of non-performing loans and non-accrual loans shall be audited by auditing department, and then be authorized by the general manager and the Board of Managing Directors / Directors. Also, the audit committee shall be notified. If the write-off is authorized by the Board of Managing Directors, it should be reported to the Board of Directors for future reference additionally. When recovering non-accrual loans, the Bank should credit account "allowance for doubtful accounts."

(ii) Impairment loss of non financial assets

At each reporting date, the Bank and subsidiary review the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

BANK OF TAIWAN AND SUBSIDIARY
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Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provision

(i) The Bank and subsidiary must recognize a provision if, and only if:

1) There is a legal or constructive present obligation as a result of a past event, and

2) Payment is probable, and

3) The amount can be reliably estimated.

(ii) The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching its best estimate, the Bank and subsidiary shall take into account the risks, uncertainties that surround the underlying events and the time value of the currency.

(iii) The Bank and subsidiary evaluate the provision at every end of the reporting date, and adjust the carrying amount according to the best estimation.

(n) Other reserves

Provision for civil servants', teachers' and labor's insurance: The Bank recognizes the surplus of the insurance as provision and withdraws when there is a deficit according to the "Civil Servant and Teacher Insurance Act" and "Guidelines for Management and Employment of Public Servants and Teachers Insurance Reserve".

(o) Revenue and expense recognition

Revenue is measured based on the consideration to which the Bank expects to be entitled in exchange for transferring goods or services to a customer. The Bank recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

(i) Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary operating activities of an entity when those inflows result in increases in equity, other than increase relating to contributions from equity participants.

(ii) The amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Revenue shall be recognized when all of the following criteria have been satisfied:

1) the seller has transferred to the buyer the significant risks and rewards of ownership.

2) it is probable that the economic benefits associated with the transaction will flow to the seller

3) the costs incurred or to be incurred in respect of the transaction can be measured reliably,

4) the seller retains neither continuing managerial involvement to degree usually associated with ownership nor effective control over the goods sold, and

5) the amount of revenue can be measured reliably.

(iii) Except for the financial assets and liabilities at fair value through profit and loss, the interest revenue and interest expense caused by the interest-bearing financial assets or liabilities are calculated by effective interest method. For loans and receivables, the Bank and subsidiary shall consider the materiality principle to decide to measure the interest by agreed interest rate or effective interest rate.

(iv) Service fee income and expense

1) The service fee income arising from offering loan service or other services shall be recognized in the accounting period in which the services are rendered.

2) The service fee or expense arising from the loan service shall be amortized in the service period or taken into account for calculating the effective interest of loans and receivables in accordance with the materiality principle.

(v) Dividend revenue: it shall be recognized if and only if the Bank and subsidiary have right to receive the dividend revenue.

(vi) According to the "Civil Servant and Teacher Insurance Act", if GESSI experiences a loss, the loss before May 31, 1999 would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium.

(vii) Revenue and expense that relate to the same transaction or other event are recognized simultaneously; this process is commonly referred to as the matching of revenue and expense.

(p) Employee benefit

(i) Short-term employee benefit

The payroll, annual bonus, paid annual leave, interest expense arising from preferential interest rate and non-monetary benefit are recognized in the accounting year in which the services are rendered by employees.

(ii) Employee benefit

1) Employee pension:

The grant of employees' pension compromise: a) the contributions made by the Bank at the rate from 4% to 8.5% of the employee's monthly wage under Article 8 (depending on the employee's 'salary point' and service period before the Labor Standards Act was applied) of the aforementioned regulations. (The Bank ceased to continue the contributions mentioned above after the Labor Standards Act was applied.) The Bank also contributed 3% of the total amount of the wages as reserve. ;b) the contributions calculated based on the employee's monthly wage and service period (after May 1, 1997) in accordance with Article 5 and the related regulations set forth in the Labor Standards Act. All the contributions are made to the fund managed by the Pension Supervision Committee for future payments.

2) Labor pension:

Labor Pension is a defined contribution pension plan. The grant of labors' pension is conducted under the Bank's Work Rules before the Labor Standards Act was applied. Under Article 49 of the Rules, the service period before and after May 1, 1997 is accumulated in accordance with the Rules and the Labor Standard Act, respectively. The contributions calculated at a certain rate under Labor Pension are made to a designated Labor Retirement Reserve Account for future payments. In addition, the Bank is required to allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act effective July 1, 2005.

3) For defined contribution plan, the employer has no further legal or constructive obligation to pay further contributions in accordance with the Labor Pension Act.

4) For the definite benefit plan, the independent actuary of the Bank and subsidiary use the projected unit credit method to calculate the present value of the defined benefit obligation and the current service cost. The present value of the defined benefit obligation is the projected future cash flow discounted by the market yields at the end of the reporting period on the bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. Prior period servicing costs should recognize in profit or loss immediately. Remeasurements of the net defined benefit liability (asset) include (a) actuarial gains or losses, (b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The amounts recognized in other comprehensive income will not be reclassified subsequently to profit or loss. The Bank and subsidiary could transfer the amounts recognized in other comprehensive income to equity. The Bank and subsidiary decided to recognize remeasurements of the defined benefit plan to retained earnings.

5) The oversea branches of the Bank abide by the foreign government's regulations.

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(iii) Preferential interest deposits

1) The Bank and subsidiary provide their employees the preferential interest deposits, including that for current employees and retired employees. The difference between the preferential interest rate and the market rate are the employee benefit.

2) In accordance with the Article 28 of the Regulations Governing the Preparation of Financial Reports by the Public Banks, if the preferential interest rate for retired employees exceeds the market rate, the Bank and subsidiary shall calculate the excess interest using the actuarial method by adopting the IAS 19 when the employees retire. However the actuarial assumptions shall follow the government's related regulations. For the preferential interest deposits paid for current employees, the Bank and subsidiary shall calculate the interest monthly on accrual basis. The different amount of the preferential interest rate and market interest rate is recognized under the preferential interest account in the comprehensive Income statement.

(iv) Other employee's retirement benefits

1) Include survivors benefit, and special benefits to retired employees who were paid pension in early times.

2) It belongs to the definite benefit plan, and the independent actuary uses the projected unit credit method to calculate the present value of the defined benefit obligation and the current service cost. The present value of the defined benefit obligation is the projected future cash flow discounted by the market yields at the end of the reporting period on the bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. Prior period servicing costs should recognize in profit or loss immediately. Remeasurements of the net defined benefit liability (asset) include (a) actuarial gains or losses, (b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The amounts recognized in other comprehensive income will not be reclassified subsequently to profit or loss. The Bank and subsidiary could transfer the amounts recognized in other comprehensive income to equity. The Bank and subsidiary decided to recognize remeasurements of the defined benefit plan to retained earnings.

(q) Income tax

In accordance with the Article 49 of the Financial Holding Company Act and the Income Tax Act, the TFH has elected to jointly file a profit-seeking enterprise income tax return since 2009. To file a joint return, each domestic subsidiary shall separately handle its own tax matters and then report the results to its parent company. Therefore, the Bank and subsidiary measure its income tax liabilities separately according to the IAS 12 "Income Tax" and then report them to the TFH for tax filing.

(Continued)

The Bank and subsidiary are government-owned enterprises by the Ministry of Finance, so its income tax liabilities shall be calculated based on the amount audited by the Minster of Audit. In addition, according to the Tai Cai Shui No. 910456521 issued by Ministry of Finance on October 30, 2002, the Bank and its parent company, the TFH, who files a consolidated tax return are 100% owned by the government and hence it is not required to calculate and file the tax on the undistributed earnings or profits.

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Bank and subsidiary have determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

The Bank and subsidiary have determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Bank and subsidiary have applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Bank and subsidiary have a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  1) the same taxable entity; or

  2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

Basic earnings per share: The earnings per share is computed by dividing the net income or loss by the weighted average number of common stocks outstanding over the reporting term.

(s) Operating segments

An operating segment is a component of the Bank and subsidiary that engages in business activities that can generate revenues and expenses (including the revenues and expenses arising from inter-company transactions). The segments' operating results are reviewed regularly by the Bank's and subsidiary's chief operating officer in order to decide the resource allocation and assess the segments' performance. Each segment has separate financial information.

(5) Significant Accounting Judgments, Estimations, Assumptions, and Sources of Estimation Uncertainty:

The preparation of the financial statements, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed by FSC, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment of whether the Bank and subsidiary have substantive control over its investees

The Bank and subsidiary hold 21.37% of the outstanding voting shares of Tang Eng Iron Works Co., Ltd., 21.26% of Hua Nan Financial Holdings Co., Ltd., 17.84% of Taiwan Fire & Marine Insurance Co., Ltd., 16.21% of Taiwan Business Bank and 10.01% of Taiwan Stock Exchange Corporation and is the single largest shareholder of the investee. Although the rest of the above-mentioned company's shares are not concentrated within specific shareholders, the Bank and subsidiary still cannot obtain more than half of the total number of the above-mentioned company's directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Bank and subsidiary have no control on above of company and it is determined that whether the Bank and subsidiary have significant influence by holding over 20% of shares.

(b) The fair value valuation of non-active market or non-quoted financial instruments

The fair value of non active market or non quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model use only observable data as much as possible. But for credit risk (both our own and the contracting parties credit risk), the managements shall estimate the relation and the variation.

(c) The valuation of financial assets impairments

The financial asset impairments of the Bank and subsidiary (including gaurantees and loan commitiments off balance sheet), measuring the loss allowance at an amount equal to 12 month expected credit losses or lifetime expected credit losses, are determined by whether the credit risk of the financial instruments have increased significantly since initial recognition. In order to measure expected credit losses, the Bank and subsidiary consider the probability of default (“ PD”) of financial asset, issuer or counterparty, and include loss given default (“ LGD”) multiplied by exposure at default (“EAD”). Meanwhile, it also considers the impact of the time value of money to calculate the expected credit losses for 12 month and lifetime, respectively. At every reporting date the historical experience, current market situation and forward looking estimates, etc. are considered by the Bank and subsidiary to determine the adopted assumptions and parameters when calculating impairment.

(d) Income tax

The Bank needs to pay income tax for various countries. When estimating the globe income tax, the Bank relies on significant accounting estimations. Determine the final amount need to go through numerous transactions and calculations. The additional recognition of income tax liability which is related to the tax issue is based on deliberate evaluation of the affection by the issue. The difference between the amount of original estimation and the final amount will affect current income tax and deferred tax.

(e) Payments to defined contribution retirement benefit plans

The present value of retirement benefit obligation is based on several actuarial assumptions (including the decisions made by FSC). Any changes on these assumptions will influence the fair value of the retirement benefit obligations. One of the assumptions used to determine net pension cost (income) is the discount rate. The Bank and subsidiary determined the appropriate discount rate at the end of each year, and used the rate to calculate the present value of future cash flows on estimated payment of retirement benefit obligation. To determine the appropriate discount rate, the Bank should consider the followings: (1) interest rate of high quality corporate bonds or government bonds, (2) the currency used for the corporate bonds or government bonds should be inconsistent with the currency used for retirement benefit payments, (3) and the maturity period should be inconsistent with related pension liability periods. The major assumptions of retirement benefit obligation were based on the actuarial assumptions of prior year and adjusted according to current market conditions or regulations.

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(6) Explanation of Significant Accounts:

(a) Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash on hand	$ 13,450,465	13,197,370
Foreign currency on hand	15,784,633	12,400,802
Notes and checks for clearing	8,653,801	7,811,557
Placement with banks	78,180,473	118,627,787
Less: Allowance for bad debts－placement with banks	(6,732)	(6,640)
Total	$ **116,062,640**	**152,030,876**

The balances of cash and cash equivalents presented in the statements of cash flows were as follows:

	December 31, 2023	December 31, 2022
Cash and cash equivalents in consolidated balance sheets	$ 116,062,640	152,030,876
Due from the Central Bank of R.O.C. and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	286,140,799	318,411,878
Other items qualifying for cash and cash equivalents under the definition of IAS 7	661,795,839	532,482,666
Total	$ **1,063,999,278**	**1,002,925,420**

The Bank and subsidiary assess the loss allowance for cash and cash equivalents by using the expected credit loss model. Due to the low credit risk of cash and cash equivalents, loss allowance is recognized based on 12 month expected credit loss.

(b) Placement with Central Bank and Call Loans to Banks

	December 31, 2023	December 31, 2022
Call loans to banks	$ 253,649,548	273,478,260
Less: allowance for doubtful accounts－call loans to banks	85,819	104,599
Deposit reserve－account A and account B	133,301,175	143,077,135
Deposit reserve－foreign－currency deposits	820,778	797,670
Deposits in Central Bank－oversea branches	2,348,868	2,417,212
Deposits in Central Bank	175,800,397	175,623,093
Total	$ **565,834,947**	**595,288,771**

(i) According to the Central Bank of the Republic of China Act and the Banking Act, the deposit reserves are determined monthly at prescribed rates based on the average balances of customers' New Taiwan Dollar denominated deposits. The account B deposit reserve is subject to withdrawal restrictions, but reserve for account A and foreign currency denominated deposit may be withdrawn anytime and are non interest earning.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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(ii) Additionally, as of December 31, 2023 and 2022, 60% of the reserve deposits collected on behalf of a government institution amounting to $5,200,397 thousand and $5,023,093 thousand, respectively, were deposited in the Central Bank and their use is restricted according to the regulations.

(iii) In order to handle the needs of project loans, the Bank applied to the Central Bank for project loans guaranteed by deposit reserve-account B and deposits in Central Bank. The amounts have been drawn down as of December 31, 2023 and 2022, please refer to note 6(s).The deposit reserve-account B were used as collateral please refer to 11.

(c) Financial Assets Measured at Fair Value through Profit or Loss

(i) Financial assets measured at fair value through profit or loss were as follows:

	December 31, 2023	December 31, 2022
Financial assets designated at fair value through profit or loss	$ 9,804,820	13,822,448
Add: Valuation adjustment	(266,355)	(484,031)
Subtotal	9,538,465	13,338,417
Financial assets mandatorily measured at fair value through profit or loss	237,904,226	200,514,434
Add: Valuation adjustment	123,058,656	73,771,831
Subtotal	360,962,882	274,286,265
Total	**$ 370,501,347**	**287,624,682**

(ii) Details of Financial assets designated at fair value through profit or loss were as follows:

	December 31, 2023	December 31, 2022
Foreign government bonds, corporate bonds, financial bonds and others	$ 9,804,820	13,822,448
Add: Valuation adjustment	(266,355)	(484,031)
Total	**$ 9,538,465**	**13,338,417**

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(iii) Details of Financial assets mandatorily measured at fair value through profit or loss were as follows:

	December 31, 2023	December 31, 2022
Commercial papers	$ 32,379,313	4,094,385
Foreign government bonds	5,364,060	5,343,532
Corporate bonds	3,056,650	3,252,712
Convertible bonds	921,150	7,401,652
Negotiable certificates of deposits	12,250,539	-
Treasury bills	1,976,464	977,658
Stocks and beneficiary certificates	181,894,363	179,376,571
Foreign exchange call options	4,335	4,660
Bond futures margin	-	5,959
Currency futures	5,207	5,304
Commodity futures	52,145	52,001
Add: Valuation adjustment－Non derivative financial instruments	113,456,193	56,160,953
Valuation adjustment－Foreign exchange call options	(1,777)	(2,105)
Valuation adjustment－Swaps	9,134,594	15,682,998
Valuation adjustment－Asset swaps	43,519	1,043,646
Valuation adjustment－Interest rate swaps	258,786	490,691
Valuation adjustment－Forward foreign exchange	166,236	392,763
Valuation adjustment－Fixed-rate commercial paperss	1,105	2,746
Valuation adjustment－Bond futures margin	-	139
Total	**$ 360,962,882**	**274,286,265**

(iv) Details of unexpired derivative financial instruments (Notional principal amount) were as follows:

	December 31, 2023	December 31, 2022
Foreign exchange call options	$ 1,239,110	1,364,140
Swaps	472,296,979	668,774,128
Interest rate swaps	9,051,917	13,942,837
Forward foreign exchange	6,818,203	43,862,336
Fixed-rate commercial papers	800,000	800,000
Asset swaps	921,150	7,401,652
Bond futures	-	921,750
Total	**$ 491,127,359**	**737,066,843**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(v) For details of the valuation of the financial assets measured at fair value through profit or loss, please see note 7, “The Fair Value and Fair Value Hierarchy of the Financial Instruments”.

(vi) Profit and loss on investments, please refer to note 6(ah).

(vii) The Bank's financial assets at fair value through profit or loss neither served as a guarantee or collateral, nor were they pledged.

(d) Financial Assets at Fair Value through Other Comprehensive Income

	December 31, 2023	December 31, 2022
Debt instruments measured at fair value through other comprehensive income:		
Negotiable certificates deposits	$ 799,910,000	681,920,000
Government bonds	118,794,691	91,227,209
Foreign government bonds, bonds of international organizations, corporate bonds, financial bonds, and NCDs	198,387,521	168,489,896
Financial bonds	26,185,826	26,606,412
Corporate bonds	100,346,211	74,885,190
Add: Valuation adjustment	(10,716,217)	(14,959,833)
Subtotal	1,232,908,032	1,028,168,874
Equity instruments measured at fair value through other comprehensive income:		
Stocks	47,390,907	48,237,173
Add: Valuation adjustment	77,903,327	62,136,710
Subtotal	125,294,234	110,373,883
Total	$ **1,358,202,266**	**1,138,542,757**

(i) Debt investments at fair value through other comprehensive income

The Bank has assessed that the securities shown above are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities; therefore, they have been classified as debt investments at fair value through other comprehensive income.

(Continued)

(ii) Equity investments at fair value through other comprehensive income

The Bank designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Bank intend to hold for long term for strategic purposes.

1) During the years ended December 31, 2023 and 2022, the dividends of $2,957,519 thousand and $3,895,859 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended December 31, 2023 and 2022, were recognized; the dividend of $284,049 thousand and $655,905 thousand related to the investments derecognized during the years ended December 31, 2023 and 2022, respectively, were recognized.

2) As of December 31, 2023 and 2022, the Bank sold its equity instruments measured at fair value through other comprehensive income as a result of adjustment in investment position and portfolio management. The equity instruments sold had a fair value of $5,119,574 thousand and $9,430,212 thousand, and the Bank realized a gain (loss) of $615,905 thousand and $(1,492,276) thousand, which was already included in other comprehensive income. The gain (loss) has been transferred to retained earnings.

(iii) Profit and loss on investments, please refer to 6(ai).

(iv) The Bank's financial assets at fair value through other comprehensive income were used as collateral, please refer to 11.

(e) Hedging Derivative Financial Instruments

The details of hedging derivatives financial assets were as follows:

	December 31, 2023	December 31, 2022
Fair value hedges:		
Interest rate swap	$ 1,419	9,467

In order to decrease the fair value volatility caused by changes of market interest rate, the Bank uses interest rate swaps and asset swaps for some debt investments with fixed interest rate. In doing so, the risk exposure position will be calculated by floating interest rate and the interest rate risk will be hedge.

	Hedging Investments		
		Fair Value	
Hedged Item	Designated Hedging Instruments	December 31, 2023	December 31, 2022
USD financial bonds	Interest rate swap	$ 1,419	9,037
USD corporate debts	〃	-	430

The net (loss) gain of hedging instruments for the years ended December 31, 2023 and 2022 amounted to $(8,092) thousand and $25,414 thousand , respectively. The net gain (loss) of hedged items embedded in hedging instrument for the years ended December 31, 2023 and 2022 amounted to $8,092 thousand and $(25,414) thousand, respectively.

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(f) Bills and Bonds Sold under Repurchase Agreements

The details of bonds and bills sold under repurchase agreements were as follows:

	December 31, 2023	December 31, 2022
Bills and bonds sold under repurchase agreements:		
Commercial papers	$ -	29,977
Government bonds	1,839,663	2,034,160
Financial bonds	14,432,416	21,793,772
Total	**$ 16,272,079**	**23,857,909**

(g) Receivables, Net

	December 31, 2023	December 31, 2022
Notes receivable	$ 5,059	4,742
Accounts receivable	1,178,205	3,010,539
Long-term receivables－payment on behalf of the government	13,734,484	14,484,949
Accrued revenues	1,013,652	999,971
Interests receivable	22,894,173	16,175,851
Premiums receivable	104,909	98,984
Tax refund receivable	14	109
Acceptance notes receivable	2,169,327	1,952,722
Accounts receivable factoring without recourse	6,565,159	6,473,103
Others－replenishment of national treasury	10,507,123	9,302,599
Others－undelivered spot exchanges	14,517	5,826
Other－ATM temporary receipts, payments and interbank differences	2,576,618	2,474,810
Others－pending settlement	16,202	133,041
Others－FX Swaps	410,175	188,296
Others－Cash for everyone by ATM withdrawals	1,359	-
Others－others	602,159	436,711
Subtotal	61,793,135	55,742,253
Less: allowance for doubtful accounts	299,244	271,157
Total	**$ 61,493,891**	**55,471,096**

In accordance with Executive Yuan Tai-79-JEN-Cheng-SZU-tsu No. 14525, and regulations of Retired Civil Servants Lump-sum Retirement Payment and Old-age Benefits and Preferential Interest Deposits which excess preferential interest expenses recognized as Excess interest expenses of Non-interest income, net were $3,770,801 thousand and $3,846,035 thousand during 2023 and 2022, respectively, due to executing the government premium savings policy.

(Continued)

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As of the year ended December 31, 2023 and 2022, the Bank had paid the following premium savings interest expenses on behalf of the government:

	December 31, 2023	December 31, 2022
Long-term receivables	$ 13,734,484	14,484,949
Short-term advances (booked under other financial assets, net)	22,291,732	25,523,697
Total	**$ 36,026,216**	**40,008,646**

(h) Loans and Discounts, Net

	December 31, 2023	December 31, 2022
Discounts and export / import negotiations	$ 3,077,530	2,225,596
Overdrafts	18,263,061	23,178,306
Secured overdrafts	1,516,408	1,252,540
Short-term loans	546,870,875	574,213,307
Short-term secured loans	114,447,681	103,715,659
Accounts receivable financing	96,134	176,951
Accounts receivable secured financing	105	706
Medium-term loans	779,274,716	1,062,841,067
Medium-term secured loans	279,676,100	300,723,997
Long-term loans	176,623,609	187,174,644
Long-term secured loans	1,256,942,486	1,206,465,109
Non-performing loans	2,269,939	2,356,385
Subtotal	3,179,058,644	3,464,324,267
Less: allowance for doubtful accounts	47,300,023	46,096,589
Total	**$ 3,131,758,621**	**3,418,227,678**

Details of bad debt expenses and provisions for guarantee liabilities were as follows:

	2023	2022
Bad debts	$ (2,138,671)	(652,744)
Provisions for guarantee liabilities	(56,723)	32,771
Provision for loan commitment liabilities	(3,237)	(5,432)
Provision for other liabilities	20,942	691
Total	**$ (2,177,689)**	**(624,714)**

As of December 31, 2023 and 2022, the amounts of loans and receivables on which the interests stopped to accrue were $2,274,469 thousand and $2,358,204 thousand, respectively, which were booked under loans and discounts— non-performing loans and other financial assets-overdue receivables. As of December 31, 2023 and 2022, the non accrued interests were $126,334 thousand and $158,049 thousand, respectively.

(Continued)

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For the date as above, the Bank did not write off any loan without legal proceedings having been initiated.

(i) Financial Assets Measured at Amortized Cost

	December 31, 2023	December 31, 2022
Negotiable certificates deposits	$ -	1,003,820
Commercial papers	32,626,858	29,954,392
Government bonds	68,559,833	72,979,261
Foreign government bonds, corporate bonds, financial bonds, and NCDs, treasury bills, and bonds of international organizations.	150,448,385	145,816,403
Financial bonds	9,585,362	9,371,405
Corporate bonds	21,090,624	15,687,488
Foreign financial asset beneficiary securities	8,915,628	1,295,395
	291,226,690	276,108,164
Less: accumulated impairment	(51,928)	(45,079)
	$ 291,174,762	**276,063,085**

The Bank has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

(i) During 2023, the Bank did not dispose of any financial assets measured at amortized cost. In 2022, the Bank sold its financial assets measured at amortized cost due to the adjustment of overseas investment risk exposure position, with a carrying amount of $441,800 thousand and a disposition gain of $1,727 thousand.

(ii) The Bank's financial assets measured at amortized cost were used as collateral, please refer to 11.

(j) Investments Accounted for Using Equity Method, net

	December 31, 2023		December 31, 2022	
Associates	**Amount**	**Percentage of Ownership (%)**	**Amount**	**Percentage of Ownership (%)**
Hua Nan Financial Holdings Co., Ltd.	$ 44,118,080	21.23	39,238,333	21.23
Tang Eng Iron Works Co., Ltd.	985,558	21.37	1,220,797	21.37
Tai Yi Real Estate Management Co., Ltd.	30,460	30.00	25,492	30.00
	$ 45,134,098		**40,484,622**	

(i) The Bank use equity method for investments in associates and the other comprehensive income:

	2023	2022
Hua Nan Financial Holdings Co., Ltd.	$ 1,998,435	(4,860,969)
Tang Eng Iron Works Co., Ltd.	5,241	22,258
Total	**$ 2,003,676**	**(4,838,711)**

(Continued)

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(ii) The Bank use equity method for investments in associates, and Investment gains and losses recognized in the following table:

		2023	2022
Hua Nan Financial Holdings Co., Ltd.	$	4,589,665	3,674,690
Tang Eng Iron Works Co., Ltd.		(240,481)	(48,071)
Tai Yi Real Estate Co., Ltd.		12,973	6,409
Total	$	**4,362,157**	**3,633,028**

(iii) Individually significant associate

Associate which is material to the Bank consisted of the following:

			The percentage of shareholding interests and voting rights	
Associate(s)	**The relationship with the Bank**	**Principal operating place/registration country**	**December 31, 2023**	**December 31, 2022**
Hua Nan Financial Holdings Co., Ltd.	Enterprises permitted to invest Financial Holding Company Act, such as banks and bill finance companies	Taiwan	21.23 %	21.23 %

The fair value of the equity accounting for listed companies (major associates) is as follows:

		December 31, 2023	December 31, 2022
Hua Nan Financial Holdings Co., Ltd.	$	64,737,348	65,027,001

1) Summarized Financial Information

		December 31, 2023	December 31, 2022
Total Assets	$	3,869,201,779	3,630,161,728
Total Liabilities		(3,661,389,443)	(3,445,334,622)
Net Assets	$	**207,812,336**	**184,827,106**
Attributable to the Bank	$	**44,118,080**	**39,238,333**

		2023	2022
Net income	$	21,618,294	17,308,471
Other comprehensive income		9,413,259	(22,896,652)
Total comprehensive income	$	**31,031,553**	**(5,588,181)**
Attributable to the Bank			
Investment income	$	4,589,665	3,674,690
Other comprehensive income		1,998,435	(4,860,969)

(Continued)

2) There are no significant restrictions on the ability of Hua Nan Financial Holding Co., Ltd. to transfer funds to its investors by distributing dividends, or repaying loans or advances.

3) The summarized financial information of Hua Nan Financial Holding Co., Ltd. has been adjusted to align its accounting results with those of the Bank accounted for using the equity method.

4) Hua Nan Financial Holdings Co.,Ltd.' s financial statements were audited by other auditors. The related investment gains were $4,589,665 thousand and $3,674,690 thousand for the years ended December 31, 2023 and 2022, respectively.

(iv) All other non-individually-significant associates

1) Summarized Financial Information- Attributable to the Bank

	December 31, 2023	December 31, 2022
Investment in non-individually-significant associates in aggregate	$ **1,016,018**	**1,246,289**

	2023	2022
Investment income	$ (227,508)	(41,662)
Other comprehensive income	5,241	22,258

(v) Collateral

No investment in associates was used as collateral.

(k) Other Financial Assets, net

	December 31, 2023	December 31, 2022
Short-term advances	$ 23,740,334	27,176,095
Less: allowance for doubtful accounts－short-term advances	30,201	30,196
Remittances purchased	2,238	2,311
Less: allowance for doubtful accounts－remittances purchased	22	23
Overdue receivables	4,530	1,819
Less: allowance for doubtful accounts－overdue receivables	1,842	1,819
Call loans to security subsidiary	399,165	276,525
Less: allowance for doubtful accounts－call loans to security subsidiary	3	-
Others	15,241	16,295
Less: accumulated impairment－others	6	7
Total	$ **24,129,434**	**27,441,000**

(Continued)

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Concerning for the payment of excess preferential interest on behalf of the government, booked under “short-term advances” for December 31, 2023 and 2022, please refer to note 6(g) for further information.

(l) Property and Equipment, net

Changes of the properties and equipments of the Bank and subsidiary were as follows:

	Land and Land improvements	Buildings	Machineries and equipments	Transport equipments	Miscellaneous equipments	Leasehold improvements	Constructions in progress and prepayments for equipments	Total
Cost:								
Balance at January 1, 2023	$ 128,105,047	15,364,522	7,741,581	1,130,739	912,685	917,851	821,141	154,993,566
Additions	-	4,996	532,170	54,756	39,127	374	514,694	1,146,117
Disposals	(193,912)	(44,172)	(540,979)	(53,239)	(35,370)	(519)	-	(868,191)
Reclassification	-	231,845	57,674	6,794	9,017	13,078	(321,030)	(2,622)
Effect of change in exchange rates	-	-	(388)	(287)	(138)	153	-	(660)
Balance at December 31, 2023	**$ 127,911,135**	**15,557,191**	**7,790,058**	**1,138,763**	**925,321**	**930,937**	**1,014,805**	**155,268,210**
Balance at January 1, 2022	$ 128,107,302	15,322,925	7,273,911	1,121,732	937,152	871,833	577,713	154,212,568
Additions	4,415	6,539	735,693	37,637	28,894	35,162	451,009	1,299,349
Disposals	(6,670)	(33,048)	(403,236)	(37,636)	(56,530)	(12,190)	-	(549,310)
Reclassification	-	68,106	120,377	6,040	501	11,889	(207,581)	(668)
Effect of change in exchange rates	-	-	14,836	2,966	2,668	11,157	-	31,627
Balance at December 31, 2022	**$ 128,105,047**	**15,364,522**	**7,741,581**	**1,130,739**	**912,685**	**917,851**	**821,141**	**154,993,566**
Accumulated depreciation:								
Balance at January 1, 2023	$ 14,966	8,114,789	5,184,921	810,245	731,578	831,815	-	15,688,314
Depreciation	-	304,998	632,839	53,988	30,132	30,673	-	1,052,630
Disposal	-	(44,074)	(516,043)	(51,601)	(31,562)	(519)	-	(643,799)
Effect of change in exchange rates	-	-	(492)	(248)	(170)	243	-	(667)
Balance at December 31, 2023	**$ 14,966**	**8,375,713**	**5,301,225**	**812,384**	**729,978**	**862,212**	**-**	**16,096,478**
Balance at January 1, 2022	$ 14,966	7,846,741	4,978,585	790,815	752,656	802,708	-	15,186,471
Depreciation	-	301,046	570,838	53,070	29,206	30,143	-	984,303
Disposal	-	(32,998)	(373,863)	(35,770)	(52,663)	(12,190)	-	(507,484)
Effect of change in exchange rates	-	-	9,361	2,130	2,379	11,154	-	25,024
Balance at December 31, 2022	**$ 14,966**	**8,114,789**	**5,184,921**	**810,245**	**731,578**	**831,815**	**-**	**15,688,314**
Accumulated impairment:								
Balance at January 1, 2023	$ 140,711	-	-	-	-	-	-	140,711
Provision (reversal) of impairment loss	(4,328)	-	-	-	-	-	-	(4,328)
Balance at December 31, 2023	**$ 136,383**	**-**	**-**	**-**	**-**	**-**	**-**	**136,383**
Balance at January 1, 2022	$ 141,019	-	-	-	-	-	-	141,019
Provision (reversal) of impairment loss	(308)	-	-	-	-	-	-	(308)
Balance at December 31, 2022	**$ 140,711**	**-**	**-**	**-**	**-**	**-**	**-**	**140,711**
Carrying amounts:								
December 31, 2023	**$ 127,759,786**	**7,181,478**	**2,488,833**	**326,379**	**195,343**	**68,725**	**1,014,805**	**139,035,349**
January 1, 2022	**$ 127,951,317**	**7,476,184**	**2,295,326**	**330,917**	**184,496**	**69,125**	**577,713**	**138,885,078**
December 31, 2022	**$ 127,949,370**	**7,249,733**	**2,556,660**	**320,494**	**181,107**	**86,036**	**821,141**	**139,164,541**

The Bank conducted revaluations of land and buildings for many times over the past years, and the latest time was in December, 2011. As of December 31, 2023 and 2022, the total revaluation increments for land were $81,362,369 thousand and $81,556,251 thousand, respectively. The total revaluation increments for Buildings were both $33,525 thousand.

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Based on the assessment in December, 2023, the carrying amount of the lands which have indicators of impairment was determined to be $153,165 thousand lower than its recoverable amount of $157,493 thousand, wherein a reversal of impairment loss of $4,328 thousand was recognized. In 2022, the carrying amount of the lands which have an indicator of impairment was determined to be $154,787 thousand higher than its recoverable amount of $155,095 thousand. Therefore, a reversal of impairment loss of $308 thousand was recognized.

The recoverable amount was determined by using the fair value, less, cost of disposal or recent government assessed land value. The fair value is based on the market price of comparable properties within the same location. The cost of disposal is the land value increment tax payable. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

As of December 31, 2023, the Bank's properties and equipments neither served as guarantees or collaterals, nor they were pledged.

(m) Right-of-use assets

Information about leases for which the Bank as a lessee is presented below:

		Land	Buildings	Machineries and equipment	Transportation equipment	Miscellaneous equipment	Total
Cost:							
Balance at January 1, 2023	$	28,920	2,477,989	38,413	193,864	115	2,739,301
Additions		2,925	869,710	8,670	54,203	-	935,508
Disposal		(1,943)	(815,211)	(21,004)	(62,656)	-	(900,814)
Effect of changes in exchange rates		6	3,354	(201)	(3)	-	3,156
Balance at December 31, 2023	**$**	**29,908**	**2,535,842**	**25,878**	**185,408**	**115**	**2,777,151**
Balance at January 1, 2022	$	26,317	2,408,367	37,321	112,527	-	2,584,532
Additions		10,557	316,155	7,056	143,483	115	477,366
Disposal		(7,988)	(298,637)	(6,131)	(62,473)	-	(375,229)
Effect of changes in exchange rates		34	52,104	167	327	-	52,632
Balance at December 31, 2022	**$**	**28,920**	**2,477,989**	**38,413**	**193,864**	**115**	**2,739,301**
Accumulated depreciation:							
Balance at January 1, 2023	$	9,410	1,341,183	29,061	79,793	58	1,459,505
Depreciation		5,743	559,253	8,999	108,194	57	682,246
Disposal		(1,915)	(814,585)	(21,004)	(62,656)	-	(900,160)
Effect of changes in exchange rates		1	(855)	(127)	(19)	-	(1,000)
Balance at December 31, 2023	**$**	**13,239**	**1,084,996**	**16,929**	**125,312**	**115**	**1,240,591**
Balance at January 1, 2022	$	11,799	1,043,083	24,987	83,189	-	1,163,058
Depreciation		5,508	546,370	10,068	58,953	58	620,957
Disposal		(7,930)	(263,706)	(6,096)	(62,473)	-	(340,205)
Effect of changes in exchange rates		33	15,436	102	124	-	15,695
Balance at December 31, 2022	**$**	**9,410**	**1,341,183**	**29,061**	**79,793**	**58**	**1,459,505**
Carrying value:							
December 31, 2023	**$**	**16,669**	**1,450,846**	**8,949**	**60,096**	**-**	**1,536,560**
January 1, 2022	**$**	**14,518**	**1,365,284**	**12,334**	**29,338**	**-**	**1,421,474**
December 31, 2022	**$**	**19,510**	**1,136,806**	**9,352**	**114,071**	**57**	**1,279,796**

(n) Investment property

(i) Changes in the investment properties of the Bank and subsidiary were as follows:

		Land
Cost:		
Balance at December 31, 2023(same as beginning balance)	$	**15,238,207**
Balance at December 31, 2022(same as beginning balance)	$	**15,238,207**
Carrying amounts:		
December 31, 2023	$	**15,238,207**
January 1, 2022	$	**15,238,207**
December 31, 2022	$	**15,238,207**

The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

(ii) The fair value of investment property of the Bank and subsidiary were as follows:

		December 31, 2023	December 31, 2022
The fair value of investment property	$	**15,509,582**	**18,005,055**

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The management evaluate and measure the effect of using techniques of comparison approach or Land development analysis approach. After evaluating, the bank make judgment about the assessment that is using to align the market participants.	· The rate of return · Overall capital interest rate	The estimated fair value would increase (decrease) if: · the rate of return were lower (higher); or · the overall capital interest rate were lower (higher).

The investment property measured at cost, and the fair value is recoverable amount of impairment testing. The fair value of investment property is used the comparison approach and land development analysis approach, and excuting assessment reference recent market price, the valuation technique is consistency from investment property of acquisition. As of December 31, 2023 and 2022, after evaluating, the Bank did not recognized impairment loss.

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(iii) As of December 31, 2023 the Bank did not provide any investment accounted for using equity method as collaterals for its loans.

(o) Intangible Assets

Changes of the intangible assets of the Bank and subsidiary were as follows:

	Computer software	Carbon Credits	Total
Costs:			
Balance at January 1, 2023	$ 5,615,569	-	5,615,569
Additions	602,950	146	603,096
Balance at December 31, 2023	**$ 6,218,519**	**146**	**6,218,665**
Balance at January 1, 2022	$ 5,145,247	-	5,145,247
Additions	470,322	-	470,322
Balance at December 31, 2022	**$ 5,615,569**	**-**	**5,615,569**
Amortization:			
Balance at January 1, 2023	$ 4,481,427	-	4,481,427
Amortization for the year	440,603	-	440,603
Balance at December 31, 2023	**$ 4,922,030**	**-**	**4,922,030**
Balance at January 1, 2022	$ 4,091,879	-	4,091,879
Amortization for the year	389,548	-	389,548
Balance at December 31, 2022	**$ 4,481,427**	**-**	**4,481,427**
Carrying amounts:			
December 31, 2023	**$ 1,296,489**	**146**	**1,296,635**
January 1, 2022	**$ 1,053,368**	**-**	**1,053,368**
December 31, 2022	**$ 1,134,142**	**-**	**1,134,142**

(p) Other Assets

	December 31, 2023	December 31, 2022
Foreclosed collaterals and residuals taken over, net	$ 1,264,931	1,007,162
Advance payments	31,865,550	21,767,294
Operating guarantee deposits and settlement funds	10,000	10,000
Refundable deposits	3,603,102	4,396,432
Temporary Payments and Suspense Accounts	1,438,730	2,032,882
Inventories	344,513	388,377
Others	270,187	270,187
Total	**$ 38,797,013**	**29,872,334**

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(i) Foreclosed collaterals and residuals taken over, net

	December 31, 2023	December 31, 2022
Foreclosed collaterals and residuals taken over	$ 1,264,931	1,007,162
Less: accumulated impairment	-	-
Total	$ **1,264,931**	**1,007,162**

(ii) Advance payments

	December 31, 2023	December 31, 2022
Prepaid expenses	$ 135,170	164,575
Prepaid interests	19,752	20,835
Business tax paid	381	2,340
Business tax carry forward	1,077	1,191
Other prepayment－Interbank Fund Transfer Special Accounts	29,208,089	19,192,906
Other prepayments	1,081	85,447
Prepaid official dividends	2,500,000	2,300,000
Total	$ **31,865,550**	**21,767,294**

(iii) Inventories

	December 31, 2023	December 31, 2022
Inventories	$ **344,513**	**388,377**

There were no effects on the cost of goods sold derived from the inventory write-off or reversal for the year ended 2023 and 2022.

(q) Impairment

For the year ended 2023 and 2022, the movements of the accumulated impairment were as follows:

	2023	2022
Beginning balance	$ 302,862	279,218
Impairment loss recognized for the current period	18,905	19,224
Other	(528)	4,420
Ending balance	$ **321,239**	**302,862**

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Details of accumulated impairment were as follows:

	December 31, 2023	December 31, 2022
Financial assets at fair value through other comprehensive income	$ 132,922	117,065
Financial assets measured at amortized cost	51,928	45,079
Other financial assets	6	7
Property and equipment	136,383	140,711
Ending balance	**$ 321,239**	**302,862**

(r) Deposits of Central Bank and other banks

	December 31, 2023	December 31, 2022
Deposits from Central Bank	$ 14,189,628	14,027,669
Deposits from banks－others	69,962,476	63,421,146
Postal deposits transferred	115,077,090	100,077,090
Bank overdrafts	857,067	503,650
Call loans from bank	137,740,853	95,153,485
Total	**$ 337,827,114**	**273,183,040**

(s) Due to the Central Bank and banks

	December 31, 2023	December 31, 2022
Loans from Central Bank	**$ 3,531,075**	**253,840,625**

(t) Financial Liabilities Measured at Fair Value through Profit or Loss

(i) Details of financial liabilities measured at fair value through profit or loss were as follows:

	December 31, 2023	December 31, 2022
Financial liabilities held for trading	$ 5,427	5,271
Add: valuation adjustment	20,977,298	12,622,639
Subtotal	20,982,725	12,627,910
Financial liabilities designated as fair value through profit or loss	14,431,350	14,440,750
Add: valuation adjustment	(2,508,562)	(2,002,610)
Subtotal	11,922,788	12,438,140
Total	**$ 32,905,513**	**25,066,050**

(ii) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 7 “Fair Value And Fair Value Hierarchy of the Financial Instruments”.

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(iii) Financial liabilities held for trading

		December 31, 2023	December 31, 2022
Foreign exchange options premium	$	5,427	5,271
Add: valuation adjustment			
Foreign exchange options premium		(2,852)	(2,705)
Swaps		16,747,086	10,439,872
Interest rate swaps		5,839	6,155
Forward foreign exchanges		1,874,511	289,051
Asset swaps		2,352,714	1,890,266
Total	$	20,982,725	12,627,910

(iv) The details of the financial liabilities designated as fair value through profit or loss were as follows:

		December 31, 2023	December 31, 2022
Financial bonds	$	14,431,350	14,440,750
Add: valuation adjustment		(2,508,562)	(2,002,610)
Total	$	11,922,788	12,438,140

The Bank has been approved by the FSC on August 23, 2016, and November 21, 2017 to issue USD $1.5 billion of 2017-1 and 2018-1 Senior Unsecured Financial Bonds, denominated in U.S. dollar. The financial bonds amounted to USD $470 million are outstanding in 2023.

The details of the financial bonds were as follow:

	Conditions				Bond		
Name of bond	Beginning date	Maturity date	Coupon rate	Face value	Type	Amount December 31, 2023	Amount December 31, 2022
2018-1 Senior unsecured financial bonds-B	2018/02/26	2048/02/26	0 %	USD $470 million	Senior unsecured financial bond	$ 14,431,350	14,440,750
				Valuation adjustment		(2,508,562)	(2,002,610)
						$ 11,922,788	12,438,140

For the bonds issued in 2018, the call option may be exercised 5 years for bond B, after the issuing date. If the call options are not exercised prior to the bonds maturity date, the Bank will pay the principal and interests accrued in full upon maturity.

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(v) Unmatured derivative financial instruments (stated at notional amount)

	December 31, 2023	December 31, 2022
Foreign exchange options premium	$ 1,347,490	1,469,192
Swaps	688,426,257	567,324,704
Interest rate swaps	1,965,274	659,143
Forward foreign exchanges	74,379,560	21,659,891
Asset swaps	17,617,113	16,939,164
Total	**$ 783,735,694**	**608,052,094**

(u) Payables

	December 31, 2023	December 31, 2022
Accounts payables	$ 9,574,315	9,991,410
Receipts under custody	1,343,891	1,715,534
Accrued expenses	3,299,795	3,129,821
Other tax payables	695,035	601,395
Interests payables	20,549,935	13,841,228
Banker's acceptances payables	2,177,146	1,956,687
Payables to representative organizations	1,612,173	1,553,777
Construction payables	30,182	19,954
Accounts payables－non-recourse factoring	226,031	318,501
Other payables－undelivered spot exchange	15,372	5,558
Other payables－collection bills	818,589	982,834
Other payables－payments awaiting transfer	9,643,955	9,020,580
Other payables –ATM temporary receipts, payments and inter branch differences	2,706,130	2,534,960
Other payables－foreign exchange awaiting transfer	1,066,265	774,625
Other payables – amounts awaiting settlement	16,273	24,508
Other payables－overdue accounts	160,703	282,205
Other payables－checking accounts	57,043	73,022
Other payables－collection	15,654	11,281
Other payables－others	347,273	489,616
Total	**$ 54,355,760**	**47,327,496**

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(v) Deposits and Remittances

	December 31, 2023	December 31, 2022
Cheques deposits	$ 43,611,614	45,523,070
Government deposits	406,826,363	395,027,459
Demand deposits	534,871,484	539,385,763
Time deposits	947,475,728	915,645,482
Remittances	929,128	631,893
Savings account deposits:		
Demand savings deposits	1,156,961,536	1,235,412,412
Staff accounts	12,448,762	13,039,384
Club saving deposits	326,304	354,803
Non-drawing time savings deposits	550,593,522	492,803,636
Interest withdrawal on principal deposited	856,159,637	801,366,900
Staff time deposits	14,258,541	12,931,404
Preferential Interest deposits	210,175,785	218,783,755
Total	**$ 4,734,638,404**	**4,670,905,961**

(w) Financial Bonds Payable

	Condition			Bond		
Name of bond	**Beginning date**	**Maturity date**	**Interest rate**	**Type**	**Amount**	
					December 31, 2023	**December 31, 2022**
2013-1 TWD subordinated unsecured financial bonds	2013/12/2	2023/12/2	The Bank's listed annual fixed interest rate of time deposits, plus, 0.39%.	Subordinated unsecured financial bond	$ -	16,000,000
2014-1 TWD subordinated unsecured financial bonds-A	2014/06/25	2024/06/25	TAIBOR 3M plus 0.30%	Subordinated unsecured financial bond	5,500,000	5,500,000
2014-1 TWD subordinated unsecured financial bonds-B	2014/06/27	2024/06/27	1.70%	Subordinated unsecured financial bond	2,000,000	2,000,000
2014-1 TWD subordinated unsecured financial bonds-C	2014/06/27	2024/06/27	The Bank's listed annual fixed interest rate of time deposits, plus, 0.39%	Subordinated unsecured financial bond	1,500,000	1,500,000
2021-1 TWD senior unsecured financial bonds	2021/08/27	2026/08/27	0.39%	Senior unsecured financial bond	1,000,000	1,000,000
2023-1 TWD senior unsecured financial bonds	2023/06/09	2028/06/09	1.40%	Senior unsecured financial bond	1,000,000	-
			unamortized discount amount		(610)	(630)
Total					**$ 10,999,390**	**25,999,370**

(Continued)

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(x) Other Financial Liabilities

	December 31, 2023	December 31, 2022
Appropriated loan funds	$ 133,337	1,676
Principal from structured products	1,282,467	546,705
Total	**$ 1,415,804**	**548,381**

(y) Provision

	December 31, 2023	December 31, 2022
Employee benefit obligations	$ 20,942,593	20,743,900
Guarantee reserve	945,932	889,218
Reserve for government employees insurance	477,021,568	410,650,138
Loan commitments reserve	14,988	11,742
Others	388,840	409,784
Total	**$ 499,313,921**	**432,704,782**

(z) Provisions－Employee benefits

	December 31, 2023	December 31, 2022
Recognized in Consolidated Balance Sheet:		
Defined benefit plan	$ 14,180,406	14,092,677
Employees preferential interest	6,758,232	6,646,967
Three Chinese festival bonus	3,955	4,256
Total	**$ 20,942,593**	**20,743,900**

(i) BOT

1) Defined contribution plans

The Bank have established the defined contributions plans in accordance with the provision of the Labor Pension Act since July 1, 2005. The Bank allocates 6% of each employee’s monthly wages to his or her individual account of labor pension from which he or she is entitled to claim the principal and accrued dividends in fixed installments or in lump sum in the future. The pension costs recognized under the defined contribution plans were $4,039 thousand and $3,579 thousand for the years ended December 31, 2023 and 2022 , respectively.

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2) Defined benefit plans

The grant of employees’ pension compromise: a) the contributions made by the Bank at the rate from 4% to 8.5% of the employee’s monthly wage under Article 8 (depending on the employee’s‘ salary point’ and service period before the Labor Standards Act was applied), respectively, of the aforementioned regulations. (The Bank ceased to continue the contributions mentioned above after the Labor Standards Act was applied.) The Bank also contributed 3% of the total amount of the wages as reserve ;b) the contributions calculated based on the employee’s monthly wage and service period (after May 1, 1997) in accordance with Article 5 and the related regulations set forth in the Labor Standards Act. All the contributions are made to the fund managed by the Pension Supervision Committee for future payments. The grant of labors’ pension is conducted under the Bank’ s Work Rules before the Labor Standards Act was applied. Under Article 49 of the Rules, the service period before and after May 1, 1997 is accumulated in accordance with the Rules and the Labor Standard Act, respectively. The contributions calculated at a certain rate under Labor Pension are made to a designated Labor Retirement Reserve Account for future payments. In addition, the Bank is required to allocate 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act effective July 1, 2005.

The Bank handles three sessions of care for the bereaved families of deceased employees, and each person will be paid NT$2,000 per session. Years of support: 1. Death or accidental death: 10 years. 2. Death in the line of duty: 15 years.

The Bank is obliged to grant $21.6 thousand to those who retired before December 31, 1979 and claim pensions at one time every Spring Festival, Dragon Boat Festival and Mid-Autumn Festival. The amount will be raised to $37 thousand if there are dependents.

The Bank expects to contribute $1,033,323 thousand to the account within one year after the balance date.

Weighted average duration of the defined contribution plans were as follows:

Defined Benefit Plans	11.00 year
Employee care bonuses during the three Chinese festivals	11.00 year

a) The reconciliation of recognized liabilities for the defined benefit obligations, present value of the defined benefit obligations, fair value of the plan assets, and the limit of assets adjustment are as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	$ 22,620,408	22,518,665
Less: fair value of the plan assets	(8,441,500)	(8,431,198)
Net defined benefit liabilities (assets)	**$ 14,178,908**	**14,087,467**

(Continued)

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b) The movements in present value of the defined benefit obligations

		2023	2022
Defined benefit obligation at January 1	$	22,518,665	22,897,637
Current service costs		862,097	901,136
Interest expense		306,254	171,732
Remeasurements of the defined benefit plans of other Comprehensive Income			
－5 percent increase in salary		-	1,024,143
－Actuarial gains and losses in financial changes in assumptions		291,782	(1,563,127)
－Experience adjustments		262,751	385,397
Contributed by the participant of the plan		(2,845)	(1,600)
Benefit payments		(1,618,296)	(1,296,653)
Defined benefit obligation at December 31	**$**	**22,620,408**	**22,518,665**

c) The movements of fair value of defined benefit plan assets

		2023	2022
Fair value of plan assets at January 1	$	8,431,198	8,381,128
Interest revenue		114,664	62,859
remeasurements of defined benefit plans of other comprehensive income			
－Return on plan assets		37,804	181,448
Contribution made by the Bank		1,391,037	1,005,277
Benefit payments		(1,533,203)	(1,199,514)
Fair value of plan assets at December 31	**$**	**8,441,500**	**8,431,198**

d) Expense recognized in profit or loss

		2023	2022
Current service cost	$	862,097	901,136
Net interest of defined benefit liabilities (assets)		191,590	108,873
Total	**$**	**1,053,687**	**1,010,009**

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e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Bank's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income was as follows:

		2023	2022
Accumulated amount at January 1	$	8,061,492	8,396,527
Recognized during the period		516,729	(335,035)
Accumulated amount at December 31	**$**	**8,578,221**	**8,061,492**

f) Portfolio analysis of plan asset

		2023	2022
Bak saving	$	6,321,221	6,293,631
Bonds instruments		750,000	750,000
Others		1,370,279	1,387,567
Total	**$**	**8,441,500**	**8,431,198**

The overall expected rate of return on assets is based on the historical trend of returns and the estimation of return on the portfolio as a whole. The Bank also refers to the return of the funds supervised by the Labor Pension Supervision Committee and then uses judgments and estimations to determine the rate which should not be lower than the two-year time deposits rate set by the local banks.

g) Actuarial assumptions

	December 31, 2023	December 31, 2022
Discount rate	1.24 %	1.36 %
Assets expected rate of return	1.24 %	1.36 %
Future of salary increases	2.00 %	2.00 %

The estimated future mortality rates used in calculating of the defined benefit plan of the Bank are based on the sixth round of the Taiwan Life Experience Life Table during 2023 and 2022, respectively.

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h) Sensitivity analysis

The followings would be the impacts on the present value of defined benefit obligations as of December 31, 2023 and 2022 if the actuarial assumptions had changed:

	Impacts on the present value of the defined benefit obligation		
	Actuarial assumption changes(%)	**Actuarial assumption increase**	**Actuarial assumption decrease**
December 31, 2023			
Discount rate			
Defined benefit plans	0.25%	$ 21,965,523	23,245,431
Employee care bonus during the three Chinese festivals	0.25%	3,916	3,995
Salary increase rate	0.50%	23,767,984	21,553,475
December 31, 2022			
Discount rate			
Defined benefit plans	0.25%	21,867,784	23,133,676
Employee care bonus during the three Chinese festivals	0.25%	4,213	4,300
Salary increase rate	0.50%	23,642,383	21,472,517

The aforementioned sentivitiy analysis is used to analyze what the impact could be when one variable changes while all other variables remain constant. In practice, however, this hypothesis may not exist as changes in variables could be correlative. Projected unit benefit method is also utilized in calculating the changes in present value of the defined benefit obligations when the Bank conducts the sentivitiy analysis.

Methods and variables used in preparing the sensitivity analysis are consistent with those of the previous period.

3) Employee preferential interest plan

As from July 1, 2018, the Bank terminate the preferential interest deposits for retired employees in accordance with the rule Tai Tsai Ku No.10700624450 issued by the Ministry of Finance.

a) The reconciliation of recognized liabilities for employee preferential interest plan, fair value of the plan, and limit of assets adjustment are as follows:

	December 31, 2023	December 31, 2022
Fair value of the Employees preferential interest plan	$ 6,758,232	6,646,967
Limit of assets adjustment	-	-
Net defined benefit liabilities (assets)	**$ 6,758,232**	**6,646,967**

b) The movements of present value of employees preferential interest plan

	2023	2022
Present value of employees preferential interest plan at January 1	$ 6,646,967	7,196,614
Interest expense	265,879	287,864
Remeasurement of net employees preferential deposit		
Actuarial gains and losses in current period	1,778,030	1,192,754
Contributed by the participant of the plan	(8,953)	(7,732)
Benefit paid by the plan	(1,923,691)	(2,022,533)
Present value of employees preferential interest plan at December 31	**$ 6,758,232**	**6,646,967**

c) Expense recognized in profit or loss

	2023	2022
Net interest of employees preferential deposit	$ 265,879	287,864
Actuarial gains and losses in current period	1,778,030	1,192,754
Total (booked under employee benefits expense, note 6(al))	**$ 2,043,909**	**1,480,618**

d) Re-measurement of net defined benefit liability recognized in other comprehensive income

	2023	2022
Accumulated amount at December 31 (Same as beginning balance)	**$ 703,780**	**703,780**

(Continued)

e) Actuarial assumptions

	2023	2022
Discount rates of the employee preferential interest	4.00 %	4.00 %
Return on deposit	2.00 %	2.00 %
Pension preferential ratios deposit for withdrawal	1.00 %	1.00 %
The probability of changes in the policy of employee preferential interest plan	50.00 %	50.00 %
Rate of same type deposit offered to general customers	1.660 %	1.535 %

f) Sensitivity analysis

The followings would be the impacts on the present value of defined benefit obligations as of December 31, 2023 and 2022 if the actuarial assumptions had changed:

	Impacts on the present value of the defined benefit obligation		
	Actuarial assumption changes(%)	**Actuarial assumption increase**	**Actuarial assumption decrease**
December 31, 2023			
Discount rate	0.25%	$ 6,628,471	6,892,734
December 31, 2022			
Discount rate	0.25%	6,519,399	6,779,214

The aforementioned sensitivitiy analysis is used to analyze what the impact could be when one variable changes, while all other variables remained constant. In practice, however, this hypothesis may not exist as changes in variables could be correlative. Projected unit benefit method is also utilized in calculating the changes in present value of the defined benefit obligations when the Bank conducts the sensitivitiy analysis.

The methods and variable used in preparing the sensitivity analysis are consistent with those of the previous period.

g) Future cash flow of Employees preferential interest plan

The Bank monitors and reviews the contributions to employee preferential interest plan annually to ensure the ability of payments. Within one year after the financial statement date, the Bank expects to contribute $1,799,759 thousand to the plan.

(ii) The subsidiary, BTIB

1) Defined benefit plans (including pension plans and excess annuity)

BTIB the reconcilian of present value of the defined benefit obligations and fair value of the plan assets are as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	$ 68,102	68,854
Fair value of the plan assets	(62,649)	(59,388)
Net defined liabilities (assets)	**$ 5,453**	**9,466**

The retirement, indemnity and severance of BTIB certified staff are complied with the "Guideline of Indemnity and Severance of Financial and Insurance Enterprise Employees". Pension payments to staffs that the year of service before designated to apply to "Labor Standards Act" (as of May 1, 1997) are complied with the Article 41-1 and are separately appropriated wages of 4%~8.5% into mandatory pension contribution (defined contribution), according to the different monthly salary grade regulated by the Article 9. However, it is stopped contributing to mandatory pension contribution and the contributed part shall be retained after applying to "Labor Standards Act"; pension payments to labors that the year of service after applying to "Labor Standards Act" is calculated by the related regulations of "Labor Standards Act". When employees retire, they will be paid using their pension fund and mandatory pension contribution.

a) Composition of plan assets

The labor pension reserve consigned to "Labor Retirement Fund Supervisory Committee" by BTIB amounted to $62,649 thousand at the end of the reporting period.

b) The movements in present value of the defined benefit obligations

BTIB movements in present value of the defined benefit obligations for the years ended December 31, 2023 and 2022, were as follows:

	2023	2022
Defined benefit obligation at January 1	$ 68,854	65,068
Current service costs and interest	6,176	6,046
Remeasurements of the defined benefit plans in other comprehensive income		
－Actuarial gains and losses in financial changes in assumptions	(2,662)	(4,415)
－Experience adjustment	(1,045)	2,155
Benefits paid by the plan	(3,221)	-
Defined benefit obligation at December 31	**$ 68,102**	**68,854**

(Continued)

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c) The movements of fair value of defined benefit plan assets

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

		2023	2022
Fair value of plan assets at January 1	$	59,388	53,070
Remeasurements of defined benefit plans in other comprehensive income			
－Return on plan assets(not including current interest)		306	273
Contribution made by the Bank		5,575	5,776
Interest revenue		601	269
Benefit payments		(3,221)	-
Fair value of plan assets at December 31	**$**	**62,649**	**59,388**

d) Expense recognized in profit or loss

BTIB expenses recognized in profit or loss at December 31, 2023 and 2022, were as follows:

		2023	2022
Current service cost	$	5,510	5,734
Net interest of the net defined liabilities (assets)		65	43
	$	**5,575**	**5,777**

e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

BTIB re-measurement of net defined benefit liability (asset) recognized in other comprehensive income was as follows:

		2023	2022
Accumulated amount at January 1	$	9,465	11,998
Recognized during the period		(4,013)	(2,533)
Accumulated amount at December 31	**$**	**5,452**	**9,465**

f) Actuarial assumptions

The major actuarial assumptions used by BTIB at the end of reporting period were as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.28 %	0.99 %
Assets expected rate of return	1.28 %	0.99 %
Future of salary increases	3.00 %	3.00 %

(Continued)

The expected payment made by BTIB to the defined benefit plans within one year after the reporting date is $5,442 thousand.

Weighted average duration of the defined contribution plan is 12 year.

g) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the subsidiary BTIB, uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the balance sheet date. Any changes in the actuarial assumptions may significantly impact the amounts of the defined benefit obligations.

The followings could impact the present value of the defined benefit obligations as of December 31, 2023 and 2022 if the actuarial assumptions change as follows:

	Impacts on the defined benefit obligation	
	Increase 0.25%	**Decrease 0.25%**
December 31, 2023		
Discount rate	65,753	70,581
Future of salary increases	70,201	66,085
December 31, 2022		
Discount rate	66,549	71,289
Future of salary increases	70,921	66,869

The sensitivity analysis is used to analyze the impact when one assumption changes and other assumptions are unchanged. In practice, however, changes of assumptions might be correlative. The method used to conduct the sensitivity analysis is the same as that BTIB used to calculate the amount of net accrued pension liabilities on its balance sheet.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

2) Employee preferential interest plan

The subsidiary, BTIB, is also obligated to pay the preferential interests generated from a fixed amount of deposit to each retired and in-service employee in accordance with Tai-Cha-Ku-Tzu No.10103675500 and agreement between the Bank and subsidiary.

The subsidiary, BTIB, has the obligation to pay the preferential interest deposits to current employees. If the preferential interest rate for retired employees exceeds the market rate, BTIB shall apply the accounting treatments required by IAS 19 to estimate the excess interest as the employees retired.

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3) Defined contribution plans

BTIB contributed 6% of each employee's monthly salary to a personal labor pension account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. BTIB contributed a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The subsidiary BTIB's pension costs under the defined contribution pension plan were \$20 thousand and \$18 thousand for the years ended December 31, 2023 and 2022, respectively, and were contributed to the Bureau of Labor Insurance, Ministry of Labor.

(aa) Lease liabilities

The Bank's lease liabilities were as follow:

	December 31, 2023	December 31, 2022
Carrying amounts	$ 1,472,662	1,218,855

For the maturity analysis, please refer to note 8(d).

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	$ 17,820	13,370
Variable lease payments not included in the measurement of lease liabilities	$ 2,022	1,891
Expenses relating to short-term leases	$ 2,340	1,744
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 1,857	1,619
Covid-19-related rent concessions (recognized as other income)	$ (5,044)	(19,034)

The amounts recognized in the statement of cash flows for Bank and subsidiary were as follows:

	2023	2022
Total cash outflow for leases	$ 705,821	502,950

(i) Real estate leases

The Bank leased buildings for its office space. The leases of office space typically run for a period of 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract-term.

Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

The Bank leased miscellaneous equipment and parking space with contract terms of one years. These leases are short-term and leases of low-value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases.

(ab) Operating lease

The Bank leases out its investment property and some machinery. The Bank has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2023	December 31, 2022
Less than one year	$ 137,236	148,340
One to two years	69,022	113,846
Two to three years	45,143	47,233
Three to four years	41,083	27,217
Four to five years	7,375	25,919
Total undiscounted lease payments	**$ 299,859**	**362,555**

The Bank provided the lessees deferred rent payment and rent concessions in accordance with the government's policy for Covid-19 pandemic since 2020. As of December 31, 2023 and 2022, the amount of deferred rent payment is $0 thousand for both years; rent concessions is $0 thousand and $87,853 thousand respectively.

(ac) Other Liabilities

	December 31, 2023	December 31, 2022
Advance collections	$ 2,345,620	1,939,471
Guarantee deposits received	3,868,355	5,042,481
Temporary receipt and suspense accounts	19,888	52,974
Other liabilities to be settled	8,239	8,239
Compensation arising from land revaluation	1,264,803	1,264,803
Defered revenue	13,302	13,613
Total	**$ 7,520,207**	**8,321,581**

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(ad) Income Tax Expenses

(i) Income Tax expenses (benefits)

The income tax expenses for December 31, 2023 and 2022 were as follow:

	2023	2022
Current income tax expense		
Occurred in the current period	$ 4,423,826	1,936,457
Current income tax expense from adjustment of prior period	(781)	(53,524)
Deferred tax expense		
Occurrence and reversal of temporary difference	240,676	261,980
Income tax expenses	**$ 4,663,721**	**2,144,913**

Income tax expenses (benefits) recognized directly in other comprehensive income for 2023 and 2022 were as follows:

	2023	2022
(Gains) losses on debt instruments measured at fair value through other comprehensive income	**$ 3,528**	**(27,843)**

The amount of tax expense (benefits) recognized in other comprehensive income for in 2023 and 2022 were as follows:

	2023	2022
Profit before tax	**$ 28,482,850**	**19,190,731**
Income tax using the Bank's domestic tax rate (20%)	$ 5,696,570	3,838,146
Effects of tax rates in foreign jurisdiction	555,551	320,040
Non-deductible profits and losses	(448,962)	535,316
Cessation of transfer tax on stocks	(7,294)	136,179
Reinvestment gain exemption (dividends)	(1,543,595)	(1,675,938)
Change in unrecognized temporary differences	745,526	(495,731)
Change in provision in prior period	(781)	(53,524)
Income basic tax	(144,474)	(5,328)
Income from tax-exempt of Offshore Banking Unit	(213,842)	(454,247)
Others	25,022	-
Total	**$ 4,663,721**	**2,144,913**

1) Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2023	December 31, 2022
Deductible Temporary Differences	**$ 5,874,830**	**4,986,355**

(Continued)

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2) Recognised Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for December 31, 2023 and 2022 are as follows:

Deferred Tax Assets:

	Fair Value Gains	Others	Total
Balance at January 1, 2023	$ 94,538	243,251	337,789
Recognized in profit or loss	(9,076)	4,406	(4,670)
Recognized in other comprehensive income	(5,896)	-	(5,896)
Balance at December 31, 2023	**$ 79,566**	**247,657**	**327,223**
Balance at January 1, 2022	$ 60,093	394,981	455,074
Recognized in profit or loss	14,661	(151,730)	(137,069)
Recognized in other comprehensive income	19,784	-	19,784
Balance at December 31, 2022	**$ 94,538**	**243,251**	**337,789**

Deferred Tax Liabilities:

	Land Value Increment Tax	Fair Value Gains	Others	Total
Balance at January 1, 2023	$ 18,071,412	17,064	401,619	18,490,095
Recognized in profit or loss	(43,975)	(3,328)	283,309	236,006
Recognized in other comprehensive income	-	(2,368)	-	(2,368)
Balance at December 31, 2023	**$ 18,027,437**	**11,368**	**684,928**	**18,723,733**
Balance at January 1, 2022	$ 18,071,412	28,095	273,736	18,373,243
Recognized in profit or loss	-	(2,972)	127,883	124,911
Recognized in other comprehensive income	-	(8,059)	-	(8,059)
Balance at December 31, 2022	**$ 18,071,412**	**17,064**	**401,619**	**18,490,095**

(ii) The Bank's income tax returns has been audited by the MoA up until 2022 and examined by the National Tax Administration up until 2022.

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(ae) Equity

(i) Capital stock

A resolution was passed during the meetings of the Bank’s Board of Directors, acting on behalf of the Board of Shareholders, on April 12, 2019 for the issuance of ordinary shares paid in land under private placement, with selling price of $30 per share and September 25, 2019 as the date of capital increase. The total amount of the capital injection was $42 billion. The issuance was approved by the FSC (Ruling No. 10801305311) and the Ministry of Economic Affairs (Ruling No. 10801140660) on July 17 and October 31, 2019, respectively. The relevant statutory registration procedures have been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares will be subject to the Article 43-8 under the Securities and Exchange Act. The Bank can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the FSC.

As of December 31, 2023 and 2022, the Bank’s authorized and issued shares of common stocks were both 10,900,000 thousand (9,500,000 thousand was under public offering and 1,400,000 thousand was under private placement). The par value of the issued common stocks is $10.

(ii) Capital surplus

According to the ROC Company Act, the Bank can declare dividend with capital surplus. The share capital capitalized in any one year may not exceed a certain percentage for the Bank’s increasing share capital under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The Bank may only increase its capital reserve out of the share capital from cash premium on capital stock once a year. The additional capital reserve from the share capital may not be increased during the same fiscal year as the additional share capital form cash premium on capital stock.

In accordance with the regulations regarding government-run businesses and the Bank’s articles of incorporation, however, the policy for the resources that can be used to distribute cash dividend only includes current year earnings, accumulated earnings, legal reserve allowed to be used to distribute cash dividend, under the instruction of the Ministry of Finance. Capital surplus is not included.

(iii) Legal reserve

According to the ROC Company Act, when the Bank does not have any deficit, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital can be distributed.

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(iv) Other equity

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	Gains (losses) on financial Instruments for hedging	Other Comprehensive income reclassified by applying overlay approach	Total
Balance at January 1, 2023	$ (875,407)	43,597,471	5,196	7,180	(61,900)	42,672,540
Exchange differences on translation of foreign operations	(137,014)	-	-	-	-	(137,014)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	22,623,448	-	-	-	22,623,448
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(957,753)	-	-	-	(957,753)
Gains (losses) on financial Instruments for hedging	-	-	-	1,206	-	1,206
Change in fair value of financial liability attributable to change in credit risk of liability	-	-	(27,629)	-	-	(27,629)
Other Comprehensive income reclassified by applying overlay approach	-	-	-	-	106,786	106,786
Balance at December 31, 2023	**$ (1,012,421)**	**65,263,166**	**(22,433)**	**8,386**	**44,886**	**64,281,584**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	Gains (losses) on financial Instruments for hedging	Other Comprehensive income reclassified by applying overlay approach	Total
Balance at January 1, 2022	$ (3,281,013)	65,697,429	(19,502)	4,099	65,889	62,466,902
Exchange differences on translation of foreign operations	2,405,606	-	-	-	-	2,405,606
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	(23,383,592)	-	-	-	(23,383,592)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	1,283,634	-	-	-	1,283,634
Gains (losses) on financial Instruments for hedging	-	-	-	3,081	-	3,081
Change in fair value of financial liability attributable to change in credit risk of liability	-	-	24,698	-	-	24,698
Other Comprehensive income reclassified by applying overlay approach	-	-	-	-	(127,789)	(127,789)
Balance at December 31, 2022	**$ (875,407)**	**43,597,471**	**5,196**	**7,180**	**(61,900)**	**42,672,540**

(Continued)

(v) Appropriation of earnings

The articles of incorporation of the Bank stipulate that net income should be distributed in the following order:

1) to settle all outstanding tax payable;

2) to offset prior years losses;

3) to appropriate 30% as legal reserve;

4) special reserve

In addition to appropriating 20~40% of residual earnings as special reserve, in accordance with the Order No. 1100208161 issued by the FSC on May 12, 2021 and No.1090150022 issued by the FSC on March 31,2021, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in the shareholders equity which the Bank elect to transfer to retained earnings by application of the exemption under IFRSs No. 1, the Bank shall set aside an equal amount of special reserve. When the Bank subsequently use, dispose of, or reclassify the relevant assets, it may reverse to distributable earnings a proportional amount of the special reserve originally set aside.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the net reduction of other shareholder's equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholder's equity pertaining to prior due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholder's equity shall qualify for additional distributions.

5) To appropriate dividends.

The remaining balance would be appropriated, combining accumulated retained earnings, in accordance with related laws and regulations.

According to the Banking Law, before the legal reserve balance amounts to the authorized capital, cash dividend distributions cannot exceed 15% of the authorized capital.

6) According to "Guidelines for Dividends or Bonus or Profits to Be Paid to The National Treasury of The State-owned Enterprises", the Bank distributed its earnings to the National Treasury in April, July, October, and December evenly and recognized them in the consolidated financial statements accordingly. The distributed amount will be adjusted in the final accounting of the Executive Yuan and National Audit Office. For the prepaid dividends of the Bank as of December 31, 2023 and 2022, please refer to note 6 (p).

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(af) Net interest income

		2023	2022
Interest income:			
Loans and discounts	$	72,531,073	48,563,817
Placement with Central Bank and call loans to banks		16,725,970	9,089,192
Securities investment		27,916,571	11,393,341
Credit cards		18,849	17,868
Others		705,020	993,687
Subtotal		117,897,483	70,057,905
Interest expense:			
Deposits from customers		68,455,543	31,025,344
Deposits of Central Banks and other banks		8,524,707	2,732,403
Loans to Central Banks and other banks		1,453,492	626,300
Bonds sold under repurchased agreements		738,696	94,026
Financial bonds		410,870	305,506
Structured deposits		43,800	10,106
Others		104,047	42,056
Subtotal		79,731,155	34,835,741
Net interest income	**$**	**38,166,328**	**35,222,164**

(ag) Service fees, net

		2023	2022
Service fees revenue:			
Trust services	$	791,485	782,579
Custody services		131,640	131,688
Foreign exchange business		204,921	193,978
Credit business		586,998	662,131
Credit card services		265,310	215,340
Deposit, remittance and other services		2,639,296	2,891,626
Subtotal		4,619,650	4,877,342
Service fees expense:			
Trust services		52,538	51,395
Custody services		36,144	25,495
Credit card services		281,460	228,340
Deposit, remittance and other services		525,530	501,744
Subtotal		895,672	806,974
Service fees, net	**$**	**3,723,978**	**4,070,368**

(Continued)

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(ah) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

		2023	2022
Gain on financial assets or liabilities measured at fair value through profit or loss:			
Dividend income	$	5,709,664	7,152,118
Net interest gain		454,754	126,324
Net gain on disposal		9,224,890	5,372,078
Subtotal		15,389,308	12,650,520
Net gain (loss) on valuation		56,858,463	(74,005,781)
Total	$	**72,247,771**	**(61,355,261)**

(ai) Realized gains (losses) on financial assets measured at fair value through other comprehensive income

		2023	2022
Dividend income	$	3,241,568	4,551,764
Gain on disposal		885	36,788
Total	$	**3,242,453**	**4,588,552**

(aj) Foreign exchange gain or loss

		2023	2022
Foreign exchange gains	$	17,588,785	29,165,569
Foreign exchange losses		(13,005,671)	(12,930,325)
Total	$	**4,583,114**	**16,235,244**

(ak) Other non-interest income

		2023	2022
Premiums income	$	22,804,693	22,626,131
Sales revenue		134,879,640	125,731,831
Subsidized income from government		9,060,440	9,207,821
Benefits and claims		(31,193,322)	(29,341,339)
Cost of goods sold		(134,344,607)	(125,224,017)
Provisions for policy holders' reserve premium		(66,371,429)	43,014,084
Excess preferential interest expenses		(6,278,721)	(5,811,768)
Others		1,003,250	201,597
Total	$	**(70,440,056)**	**40,404,340**

(Continued)

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(al) Employee benefits expenses

	2023	2022
Salaries	$ 12,574,292	12,054,023
Labor and health insurances	583,266	569,475
Pensions	1,093,172	1,045,960
Remuneration of directors	2,626	2,640
Others	374,980	295,650
Total	**$ 14,628,336**	**13,967,748**

(am) Depreciation and amortization expenses

	2023	2022
Depreciation expenses	$ 1,679,675	1,551,612
Amortization expenses	441,794	390,841
Total	**$ 2,121,469**	**1,942,453**

(an) Other general and administrative expenses

	2023	2022
Taxes	$ 4,441,253	3,322,176
Rental expenses	6,219	5,254
Insurance expenses	1,089,284	1,040,960
Postage and phone / fax expenses	237,289	237,960
Utilities	196,905	176,626
Supplies expenses	229,890	229,991
Repair and maintenance expenses	422,733	424,992
Marketing expenses	333,446	333,194
Professional service fees	934,446	870,207
Cashes transferring expenses	176,559	68,530
Others	388,472	345,402
Total	**$ 8,456,496**	**7,055,292**

(ao) Earnings per Share

The basic earnings per share of the Bank and subsidiary were calculated as follows:

Unit: thousand dollars / thousand shares

	2023		2022	
	Before-Tax	**After-Tax**	**Before-Tax**	**After-Tax**
Consolidated net income	**$ 28,482,850**	**23,819,129**	**19,190,731**	**17,045,818**
Weighted average outstanding shares	**10,900,000**	**10,900,000**	**10,900,000**	**10,900,000**
Basic earnings per share (In NT dollars)	**$ 2.61**	**2.19**	**1.76**	**1.56**

(7) The Fair Value Information of Financial Instruments:

(a) Fair value information

(i) Overview

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments are recognized initially at fair values. In many case, they usually refer to transaction prices. Subsequent to initial recognition, they are also measured at fair value except for those that are measured at amortized cost. The best evidence of fair value is the quoted price in an active market. If financial instruments do not have a quoted market price in an active market, the Bank uses the valuation techniques or refers to the quoted prices set by Bloomberg, Reuters or the Counterparties to determine the fair value.

(ii) The Three-level Definition

1) Level 1

Inputs are quoted prices of same financial instruments in an active market. An active market indicates the market that is in conformity with all the following conditions: (i) the products in the market are identical; (ii) it is easy to find a willing party; (iii) the price information is attainable for the public. The equity investments, beneficiary certificates, certain Taiwan government bonds, and derivatives with quoted prices in an active market are classified as level 1.

2) Level 2

Inputs are those that are observable for asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), other than quoted prices included within Level 1. The non-popular government bonds, corporate bonds, financial bonds, convertible bonds, most of the derivatives, and financial bonds issued by the Bank are classified as level 2.

3) Level 3

Inputs are not based on observable market data (unobservable inputs parameters), i.e., historical volatility which cannot represent an expected value of all the market participators but is used as a model for the calculation of options. Certain derivatives and equity investments without a non-active market belong to level 3.

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(b) Measure at fair value measurement

(i) Fair value hierarchy

The fair value of financial instruments is measured on a recurring basis. The fair value hierarchy of financial instruments are as follows:

Financial instruments measured at fair value	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	$ 360,837,197	303,323,743	57,241,834	271,620
Financial assets designated as fair value through profit or loss	9,538,465	-	9,538,465	-
Investment in bonds	9,538,465	-	9,538,465	-
Financial assets mandatorily as fair value through profit or loss	351,298,732	303,323,743	47,703,369	271,620
Investments in stocks	157,294,169	157,022,549	-	271,620
Investment in bonds	9,349,242	8,245,575	1,103,667	-
Others	184,655,321	138,055,619	46,599,702	-
Financial assets at fair value through other comprehensive income	1,358,202,266	112,882,291	1,222,843,629	22,476,346
Debt instruments	1,232,908,032	10,064,403	1,222,843,629	-
Equity instruments	125,294,234	102,817,888	-	22,476,346
Liabilities:				
Financial liabilities measured at fair value through profit or loss	11,922,788	-	11,922,788	-
Financial liabilities designated at fair value through profit or loss	11,922,788	-	11,922,788	-
Derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	$ 9,664,150	57,351	9,606,799	-
Hedging derivatives financial assets	1,419	-	1,419	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	20,982,725	-	20,982,725	-

(Continued)

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Financial instruments measured at fair value	December 31, 2022 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	$ 269,945,880	244,782,413	24,959,137	204,330
Financial assets designated as fair value through profit or loss	13,338,417	-	13,338,417	-
Investment in bonds	13,338,417	-	13,338,417	-
Financial assets mandatorily as fair value through profit or loss	256,607,463	244,782,413	11,620,720	204,330
Investments in stocks	132,675,573	132,471,243	-	204,330
Investment in bonds	14,906,111	8,353,599	6,552,512	-
Others	109,025,779	103,957,571	5,068,208	-
Financial assets at fair value through other comprehensive income	1,138,542,757	97,531,546	1,020,810,712	20,200,499
Debt instruments	1,028,168,874	7,358,162	1,020,810,712	-
Equity instruments	110,373,883	90,173,384	-	20,200,499
Liabilities:				
Financial liabilities measured at fair value through profit or loss	12,438,140	-	12,438,140	-
Financial liabilities designated at fair value through profit or loss	12,438,140	-	12,438,140	-
Derivative financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	$ 17,678,802	63,403	17,615,399	-
Hedging derivatives financial assets	9,467	-	9,467	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	12,627,910	-	12,627,910	-

(ii) Financial instruments measured at fair value

Fair value of an assets or liability is the amount at which the asset could be bought or sold in a current transaction between both willing parties who have full understanding, or transferred to an equivalent party.

Financial instruments are recognized initially at fair values. In many case, they usually refers to transaction price. Subsequent to initial recognition, they are also measured at fair value except for those that are measured at amortized cost. The best evidence of fair value is the quoted price in an active market. If a financial instrument do not have a quoted market price in an active market, the Bank uses the valuation techniques or refers to the quoted prices set by Bloomberg or the Counterparties to determine the fair value.

The fair value of financial instruments is based on the quoted prices in an open market. These include trading prices of equity instruments listed on a major stock exchange or of the government bonds in an over the counter ("OTC") market.

(Continued)

When a quoted price of a financial instrument is timely available in a stock exchange or an a OTC market or from brokers, underwriter, industry associations, pricing service organizations and the authorities and the price is often used in a arm’ s length transaction, the financial instrument is considered to have a quoted price in an active market. If the above criteria are not met, the market is considered inactive. In general, a large or significantly increasing bid-ask spread and very low transaction volume indicate that the market where the financial instrument is trade is not active.

Other than those traded in an active market, the fair value of all other financial instruments is determined by using a valuation model or referring to the quoted price of the counterparty. The Bank refers to the present values, the discounted cash flow or the values calculated under other valuation methods of financial instruments with similar terms and characteristics, including the one calculated by a model which uses the available market data at the financial statement day as inputs. (i.e. the applicable yield curve of bonds traded in the Taipei exchange and average prices of commercial papers quoted on Reuters)

When measuring a financial instrument which no specific techniques can be applied to but do not create challenge in valuation, such as bonds traded in an inactive market, interest rate swap, FX swaps and options, the Bank adopts the valuation methods which are widely used and accepted by other market participants. The parameters used are usually the observable market data or information.

For complex financial instruments, the Bank not only refers to the valuation methods which are widely used and accepted by other banks but also develops its own valuation models to determine the fair value. These valuation models are usually applied to the valuation of derivatives, debt instruments with embedded derivatives, or securitization products. The parameters used in such models are usually not observable in a market, and therefore, the Bank has to make proper estimates based on assumptions and judgments.

(iii) Fair value adjustment

1) Limitations of valuation models and uncertainty input

Outputs of valuation models are approximate values and valuation techniques may not be able to reflect critical factors of all the financial and non-financial instruments. As such, additional parameters shall be incorporated into the fair value measurement, such as modeling risk and liquidity risk, when necessary. The management of the Bank believes that the adjustments made to the fair value of financial and non-financial instruments are appropriate and necessary since they are performed in accordance with the Bank’ s policies governing the fair value of valuation models and related internal controls. All the information and parameters are based on current market conditions and thoroughly reviewed by the Bank.

2) Credit risk valuation adjustment

Credit risk valuation adjustment consists of credit valuation adjustments and debit valuation adjustments to the derivatives traded in an OTC market instead of a stock exchange market. The definitions are as follows:

a) Credit value adjustments (CVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the counter parties' delayed payment and default into fair value.

b) Debit value adjustments (DVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the Bank and its subsidiary' delayed payment and default into fair value.

The key inputs of the measurement of credit risk and the quality of the Bank' s counterparties are the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

CVAs are calculated by considering the counterparty's probability of default (PD) under the condition that the Bank is not in default, Loss give default (LGD) and Exposure at default (EAD). On the contrary, DVAs are calculated by considering the Bank' s PD under the condition that the counterparty is not in default, LGD and EAD.

The Bank refers to the counterparty' s default rate graded by Moody' s, experiences of John Gregory (scholar), and foreign financial institutions, to determine the PD at 60%. The Bank may also use other alternative PD assumptions if data availability is limited. Moreover, the Bank also takes the credit risk valuation adjustments into consideration when calculating fair value by referring to the Mark-to-Market values of derivatives traded in the OTC markets to reflect the counterparty' s credit risk and the Bank' s creditworthiness.

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(iv) Reconciliation for fair value measurements in Level 3 of the fair value hierarchy were as follows:

Reconciliation for fair value measurements categorized in level 3 as of December 31, 2023 and 2022 were as follows:

	Fair value through profit or loss		Fair value through other comprehensive income	
	Non derivative mandatorily measured at fair value through profit or loss (Unquoted equity instruments)		Unquoted equity instruments	Total
Opening balance, January 1, 2023	$	204,330	20,200,499	20,404,829
Total gains and losses recognized:				
In profit or loss		67,290	-	67,290
In other comprehensive income		-	2,275,847	2,275,847
Ending Balance, December 31, 2023	$	**271,620**	**22,476,346**	**22,747,966**
Opening balance, January 1, 2022		209,220	23,758,194	23,967,414
Total gains and losses recognized:				
In profit or loss		(4,890)	-	(4,890)
In other comprehensive income		-	(3,557,695)	(3,557,695)
Ending Balance, December 31, 2022		**204,330**	**20,200,499**	**20,404,829**

(v) The process of fair value measurements in Level 3

Referring to IFRS 13, the Trading Department should inform the Risk Management Department regarding the related valuation methods before any financial instruments categorized in Level 3 are bought or sold. The valuation result of such financial instruments is quarterly reported to Asset and Liability Management Committee.

(vi) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Bank considers the valuation techniques used by the Bank for fair value measurements in Level 3 reasonable. However, any changs in one or more of the paramenters or assumptions may lead to a different result.

The favorable and unfavorable effects represent the changes in fair value, and the fair value are based on a variety of unobservable inputs calculated using a valuation technique. There are no such effects as of December 31, 2023 and 2022. The analysis only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

(vii) The sensitivity analysis for the financial assets measured at fair value classified to the Level 3.

The Bank's and subsidiary's financial instruments that use Level 3 inputs to measure fair value include " financial assets measured at fair value through profit or loss – equity investments" and "fair value through other comprehensive income – equity investments".

Quantified information of significant unobservable inputs was as follows:

2023			
Item	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Financial assets measured at fair value through profit or loss and Financial assets at fair value through other comprehensive income – Contingent consideration	Comparable company method	· P/E ratio · P/B ratio · EV/Operating revenue · EV/EBITDA · EV/EBIT · Liquidity discount rate	Positive Positive Positive Positive Positive Negative
	The asset approach	· Fair value of asset · Fair value of liability	Positive Negative

2022			
Item	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Financial assets measured at fair value through profit or loss and Financial assets at fair value through other comprehensive income – Contingent consideration	Comparable company method	· P/E ratio · P/B ratio · EV/Operating revenue · EV/EBITDA · EV/EBIT · Liquidity discount rate	Positive Positive Positive Positive Positive Negative
	The asset approach	· Fair value of asset · Fair value of liability	Positive Negative

(c) Hierarchy information of financial instruments not measured at fair value

(i) Fair Value Information

In addition to the following items, the Bank's financial instruments that are not measured at fair value include cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits, other borrowings and other financial liabilities. Since their book value is a reasonable approximation to fair value, there is no fair value disclosure.

Item	Book value	Fair value
December 31, 2023		
Financial Assets		
Financial Assets measured at amortized cost	$ 291,174,762	285,569,683
December 31, 2022		
Financial Assets		
Financial Assets measured at amortized cost	276,063,085	270,133,114

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(ii) Fair value hierarchy

	December 31, 2023			
Assets and liabilities item	**Total**	**Quoted prices in active markets for identical asset (Level1)**	**Significant other observable inputs (Level2)**	**Significant unobservable inputs (Level3)**
Financial Assets:				
Financial Assets measured at amortized cost	$ 285,569,683	117,682,481	167,887,202	-

	December 31, 2022			
Assets and liabilities item	**Total**	**Quoted prices in active markets for identical asset (Level1)**	**Significant other observable inputs (Level2)**	**Significant unobservable inputs (Level3)**
Financial Assets:				
Financial Assets measured at amortized cost	$ 270,133,114	106,867,565	163,265,549	-

(iii) The methods and assumptions to estimate the financial instruments not measured at fair value are as follows.

1) Financial instruments that have short term to maturity or of which the agreed prices are close to carrying amounts are recognized using their carrying amounts at reporting date. These financial instruments include cash and cash equivalents, placement with Central Bank and call loans to banks, bills and bonds purchased under resell agreements, receivables, limited assets, deposits of Central Bank and other banks, loans to the Central Bank and other banks, bills and bonds sold under repurchase agreements, payables and guarantee deposits received.

2) The discounts and loans (including non-performing loans): The Bank use the floating interest rate to be the interest rate of loans. The floating interest rate can also reflect the market interest rate. So it is reasonable to use the carrying amount and the recoverability to estimate the fair value. The mid-term and long-term loans using with fixed interest rate should use the discounted present value of expected future cash flow to estimate their fair value. However, if the loans with fixed interest rate are minor, it is reasonable to use the carrying amount and their recoverability to estimate their fair value.

3) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted:

a) If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement.

b) If no quoted prices are available, the discounted cash flows are used to estimate fair values.

4) Deposits and Remittances: The Bank considers the characteristic of bank industries to decide the fair value. The deposits with market interest rate are those almost with due within one year and their carrying amounts are reasonable basis for estimating the fair value. The long-term deposits with fixed interest rate are measured using the discounted present value of expected future cash flow. Because the term to maturity is less than three years, it is reasonable to use the carrying amount to estimate the fair value.

5) Financial Bonds Payable: It refers to the convertible corporate bonds and financial bonds issued by the Bank. Their coupon rates are almost equal to the market interest rate, so it is reasonable to using the discounted present values of the expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.

(8) Financial Risk Management:

(a) Overview

The Bank's activities are exposed to various risks from financial instruments, which included credit risk, market risk, operational risk, interest rate risk, liquidity risk, national risk, legal risk, emerging risk, etc., wherein the principles of risk management are as follows:

(i) Monitor the BIS Capital Adequacy Ratio in response to operation scale, credit risk, market risk, operational risk and the operating trades in the future.

(ii) Establish a systematic risk measure and control mechanism to measure, monitor and control every risk.

(iii) Manage every business risk considering the risk capacity, capital reserve, nature of debts and performance.

(iv) Establish a valuation method for the quality and classification of assets, control the intensity of exposure and significant exposure, check periodically and recognize allowance for loss.

(v) Establish information system protection mechanism and emergency plan for bank operation, transactions, and information. Build an independent and effective risk management mechanism and strengthen the risk management of business through appropriate policies, procedures, and systems.

(vi) Establish a management mechanism to identify, measure and monitor money laundering and terrorist financing by complying with the standard operating procedures in accordance with relevant laws and regulations.

(vii) Assess the impact of emerging risks on the Bank's operations and establish a risk management mechanism.

(b) Risk management structure

The risk management structure of the Bank is composed of the Board of Directors, risk management committee, risk management department and every operational unit.

(i) The Board of Director is the final decision maker for risk management and is responsible for the result of risk. The Board of Director should decide the entire risk management policies in view of operational strategies and business environment to monitor the risk management mechanism which understand the risk status and maintain the appropriate Capital Adequacy Ratio in response to all risk.

(ii) Risk Management Committee under the Board of Directors is responsible for executing risk management policies and coordinating interdepartmental management of risk.

(iii) Risk management department is responsible to monitor, trace the execution status of risk management policies and submit reports to the Board of Directors or Risk Management Committee. If a significant risk exposure is discovered, the risk management department has to make appropriate procedures and report it to the Board of Directors.

(iv) Every department should identify, evaluate, and control the risks of new products or business, set related risk management regulations as a guideline, and monitor the risk management to ensure the risk control of entire company.

(v) All operational units shall comply with the regulations for risk management.

(c) Credit Risk

(i) Causes and definition of credit risk

Credit risk is the risk of financial loss to the Bank if a borrower, issuer or a counterparty to a financial instrument fails to meet its contractual obligations principally due to their credit deterioration or other factors (i.e. disputes between a borrower and its counterparty), including:

1) Credit risk from a borrower/issuer refers to the risk that the Bank and subsidiary may suffer from financial losses when the borrower/issuer is not able to meet its contractual obligations due to default, bankruptcy or liquidation.

2) Credit risk form counterparties refers to the risk that the Bank and subsidiary may suffer from financial losses when the counterparty is not able to settle the contracts or execute its repayments.

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3) Credit risk form underlying assets refers to the risk that the Bank and subsidiary may suffer from financial losses when the credit quality of the underlying assets linked by the financial instruments turns vulnerable, which leads to an increase of risk premium, a downgrade of credit rating or a breach of contract.

Credit risk is derived both from on and off balance sheet items. On balance sheet items include loans, placement with banks, call loans to banks, acceptance bills, debt instruments, derivatives, etc. Off balance sheet items include guarantees, acceptances, letter of credits, loan commitments, etc.

(ii) Identification and measurement of credit risk

To ensure the credit risk is in a tolerable range, the Bank sets the credit risk management policies which identify that the credit risk of all the transactions and business related to the assets, liabilities and off-balance sheet items. Before executing present or new business, the Bank shall identify the credit risk, understand the degree of risk exposure through appropriate evaluation and assess the possibilities of default.

If there are no specific requirements from the local authorities, the overseas branches of BOT shall assess asset quality and loss provision in accordance with the Operational Manual of Evaluating the Impairment of Loans and Receivables. The information about how the Bank classifies assets, manages post-loan and grant internal rating is as follows:

1) Credit business(including loan commitments and financial deposit)

a) Credit assets categories and post-loan management

The Bank has established the "Operational Manual of Evaluating the Impairment of Loans and Receivables" and has classified the credit assets into five categories. Except for normal credit assets that are classified at the first category, the other abnormal credit-rating assets are classified as the second category- requiring attention, the third category- collectable, the fourth category- hard to collect, and the fifth category- impossible to collect by assessing the collaterals and overdue days. In order to reinforce the post-loan management, the Bank sets the "Credit Review and Follow up Evaluations Provision", the "Review of the Credit Conducted by Managers Provision", as well as the "Warning Mechanism Provision", and evaluate and monitor the quality of credit assets regularly. Also, to enhance the management of abnormal credit and to attain the goals of warning and interim monitoring, the Bank reviews their credit cases by sampling cases based on their ratings and check significant credit cases periodically.

b) Internal credit rating

When conducting credit review, the Bank will obtain necessary collateral to mitigate risk arising from financial loss due to the environment, economic changes, risk factors of business development strategies and policies. The Bank improve market competitiveness of products, strive for customer identification, broaden business, and balance credit risk and profits target simultaneously. The following are the credit process of corporate finance and consumer finance.

i) Corporate Finance

The Bank has established a credit policy under which each new customer is analyzed individually for creditworthiness before the interest rate is offered. The Bank review includes external rating, when available, and in some cases, the information that is publicly available. The clients are classified into two types based on their scorecards, the large-scale enterprise and the medium-scale enterprise. Then they measure their scale, financial and business status, business management and industry characteristic. There are 13 credit ratings, all in all.

ii) Consumer Finance

The Bank uses the credit application scorecard and behavior scorecard, both of them have seven grades for the purpose of credit risk evaluation and differential pricing. Unsecured consumer loans are graded based on seven scoring items and are classified into the seventh rating. The Bank would reject those below the lowest scores; others would be reviewed in accordance with related provisions.

2) Due from Banks and Call Loans to Banks

The Bank will assess the counterparty's creditworthiness, and refer to external ratings provided by domestic and international credit rating agencies, to set up different credit risk limits before any transactions are carried out.

3) Investment in debt instruments and financial instrument derivatives

The Bank identifies and manages credit risk of debt instruments by reviewing the external ratings, creditworthiness of bonds, and geographic region of its counterparties. Most of the Bank's derivative contracts with its counterparties are financial institutions with good credit ratings. For those financial institutions whose ratings are not available, the Bank reviews the transactions individually. All the counterparties, including non-financial institutions, are managed based on their lines of credit (including loans at call).

(Continued)

(iii) Measurement of credit risk

1) Categories for credit risk quality

The Bank internally categorize the credit risk into four levels, which are low risk, moderate risk, high risk and impaired risk. The definition of each level is as follows:

a) Low risk: The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are capable of dealing with the situations.

b) Moderate risk: The possibility that the issuers or counterparties fulfill their obligation is remote. Operating performance and disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.

c) High risk: The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.

d) Impaired risk: the counterparties or the target did not perform its obligation according to the contracts, and potential estimated loss to the Bank and subsidiary has reached the standard of impairment.

2) Determination on the credit risk that has increased significantly since initial recognition

The Bank and subsidiary determine whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, the Bank and subsidiary consider the reasonable and supportable information (including forward looking information) which shows that the credit risk has increased significantly since initial recognition.

a) Credit business (including loan commitments and financial deposit)

The Bank's and subsidiary's credit business scoring model and risk degree are as follows:

<table>
<tr><th>Risk degree</th><th>Corporate Finance IRB scoring model</th><th>Consumer Finance IRB application/ behavioral scoring model (including credit cards, excluding student loans)</th><th>Student Loans behavioral scoring model</th></tr>
<tr><td rowspan="4">Low</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>2</td><td>2</td><td rowspan="3">2</td></tr>
<tr><td>3</td><td rowspan="2">3</td></tr>
<tr><td>4</td></tr>
<tr><td rowspan="6">Moderate</td><td>5</td><td>4</td><td>3</td></tr>
<tr><td>6</td><td>5</td><td>4</td></tr>
<tr><td>7</td><td rowspan="4">6</td><td>5</td></tr>
<tr><td>8</td><td rowspan="3">6</td></tr>
<tr><td>9</td></tr>
<tr><td>10</td></tr>
<tr><td rowspan="4">High</td><td>11</td><td rowspan="4">7</td><td>7</td></tr>
<tr><td>12</td><td>8</td></tr>
<tr><td rowspan="2">13</td><td>9</td></tr>
<tr><td>10</td></tr>
</table>

i) Loans and Discounts and credit related receivables

The Bank and subsidiary determine the credit risk of loans and discounts or financing receivables has increased significantly since initial recognition when the financial instrument applying the impairment requirements in IFRS 9 meets the following conditions at each reporting date:

- The borrower’s internal or external rating has significantly dropped;
- The borrower’s contract payment has been overdue for more than a month but still within 3 months (there are additional 45 days for a borrower who does not have a credit account in the Bank) ;
- The borrower’s internal credit level is assessed as“ Poor” under post-loan review or alert.

ii) Credit Cards

The Bank and subsidiary determine the credit risk of credit card loans has increased significantly since initial recognition when the credit card loans applying the following conditions: The borrower has not used revolving credit facility, but whose internal rating has dropped more than 3 levels, the borrower has used revolving credit facility without overdue, the loans has overdue but within 3 months, or non-conforming assets, excluding assets previously determined as credit risk has increased significantly or credit impairment.

b) Debt investments and placement with central bank and call loans to banks

The Bank and subsidiary follow the table below to determine whether that the credit risk of debt investments or placement with central bank and call loans to banks have increased significantly since initial recognition at each reporting date:

STAGE 1 (credit risk has not significantly increased)	STAGE 2 (credit risk has significantly increased)	STAGE 3 (credit has been impaired)
1. The credit rating of a counterparty is higher than Moody's A3, S&P's A- , Fitch's A- or Taiwan Ratings' twA- at the reporting date. (Note)	Not assessed as Stage 1, but the credit of counterparty is not actually impaired.	Not assessed as Stage 1, but the credit of counterparty has been impaired.
2. The credit rating of a counterparty falling between Moody's A3 and Baa3 or equivalent drops within 4 levels during the period of the transaction date and each reporting date.		
3. The credit rating of a counterparty lower than Moody's Baa3 or equivalent drops 1 level during the period of the transaction date and each reporting date.		

Note: If the credit risk of the credit assets is low, the Bank and subsidiary may consider that the credit risk of debt investments and placement with central bank and call loans to banks has not significantly increased since initial recognition.

3) Definitions for default and credit impairment of financial assets

The Bank and subsidiary use the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, the Bank and subsidiary determine that the financial assets have been defaulted and credit impaired:

a) Credit business (including loan commitments and financial deposit)

i) Loans and discounts and credit related receivables

1. Quantitative indicators

- The borrower's principals or interests have been overdue more than 3 months.
- The borrower's internal rating is assessed as the lowest.

2. Qualitative indicators

If there is evidence that the borrower will be unable to pay the contract, or show that the borrower has significant financial difficulties, such as:

· The borrower has requested to postpone the repayment of principles and interests;

· The borrower's internal credit level is assessed as "Terrible" under post loan review or alert;

· The borrower' s internal credit level is assessed as " Dangerous" under post loan review or alert;

· The borrower is reported by the Bank due to significant and unfavorable events;

· The borrower is under debt negotiation.

ii) Credit card business

The loan which borrower's payment has been overdue more than 3 months, or is reclassified as non-accrual loans, or was credit-impaired before, or which borrower is dead.

b) Debt investments and placement with central bank and call loans to banks

i) If there is evidence showing that the borrower will be unable to repay the principal or interests, or that the borrower has significant financial difficulties, such as:

· The issuer has breached the contract, such as a default or delinquency in interest or principal payments;

· The issuer reorganizes its debt, such as a slash on the interest rate or principals, an exchange of debts, subordination of debt repayment or a postpone in maturity date;

· The issuer has filed a bankruptcy; or

· The issuer's rating is optional default or default.

ii) A combination of individual and independent events may lead to an impairment on financial assets.

If the aforementioned definition of breach of contract and credit impairment applies to all financial assets held by the Bank and subsidiary no longer meets the definition of default and credit impairment for a period of time, it is deemed to return to the state of compliance and is no longer considered defaulted and credit impaired.

The aforementioned definition of breach of contract and credit impairment, and is consistent with the definition used for the purpose of internal credit risk management for financial assets, and is also applied to the relevant impairment assessment model.

4) Write off policy

If there is no realistic prospect of recovery for the financial assets (either partially or in full), the Bank and subsidiary will write off part or full of the financial assets. The indications of financial assets which have no realistic prospect of recovery include:

a) The loan cannot be recovered in full or in part because the issuers or debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.

b) The collateral and property of the primary/subordinate debtors or issuers have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the Bank and subsidiary might collect from the debtors where there is no financial benefit in execution.

c) The primary/subordinate debtor or an issuer' s collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the Bank's and subsidiary's taking possession of such collateral.

d) More than two years have elapsed since the maturity date of the non performing loans or non accrual loans, and the efforts of collection have failed.

5) Amendments of contractual cash flows of financial assets

The contractual cash flows of loans and discounts may be amended due to the borrower's financial difficulties or in order to increase the recovery rate. An amendment may involve an extension of contract period, a change in the timing of repayments or in the interest rate, which may lead to a de-recognition of current financial assets and a re-recognition of the financial assets at fair value, in accordance with the Bank's and subsidiary's policy (Please see note 4(f)).

If the amendments do not lead to a de-recognition, the Bank and subsidiary will determine the credit of financial assets have been impaired and will assess expected credit loss accordingly since debt negotiation or extension is one of the conditions that define whether financial assets are credit-impaired or not.

The Bank and subsidiary assess the possibility of default of the amend financial assets by considering the condition of repayments after the amendment and several related behavior indexes, and re-evaluate whether the amendment has improved or restore the client' s ability to make the required loan payments. According to the the Bank's and subsidiary's policy, a borrower cannot be reverted to Stage 1 until the borrower can continuously repay the new contractual amounts for a certain period and shows good payment behaviors.

The Bank and subsidiary will periodically review changes of credit risk after amendments in accordance with related policy.

6) Expected credit loss measurement

a) Adopted methods and assumptions

For the Bank and subsidiary, if the financial assets are of low credit risk or no significant increase in credit risk, the 12 month expected credit losses will be recognized. If the financial assets are significantly increased in credit risk or the credits have been impaired, the expected credit losses for a lifetime will be recognized.

In order to measure expected credit losses, the Bank and subsidiary adopt Probability of default (“PD”), and include Loss given default (“LGD”) and Exposure at default ("EAD"), and consider the impact of the time value of money, to calculate the expected credit losses for 12 months and for a lifetime, respectively.

Default probability is how likely the issuer or the counterparty breaches the contract, and the loss given default is the rate of loss due to default by the issuer or the counterparty. The default probability and loss given default used by the Bank and subsidiary, related impairment assessments are based on international credit rating agencies (S&P and Moody’s), regularly publish information on default rate and loss given default, or internal historical information and calculate based on current observable data and forward looking general economic information (such as gross domestic production) after adjusting historical data.

The Exposure at default is measured by amortized cost of financial asset.

The estimation techniques or material assumptions made by the Bank and subsidiary to assess expected credit losses have no significant changes during 2023 and 2022, respectively.

b) Forward looking information considerations

The Bank and subsidiary take forward looking information into account when judging whether the credit risk of a debt instrument has increased significantly since its initial recognition, and when the expected credit loss is measured.

i) Credit business (including loan commitments and financial deposit)

The Bank and subsidiary identify credit risks and factors of expected credit loss (i.e. GDP, economic growth rate, price index, interest rate, and unemployment rate) based on historical data. Simultaneously, the Bank and subsidiary connnect these factors or monitoring indicators with each loan product in order to adjust PD in the coming year and make expected credit loss reflect forward looking information.

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ii) Debt investments and placement with central bank and call loans to banks

The Bank and subsidiary evaluate the expected credit loss based on the external rating outlook or observation at the reporting date. If any of an issuer' s credit rating granted by Moody's, S&P, Fitch, or Taiwan Rating is " Negative" or " -" , the issuer will be determined as negative outlook or negative observation.

1. When the issuer' s credit rating outlook is " Negative" or credit rating observation is "-", the Bank and subsidiary use the average of the long-term PD and one level reducted PD.

2. Otherwise, the PD will remain unchanged.

(iv) Management of maximum exposure to credit risk and excessive risk concentration

1) In accordance with the Banking Law, there is a credit limitation management for the Bank's person in charge, employees, and any interested party. In respect to credit intensity, the Bank provides credit and investment quota rules for the same enterprise, and industry. The Bank also limits and manages the credit amount for enterprises, groups and every industry.

2) The Bank's Treasury Department, OBU, and foreign branches provide different credit amount according to external credit evaluation and rankings when having a transaction in the currency market or capital market, foreign exchange, new financial instruments transactions and negotiable security transactions.

3) To spread the country risks, the Bank allocates different credit amount, based on the ranking of the countries in "Euromoney", to the Financing Department, OBU, and foreign branches. The covered businesses are loan assets and transaction assets (i.e. due and call loans, investment securities, derivatives, and foreign exchanges).

(v) Policies of credit risk deduction

1) Collateral

The Bank has established policy and procedures to mitigate credit risk. Among them, one of the most common ways, is to demand for collateral. In terms of collateral management and valuation, the Bank established policies governing the scope of collateral and related procedures to secure debts. Moreover, the Bank also requires the provisions that secure debts and collateral should be contained within a credit agreement to reduce credit risk by clearly defining the amounts the Bank can cut and the grace periods the bank can offer or even requesting for a prepayment.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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Non-credit businesses are not required to collect collateral, depending on the nature of the financial instruments. Only asset-backed securities and other similar financial instruments are required to pledge an asset pool of financial instruments as collateral.

Considering both credit control and business expansion, the Bank shall request collaterals or guarantees to decrease the credit risk. The permitted collaterals and guarantees included mortgages on real estate or properties (i.e., land, building, machinery, car, ship, aircraft, etc.), pledges of securities or other rights (i.e., certificates of deposit; various bonds, or stocks), guarantees provided by the government agencies, banks, or credit guarantee institutions authorized by the government, and any other guarantees or collaterals approved by the Bank.

2) Master netting agreement

The Bank’s transactions are usually settled individually without bundling or netting with any other transactions. However, the Bank also enters into netting agreements or chooses to settle net and terminates the deal if the counterparty is in default.

3) Other credits enhancement

The Bank’ s credit contract contains the term that the Bank is entitled to offset the obligation by claiming the deposits of the borrower who are in default to mitigate credit risk.

(vi) The maximum credit exposure to the credit risk of financial assets (without considering the allowance for bad debt, collaterals and guarantees)

1) As of December 31, 2023 and 2022, the amounts of maximum credit risk exposure to the credit risk displayed by credit rating are as follows:

	Discounts and loans				
	December 31, 2023				
	12 month ECLs	Lifetime ECLs －not impaired	Lifetime ECLs －impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total
Credit rating					
Low	$ 1,232,912,498	20,890	98,514	-	1,233,031,902
Medium	1,050,223,531	321,763,301	1,813,564	-	1,373,800,396
High	19,174,294	26,793,918	3,078,833	-	49,047,045
Others	515,623,433	232,943	7,322,925	-	523,179,301
Gross carrying amount	2,817,933,756	348,811,052	12,313,836	-	3,179,058,644
Allowance for bad debts	(25,092,064)	(1,931,233)	(2,121,871)	-	(29,145,168)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(18,154,855)	(18,154,855)
Total	$ 2,792,841,692	346,879,819	10,191,965	(18,154,855)	3,131,758,621

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	Discounts and loans				
	December 31, 2022				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total
Credit rating					
Low	$ 1,219,169,134	8,574	86,216	-	1,219,263,924
Medium	1,194,467,318	275,070,122	3,084,166	-	1,472,621,606
High	22,366,136	25,579,271	3,889,409	-	51,834,816
Others	716,063,335	184,192	4,356,394	-	720,603,921
Gross carrying amount	3,152,065,923	300,842,159	11,416,185	-	3,464,324,267
Allowance for bad debts	(26,012,063)	(2,074,695)	(2,635,409)	-	(30,722,167)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(15,374,422)	(15,374,422)
Total	$ 3,126,053,860	298,767,464	8,780,776	(15,374,422)	3,418,227,678

	Debt instruments measured at fair value through other comprehensive income				
	December 31, 2023				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Valuation adjustment	Total
Credit rating					
Aaa~Baa3	$ 1,242,668,862	-	-	-	1,242,668,862
Ba1~Ba3	934,396	20,991	-	-	955,387
Gross carrying amount	1,243,603,258	20,991	-	-	1,243,624,249
Allowance for impairment	(132,498)	(424)	-	-	(132,922)
Valuation adjustment	-	-	-	(10,716,217)	(10,716,217)
Total	$ 1,243,470,760	20,567	-	(10,716,217)	1,232,775,110

	Debt instruments measured at fair value through other comprehensive income				
	December 31, 2022				
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Valuation adjustment	Total
Credit rating					
Aaa~Baa3	$ 1,041,793,210	-	-	-	1,041,793,210
Ba1~Ba3	878,098	457,399	-	-	1,335,497
Gross carrying amount	1,042,671,308	457,399	-	-	1,043,128,707
Allowance for impairment	(115,931)	(1,134)	-	-	(117,065)
Valuation adjustment	-	-	-	(14,959,833)	(14,959,833)
Total	$ 1,042,555,377	456,265	-	(14,959,833)	1,028,051,809

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	Debt instruments measured at amortized cost December 31, 2023			
	12 month ECLs	**Lifetime ECLs－not impaired**	**Lifetime ECLs－impaired**	**Total**
Credit rating				
Aaa~Baa3	$ 278,655,527	-	-	278,655,527
Ba1~Ba3	12,571,163	-	-	12,571,163
Gross carrying amount	291,226,690	-	-	291,226,690
Accumulated impairment	(51,928)	-	-	(51,928)
Total	**$ 291,174,762**	**-**	**-**	**291,174,762**

	Debt instruments measured at amortized cost December 31, 2022			
	12 month ECLs	**Lifetime ECLs－not impaired**	**Lifetime ECLs－impaired**	**Total**
Credit rating				
Aaa~Baa3	$ 263,641,711	-	-	263,641,711
Ba1~Ba3	12,466,453	-	-	12,466,453
Gross carrying amount	276,108,164	-	-	276,108,164
Accumulated impairment	(45,079)	-	-	(45,079)
Total	**$ 276,063,085**	**-**	**-**	**276,063,085**

	Letter of Credit Receivables and Guarantee for Trade Receivables December 31, 2023				
	12 month ECLs	**Lifetime ECLs－not impaired**	**Lifetime ECLs－impaired**	**Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans**	**Total**
Credit rating					
Low	$ 73,945,122	-	2,925	-	73,948,047
Medium	49,155,342	5,269,371	-	-	54,424,713
High	382,502	40,960	868	-	424,330
Others	9,015,458	350,945	-	-	9,366,403
Gross carrying amount	132,498,424	5,661,276	3,793	-	138,163,493
Allowance for bad debts(Guarantee reserve and other reserve)	(427,465)	(65,128)	(5)	-	(492,598)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(842,174)	(842,174)
Total	**$ 132,070,959**	**5,596,148**	**3,788**	**(842,174)**	**136,828,721**

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	Letter of Credit Receivables and Guarantee for Trade Receivables				
	December 31, 2022				
	12 month ECLs	Lifetime ECLs －not impaired	Lifetime ECLs －impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Low	$ 77,099,083	-	-	-	77,099,083
Medium	41,860,884	3,181,290	5,866	-	45,048,040
High	404,746	7,307	15,893	-	427,946
Others	11,920,425	350,944	-	-	12,271,369
Gross carrying amount	131,285,138	3,539,541	21,759	-	134,846,438
Allowance for bad debts(Guarantee reserve and other reserve)	(362,268)	(149,794)	(72)	-	(512,134)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(786,869)	(786,869)
Total	$ 130,922,870	3,389,747	21,687	(786,869)	133,547,435

	Loan Commitments			
	December 31, 2023			
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Total
Credit rating				
Low	$ 2,080,000	-	-	2,080,000
Others	371,172,651	178,493	636	371,351,780
Gross carrying amount	373,252,651	178,493	636	373,431,780
Allowance for bad debts (Loan commitments reserve)	(13,920)	(689)	(379)	(14,988)
Total	$ 373,238,731	177,804	257	373,416,792

	Loan Commitments			
	December 31, 2022			
	12 month ECLs	Lifetime ECLs－not impaired	Lifetime ECLs－impaired	Total
Credit rating				
Low	$ 2,080,000	-	-	2,080,000
Others	350,147,482	171,975	508	350,319,965
Gross carrying amount	352,227,482	171,975	508	352,399,965
Allowance for bad debts (Loan commitments reserve)	(10,577)	(829)	(336)	(11,742)
Total	$ 352,216,905	171,146	172	352,388,223

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	Accounts Receivable(including other financial assets) December 31, 2023				
	12 month ECLs	Lifetime ECLs －not impaired	Lifetime ECLs －impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Aaa~Baa3	$ 12,838,484	-	-	-	12,838,484
Ba1~Caa1	290,320	58	36	-	290,414
Others	61,057,564	596,382	228,499	-	61,882,445
Gross carrying amount (Note 1)	74,186,368	596,440	228,535	-	75,011,343
Allowance for bad debts (Note 2)	(84,828)	(5,004)	(201,768)	-	(291,600)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(39,712)	(39,712)
Total	$ 74,101,540	591,436	26,767	(39,712)	74,680,031

Note 1: Restrictive deposit of the Bank amounted $15,241 thousand, tax refund receivable $14 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted $10,928,045 thousand were not included in the gross carrying amount of this table.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted $6 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted $0 thousand were not included in the allowance for bad debts of this table.

	Accounts Receivable(including other financial assets) December 31, 2022				
	12 month ECLs	Lifetime ECLs －not impaired	Lifetime ECLs －impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Aaa~Baa3	$ 10,771,440	-	-	-	10,771,440
Ba1~Caa1	106,073	10,097	46	-	116,216
Others	61,878,370	501,693	240,355	-	62,620,418
Gross carrying amount (Note 1)	72,755,883	511,790	240,401	-	73,508,074
Allowance for bad debts (Note 2)	(61,723)	(5,305)	(206,354)	-	(273,382)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(29,808)	(29,808)
Total	$ 72,694,160	506,485	34,047	(29,808)	73,204,884

Note 1: Restrictive deposit of the Bank amounted $16,295 thousand, tax refund receivable $109 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted $9,690,820 thousand were not included in the gross carrying amount of this table.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted $7 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted $5 thousand were not included in the allowance for bad debts of this table.

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2) The assets in the balance sheet and off-balance sheet items held as collateral, master netting arrangement and other credit enhancements related information on the financial impact the maximum amount of the violence risk in credit risk shows in the following table：

Unit: In million of TWD

December 31, 2023	Collateral	General agreement of net amount settlement	Enhancement of other credits	Total
In balance sheet:				
Receivables				
Others	$ 1,902	159	7,760	9,821
Loans and discounts	1,587,669	-	144,456	1,732,125
Financial assets measured at fair value through profit or loss				
Others	739	-	-	739
Off-balance sheet				
Irrevocable loan commitments	-	-	373,432	373,432
Standby letters of credit	2,997	-	40,566	43,563
Financial guarantees	9,242	-	85,359	94,601
Total	**$ 1,602,549**	**159**	**651,573**	**2,254,281**

December 31, 2022	Collateral	General agreement of net amount settlement	Enhancement of other credits	Total
In balance sheet:				
Receivables				
Others	$ 1,590	1,908	5,315	8,813
Loans and discounts	1,553,196	-	1,911,128	3,464,324
Financial assets measured at fair value through profit or loss				
Others	2,550	-	-	2,550
Off-balance sheet				
Irrevocable loan commitments	-	-	352,400	352,400
Standby letters of credit	2,587	-	43,326	45,913
Financial guarantees	10,336	-	78,597	88,933
Total	**$ 1,570,259**	**1,908**	**2,390,766**	**3,962,933**

The Management believes that the reason why the Bank can continuously manage and minimize the exposure of credit risk to off-balance sheet items is because a stricter review process is adopted, and cases are reviewed regularly in subsequent periods.

3) The Bank closely observes the value of collateral for financial instruments, and considers the allowance for impairment of credit-impaired financial assets. Information about credit-impaired financial assets and the value of collateral which may decrease potential loss is shown below:

	December 31, 2023			
	Gross carrying amount	Allowance for impairment (Legal reserves was not included)	Exposure amount (Amortized cost)	Fair value of collateral
Impaired financial assets:				
Receivables				
Credit card business	$ 4,939	3,538	1,401	-
Others	223,596	198,230	25,366	2,187
Loans and discounts	12,313,836	2,121,871	10,191,965	9,094,611
Total amount of impaired financial assets	$ 12,542,371	2,323,639	10,218,732	9,096,798

	December 31, 2022			
	Gross carrying amount	Allowance for impairment (Legal reserves was not included)	Exposure amount (Amortized cost)	Fair value of collateral
Impaired financial assets:				
Receivables				
Credit card business	$ 5,015	3,685	1,330	-
Others	235,386	202,669	32,717	-
Loans and discounts	11,416,185	2,635,409	8,780,776	7,430,794
Total amount of impaired financial assets	$ 11,656,586	2,841,763	8,814,823	7,430,794

4) Financial assets not applicable for rules of impairment:

	December 31, 2023	December 31, 2022
Financial assets measured at fair value through profit or loss		
Debt instruments	$ 203,543,028	137,270,307
Derivative	9,664,150	17,678,802

(vii) Concentration of credit risk

When the transaction of financial instruments is concentrated in a single industry or region, the ability to oblige the contract would be impacted by similar factors, thereby, causing concentration of credit risk.

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The credit risk of the Bank is derived from credit, placement with banks, call loans to banks, security investments and so on. Disclosures of concentration of credit risk by industries, regions and collaterals were as follows:

1) Industry

Unit: In million of TWD; %

Industry type	December 31, 2023 Book Value (Note 1)	%	December 31, 2022 Book Value (Note 2)	%
Finance and insurance	$ 1,631,062	31.97 %	1,469,910	28.36 %
Individuals	1,231,031	24.13 %	1,184,650	22.86 %
Manufacturing	538,994	10.56 %	661,090	12.76 %
Government Agencies	686,209	13.45 %	843,567	16.28 %
Shipping, warehousing and communications	174,048	3.41 %	157,026	3.03 %
Electricity and gas supply	269,288	5.28 %	307,804	5.94 %
Others	571,847	11.20 %	558,292	10.77 %
Total	**$ 5,102,479**	**100.00 %**	**5,182,339**	**100.00 %**

Note 1: December 31, 2023

(1) The carrying amounts excluding adjustment for premium and discount include loans ($3,179,059 million), call loans to banks, overdraft of banks and placement with banks ($285,163 million), security investments ($1,638,257 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans ($2,270 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.

(2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

Note 2: December 31, 2022

(1) The carrying amounts excluding adjustment for premium and discount include loans ($3,464,324 million), call loans to banks, overdraft of banks and placement with banks ($340,352 million), security investments ($1,377,663 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans ($2,356 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.

(2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

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2) Region

Unit: In million of TWD; %

Areas type	December 31, 2023 Book Value(Note 1)	%	December 31, 2022 Book Value(Note 2)	%
Domestic	$ 4,386,719	85.97 %	4,442,602	85.73 %
Foreign	715,760	14.03 %	739,737	14.27 %
Total	**$ 5,102,479**	**100.00 %**	**5,182,339**	**100.00 %**

Note 1: December 31, 2023

(1) The carrying amounts excluding adjustment for premium and discount include loans ($3,179,059 million), call loans to banks, overdraft of banks and placement with banks ($285,163 million), security investments ($1,638,257 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans ($2,270 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.

(2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

Note 2: December 31, 2022

(1) The carrying amounts excluding adjustment for premium and discount include loans ($3,464,324 million), call loans to banks, overdraft of banks and placement with banks ($340,352 million), security investments ($1,377,663 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans ($2,356 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.

(2) This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

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3) Collateral

Unit: In million of TWD; %

Type of collateral	December 31, 2023 Book Value (Note 1)	December 31, 2023 %	December 31, 2022 Book Value (Note 1)	December 31, 2022 %
Non-secured	$ 1,446,933	45.51 %	1,753,087	50.60 %
Secured	1,732,126	54.49 %	1,711,237	49.40 %
Guarantee	144,456	4.55 %	159,030	4.59 %
Securities	59,538	1.88 %	59,165	1.71 %
Real estate	1,467,832	46.17 %	1,419,601	40.98 %
Chattel	60,144	1.89 %	73,304	2.12 %
Valuables	156	- %	137	- %
Total	**$ 3,179,059**	**100.00 %**	**3,464,324**	**100.00 %**

Note 1: The carrying amounts excluding adjustment for premium and discount only contain loans which refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and non-performing loans ($2,270 million at December 31, 2023; $2,356 million at December 31, 2022).

Note 2: This table excludes the Department of Government Employees Insurance and the subsidiary, BankTaiwan Insurance Brokers.

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(viii) Changes in loss allowance

1) Changes in loss allowance of discounts and loans

a) As of December 31, 2023 and 2022, the variation of the beginning and ending balances for loss allowance of discounts and loans were as follows:

	2023					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans	Total
Beginning balance	$ 26,012,063	2,074,695	2,635,409	30,722,167	15,374,422	46,096,589
Changes due to financial instruments recognized as at beginning:						
－Transfer to lifetime ECL not credit impaired	(138,129)	229,436	(91,307)	-		-
－Transfer to lifetime ECL credit impaired	(34,226)	(51,099)	85,325	-		-
－Transfer to 12month expected credit losses	491,282	(444,077)	(47,205)	-		-
－Financial assets that have been derecognized during the period	(8,383,303)	(242,861)	(816,809)	(9,442,973)		(9,442,973)
Originated or purchased new financial assets	5,850,486	260,404	109,098	6,219,988		6,219,988
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	2,780,433	2,780,433
Bad debts written off	-	-	(1,946,825)	(1,946,825)		(1,946,825)
The recovery of bad debts written off	-	-	929,072	929,072		929,072
Foreign exchange and other movements	1,293,891	104,735	1,265,113	2,663,739		2,663,739
Ending balance	$ **25,092,064**	**1,931,233**	**2,121,871**	**29,145,168**	**18,154,855**	**47,300,023**

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	2022					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans	Total
Beginning balance	$ 21,375,671	2,238,665	2,915,829	26,530,165	18,218,415	44,748,580
Changes due to financial instruments recognized as at beginning:						
－Transfer to lifetime ECL not credit impaired	(77,115)	132,651	(55,536)	-		-
－Transfer to lifetime ECL credit impaired	(22,988)	(13,907)	36,895	-		-
－Transfer to 12month expected credit losses	991,672	(941,836)	(49,836)	-		-
－Financial assets that have been derecognized during the period	(3,288,674)	(155,636)	(442,166)	(3,886,476)		(3,886,476)
Originated or purchased new financial assets	8,785,131	406,794	114,675	9,306,600		9,306,600
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	(2,843,993)	(2,843,993)
Bad debts written off	-	-	(1,040,355)	(1,040,355)		(1,040,355)
The recovery of bad debts written off	-	-	1,624,954	1,624,954		1,624,954
Foreign exchange and other movements	(1,751,634)	407,964	(469,051)	(1,812,721)		(1,812,721)
Ending balance	**$ 26,012,063**	**2,074,695**	**2,635,409**	**30,722,167**	**15,374,422**	**46,096,589**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

b) As of December 31, 2023 and 2022, the carrying amounts of discounts and loans were as follows:

	2023			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	$ 3,152,065,923	300,842,159	11,416,185	3,464,324,267
Changes due to financial instruments recognized as at beginning:				
－Transfer to lifetime ECL not credit impaired	(152,827,609)	153,743,510	(915,901)	-
－Transfer to lifetime ECL credit impaired	(4,834,694)	(1,536,684)	6,371,378	-
－Transfer to 12month expected credit losses	62,461,689	(62,086,125)	(375,564)	-
－Financial assets that have been derecognized during the period	(1,528,806,696)	(52,375,146)	(2,890,526)	(1,584,072,368)
Originated or purchased new discounts and loans	1,290,781,584	10,213,630	579,313	1,301,574,527
Bad debts written off	-	-	(1,946,825)	(1,946,825)
Foreign exchange and other movements	(906,441)	9,708	75,776	(820,957)
Ending balance	**$ 2,817,933,756**	**348,811,052**	**12,313,836**	**3,179,058,644**

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2022			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	$ 2,702,755,660	269,617,183	12,825,224	2,985,198,067
Changes due to financial instruments recognized as at beginning:				
－Transfer to lifetime ECL not credit impaired	(145,010,166)	145,509,637	(499,471)	-
－Transfer to lifetime ECL credit impaired	(3,163,517)	(1,092,251)	4,255,768	-
－Transfer to 12month expected credit losses	80,880,754	(80,458,880)	(421,874)	-
－Financial assets that have been derecognized during the period	(1,143,169,636)	(47,441,508)	(4,437,108)	(1,195,048,252)
Originated or purchased new discounts and loans	1,657,407,836	14,681,294	455,631	1,672,544,761
Bad debts written off	-	-	(1,040,355)	(1,040,355)
Foreign exchange and other movements	2,364,992	26,684	278,370	2,670,046
Ending balance	**$ 3,152,065,923**	**300,842,159**	**11,416,185**	**3,464,324,267**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

2) Changes in loss allowance of debt instruments measured at fair value through other comprehensive income

a) As of December 31, 2023 and 2022, the variation of the beginning and ending balances for loss allowance of debt instruments measured at fair value through other comprehensive income were as follows:

	2023			
	12 month ECLs	**Lifetime ECLs**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance	$ 115,931	1,134	-	117,065
Changes due to financial instruments recognized as at beginning:				
－Financial assets that have been derecognized during the period	(20,385)	(582)	-	(20,967)
Originated or purchased new financial assets	39,544	-	-	39,544
Foreign exchange and other movements	(2,592)	(128)	-	(2,720)
Ending balance	**$ 132,498**	**424**	**-**	**132,922**

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2022			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	$ 91,585	7,628	-	99,213
Changes due to financial instruments recognized as at beginning:				
－Financial assets that have been derecognized during the period	(16,477)	-	-	(16,477)
Originated or purchased new financial assets	41,181	-	-	41,181
Foreign exchange and other movements	(358)	(6,494)	-	(6,852)
Ending balance	**$ 115,931**	**1,134**	**-**	**117,065**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

b) As of December 31, 2023 and 2022, the carrying amounts of debt instruments measured at fair value through other comprehensive income were as follows:

	2023			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	$ 1,042,671,308	457,399	-	1,043,128,707
Changes due to financial instruments recognized as at beginning:				
－Financial assets that have been derecognized during the period	(724,657,801)	(434,137)	-	(725,091,938)
Originated or purchased new financial assets	926,413,458	-	-	926,413,458
Foreign exchange and other movements	(823,707)	(2,271)	-	(825,978)
Ending balance	**$ 1,243,603,258**	**20,991**	**-**	**1,243,624,249**

	2022			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	$ 886,046,141	419,940	-	886,466,081
Changes due to financial instruments recognized as at beginning:				
－Financial assets that have been derecognized during the period	(577,990,128)	-	-	(577,990,128)
Originated or purchased new financial assets	727,686,810	-	-	727,686,810
Foreign exchange and other movements	6,928,485	37,459	-	6,965,944
Ending balance	**$ 1,042,671,308**	**457,399**	**-**	**1,043,128,707**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

3) Changes in loss allowance of debt instruments measured at amortized cost

a) As of December 31, 2023 and 2022, the variation of the beginning and ending balances for loss allowance of debt instruments measured at amortized cost were as follows:

	2023			
	12 month ECLs	**Lifetime ECLs**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance	$ 45,079	-	-	45,079
Changes due to financial instruments recognized as at beginning:				
－Financial assets that have been derecognized during the period	(6,186)	-	-	(6,186)
Originated or purchased new financial assets	11,570	-	-	11,570
Foreign exchange and other movements	1,465	-	-	1,465
Ending balance	**$ 51,928**	**-**	**-**	**51,928**

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2022			
	12 month ECLs	**Lifetime ECLs**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance	$ 38,978	-	-	38,978
Changes due to financial instruments recognized as at beginning:				
－Financial assets that have been derecognized during the period	(12,307)	-	-	(12,307)
Originated or purchased new financial assets	17,871	-	-	17,871
Foreign exchange and other movements	537	-	-	537
Ending balance	**$ 45,079**	**-**	**-**	**45,079**

b) As of December 31, 2023 and 2022, the carrying amounts of debt instruments measured at amortized cost were as follows:

	2023			
	12 month ECLs	**Lifetime ECLs**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance	$ 276,108,164	-	-	276,108,164
Changes due to financial instruments recognized as at beginning:				
－Financial assets that have been derecognized during the period	(63,355,348)	-	-	(63,355,348)
Originated or purchased new financial assets	77,491,430	-	-	77,491,430
Foreign exchange and other movements	982,444	-	-	982,444
Ending balance	**$ 291,226,690**	**-**	**-**	**291,226,690**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2022			
	12 month ECLs	**Lifetime ECLs**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance	$ 164,968,552	-	-	164,968,552
Changes due to financial instruments recognized as at beginning:				
－Financial assets that have been derecognized during the period	(49,453,826)	-	-	(49,453,826)
Originated or purchased new financial assets	157,853,660	-	-	157,853,660
Foreign exchange and other movements	2,739,778	-	-	2,739,778
Ending balance	**$ 276,108,164**	**-**	**-**	**276,108,164**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

4) Changes in guarantee reserve and other reserve

a) As of December 31, 2023 and 2022, the variation of the beginning and ending balances for loss allowance of letter of credit receivables and guarantee for trade receivables (guarantee reserve and other reserve) were as follows:

	2023					
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans	Total
Beginning balance	$ 362,268	149,794	72	512,134	786,869	1,299,003
Changes due to financial instruments recognized as at beginning:						
－Transfer to lifetime ECL not credit impaired	(852)	852	-	-		-
－Transfer to 12month expected credit losses	122,373	(122,373)	-	-		-
－Financial assets that have been derecognized during the period	(206,449)	(21,216)	(72)	(227,737)		(227,737)
Originated or purchased new financial assets	252,664	20,411	3	273,078		273,078
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming /Nonaccrual Loans	-	-	-	-	55,305	55,305
Foreign exchange and other movements	(102,539)	37,660	2	(64,877)		(64,877)
Ending balance	**$ 427,465**	**65,128**	**5**	**492,598**	**842,174**	**1,334,772**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2022					
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans	Total
Beginning balance	$ 302,018	19,255	51,902	373,175	958,799	1,331,974
Changes due to financial instruments recognized as at beginning:						
－Transfer to lifetime ECL not credit impaired	(1,493)	1,493	-	-		-
－Transfer to 12month expected credit losses	182	(182)	-	-		-
－Financial assets that have been derecognized during the period	(133,242)	(12,752)	(51,897)	(197,891)		(197,891)
Originated or purchased new financial assets	184,763	20,570	22	205,355		205,355
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming /Nonaccrual Loans	-	-	-	-	(171,930)	(171,930)
Foreign exchange and other movements	10,040	121,410	45	131,495		131,495
Ending balance	**$ 362,268**	**149,794**	**72**	**512,134**	**786,869**	**1,299,003**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

b) As of December 31, 2023 and 2022, the carrying amounts of letter of credit receivables and guarantee for trade receivables were as follows:

	2023			
	12 month ECLs	**Lifetime ECLs**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance	$ 131,285,138	3,539,541	21,759	134,846,438
Changes due to financial instruments recognized as at beginning:				
－Transfer to lifetime ECL not credit impaired	(3,870,169)	3,870,169	-	-
－Transfer to 12month expected credit losses	1,133,030	(1,132,030)	(1,000)	-
－Letter of credit receivables and guarantee for trade receivables that have been derecognized during the period	(63,428,318)	(2,322,749)	(19,389)	(65,770,456)
Originated or purchased new letter of credit receivables and guarantee for trade receivables	67,374,838	1,706,345	2,423	69,083,606
Foreign exchange and other movements	3,905	-	-	3,905
Ending balance	**$ 132,498,424**	**5,661,276**	**3,793**	**138,163,493**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2022			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	$ 130,070,312	3,237,178	130,333	133,437,823
Changes due to financial instruments recognized as at beginning:				
－Transfer to lifetime ECL not credit impaired	(1,194,825)	1,194,825	-	-
－Transfer to 12month expected credit losses	16,405	(16,405)	-	-
－Letter of credit receivables and guarantee for trade receivables that have been derecognized during the period	(61,570,994)	(2,524,027)	(111,275)	(64,206,296)
Originated or purchased new letter of credit receivables and guarantee for trade receivables	63,943,448	1,647,970	2,701	65,594,119
Foreign exchange and other movements	20,792	-	-	20,792
Ending balance	**$ 131,285,138**	**3,539,541**	**21,759**	**134,846,438**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

5) Changes in loan commitments reserve

a) As of December 31, 2023 and 2022, the variation of the beginning and ending balances for loss allowance of loan commitments (loan commitments reserve) were as follows:

	2023			
	12 month ECLs	**Lifetime ECLs**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance	$ 10,577	829	336	11,742
Changes due to financial instruments recognized as at beginning:				
—Transfer to lifetime ECL not credit impaired	(61)	61	-	-
—Transfer to lifetime ECL credit impaired	-	(4)	4	-
—Transfer to 12month expected credit losses	1,083	(1,083)	-	-
—Financial assets that have been derecognized during the period	(8,722)	(563)	(296)	(9,581)
Originated or purchased new loan commitments	12,274	529	202	13,005
Foreign exchange and other movements	(1,231)	920	133	(178)
Ending balance	**$ 13,920**	**689**	**379**	**14,988**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2022			
	12 month ECLs	**Lifetime ECLs**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance	$ 4,964	534	176	5,674
Changes due to financial instruments recognized as at beginning:				
－Transfer to lifetime ECL not credit impaired	(46)	46	-	-
－Transfer to lifetime ECL credit impaired	-	(1)	1	-
－Transfer to 12month expected credit losses	810	(810)	-	-
－Financial assets that have been derecognized during the period	(3,780)	(457)	(156)	(4,393)
Originated or purchased new loan commitments	8,586	427	102	9,115
Foreign exchange and other movements	43	1,090	213	1,346
Ending balance	**$ 10,577**	**829**	**336**	**11,742**

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

b) As of December 31, 2023 and 2022, the carrying amounts of loan commitments were as follows:

	2023			
	12 month ECLs	**Lifetime ECLs**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance	$ 352,227,482	171,975	508	352,399,965
Changes due to financial instruments recognized as at beginning:				
－Transfer to lifetime ECL credit impaired	-	(723)	723	-
－Financial assets that have been derecognized during the period	(311,905,020)	(539,634)	(1,162)	(312,445,816)
Originated or purchased new loan commitments	332,930,189	546,875	567	333,477,631
Ending balance	**$ 373,252,651**	**178,493**	**636**	**373,431,780**

	2022			
	12 month ECLs	**Lifetime ECLs**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance	$ 252,637,425	195,051	427	252,832,903
Changes due to financial instruments recognized as at beginning:				
－Transfer to lifetime ECL credit impaired	-	(591)	591	-
－Financial assets that have been derecognized during the period	(178,138,288)	(525,998)	(1,310)	(178,665,596)
Originated or purchased new loan commitments	277,728,345	503,513	800	278,232,658
Ending balance	**$ 352,227,482**	**171,975**	**508**	**352,399,965**

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

6) Changes in loss allowance of receivables(including other financial assets)

a) As of December 31, 2023 and 2022, the variation of the beginning and ending balances for loss allowance of receivables were as follows:

	2023					
	12 month ECLs	**Lifetime ECLs (collectively assessed)**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**The loss allowances measured in accordance with IFRS 9**	**Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans**	**Total**
Beginning balance (Note 1)	$ 61,723	5,305	206,354	273,382	29,808	303,190
Changes due to financial instruments recognized as at beginning:						
－Transfer to lifetime ECL not credit impaired	(537)	873	(336)	-		-
－Transfer to lifetime ECL credit impaired	(44)	(110)	154	-		-
－Transfer to 12month expected credit losses	960	(821)	(139)	-		-
－Financial assets that have been derecognized during the period	(43,663)	(3,103)	(16,210)	(62,976)		(62,976)
Originated or purchased new financial assets	66,657	2,988	13,419	83,064		83,064
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	9,904	9,904
Bad debts written off	-	(459)	(7,209)	(7,668)		(7,668)
The recovery of bad debts written off	-	-	6,869	6,869		6,869
Foreign exchange and other movements	(268)	331	(1,134)	(1,071)	-	(1,071)
Ending balance (Note 2)	$ **84,828**	**5,004**	**201,768**	**291,600**	**39,712**	**331,312**

Note 1: Accumulated impairment recognized in restrictive deposit of the Bank amounted $7 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted $5 thousand were not included.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted $6 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted $0 thousand were not included.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2022					
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans	Total
Beginning balance (Note 1)	$ 64,011	2,854	76,295	143,160	78,915	222,075
Changes due to financial instruments recognized as at beginning:						
－Transfer to lifetime ECL not credit impaired	(228)	380	(152)	-		-
－Transfer to lifetime ECL credit impaired	(88)	(70)	158	-		-
－Transfer to 12month expected credit losses	766	(671)	(95)	-		-
－Financial assets that have been derecognized during the period	(38,552)	(1,751)	(14,427)	(54,730)		(54,730)
Originated or purchased new financial assets	48,391	3,957	18,105	70,453		70,453
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	(49,107)	(49,107)
Bad debts written off	(81)	(670)	(20,202)	(20,953)		(20,953)
The recovery of bad debts written off	-	-	6,866	6,866		6,866
Foreign exchange and other movements	(12,496)	1,276	139,806	128,586	-	128,586
Ending balance (Note 2)	**$ 61,723**	**5,305**	**206,354**	**273,382**	**29,808**	**303,190**

Note 1: Accumulated impairment recognized in restrictive deposit of the Bank amounted $8 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted $5 thousandwere not included.

Note 2: Accumulated impairment recognized in restrictive deposit of the Bank amounted $7 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted $5 thousand were not included.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

b) As of December 31, 2023 and 2022, the carrying amounts of receivables were as follows:

	2023			
	12 month ECLs	**Lifetime ECLs (collectively assessed)**	**Lifetime ECLs (not purchased or originated credit impaired financial assets)**	**Total**
Beginning balance (Note 1)	$ 72,755,883	511,790	240,401	73,508,074
Changes due to financial instruments recognized as at beginning:				
－Transfer to lifetime ECL not credit impaired	(313,773)	316,823	(3,050)	-
－Transfer to lifetime ECL credit impaired	(6,111)	(8,743)	14,854	-
－Transfer to 12month expected credit losses	114,686	(113,498)	(1,188)	-
－Financial assets that have been derecognized during the period	(29,835,700)	(317,030)	(39,706)	(30,192,436)
Originated or purchased new financial assets	51,972,578	204,118	25,663	52,202,359
Bad debts written off	-	(459)	(7,209)	(7,668)
Foreign exchange and other movements	(20,501,195)	3,439	(1,230)	(20,498,986)
Ending balance (Note 2)	**$ 74,186,368**	**596,440**	**228,535**	**75,011,343**

Note 1: Restrictive deposit of the Bank amounted $16,295 thousand, tax refund receivable $109 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted $9,690,820 thousand were not included.

Note 2: Restrictive deposit of the Bank amounted $15,241 thousand, tax refund receivable $14 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted $10,928,045 thousand were not included.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

	2022			
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance (Note 1)	$ 80,329,700	409,134	129,144	80,867,978
Changes due to financial instruments recognized as at beginning:				
－Transfer to lifetime ECL not credit impaired	(202,024)	203,572	(1,548)	-
－Transfer to lifetime ECL credit impaired	(8,971)	(6,857)	15,828	-
－Transfer to 12month expected credit losses	118,316	(117,418)	(898)	-
－Financial assets that have been derecognized during the period	(17,501,663)	(224,841)	(48,006)	(17,774,510)
Originated or purchased new financial assets	19,787,235	251,968	30,961	20,070,164
Bad debts written off	(81)	(670)	(20,202)	(20,953)
Foreign exchange and other movements	(9,766,629)	(3,098)	135,122	(9,634,605)
Ending balance (Note 2)	**$ 72,755,883**	**511,790**	**240,401**	**73,508,074**

Note 1: Restrictive deposit of the Bank amounted $16,884 thousand, tax refund receivable $10 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted $8,280,931 thousand were not included.

Note 2: Restrictive deposit of the Bank amounted $16,295 thousand, tax refund receivable $109 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted $9,690,820 thousand were not included.

(Continued)

c) BOT' s department of government employees' insurance adopts simplification method to estimate expected credit losses of receivables (including accrued income, premiums receivable, and other receivable), namely, measures expected credit losses for a life time. For the purpose of measurement, these notes receivables and account receivables are classified based on credit risk characteristics reflected the borrower's ability to meet its contractual obligations. Analysis of receivables held by BOT' s department of government employees' insurance is shown below:

	December 31, 2023		
	Gross amounts of account receivables	**Weighted average expected loss rate**	**Allowance for expected credit loss for a life time**
Non-overdue	$ 10,927,830	0%	-
Overdue less than 30 days	215	0%	-
Overdue 31~60 days	-	0%	-
Overdue 61~90days	-	0%	-
	$ 10,928,045		**-**

	December 31, 2022		
	Gross amounts of account receivables	**Weighted average expected loss rate**	**Allowance for expected credit loss for a life time**
Non-overdue	$ 9,690,571	0%	-
Overdue less than 30 days	-	0%	-
Overdue 31~60 days	-	0%	-
Overdue 61~90days	-	0%	-
Overdue more than 91 days	249	2%	5
	$ 9,690,820		**5**

The movements of allowance for impairment of account receivables held by BOT's department of government employees' insurance:

	2023	**2022**
Beginning balance	$ 5	5
Impairment reversed	(5)	-
Ending balance	**$ -**	**5**

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

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

1) Asset Quality of overdue loans and receivables

December 31, 2023								
Type / Item			Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt	Coverage ratio(%) (Note 4)
Enterprise	Secured		1,344,847	580,132,289	0.23 %	9,013,462	670.22 %
	Non secured		114,185	1,409,370,746	0.01 %	25,467,891	22,304.06 %
Consumer finance	House mortgage (Note 5)		833,985	971,244,987	0.09 %	10,220,114	1,225.46 %
	Cash card		-	-	- %	-	- %
	Micro credit (Note 6)		9,509	3,729,710	0.25 %	84,648	890.19 %
	Others (Note 7)	Secured	404,463	191,097,800	0.21 %	2,213,327	547.23 %
		Non secured	33,791	23,483,112	0.14 %	300,581	889.53 %
Total			2,740,780	3,179,058,644	0.09 %	47,300,023	1,725.79 %
			Overdue receivables	Account receivable	Ratio (%)	Allowance for bad debt	Cover ratio
Credit card business			1,301	1,143,240	0.11 %	12,389	952.41 %
Non-recourse factoring (Note 8)			-	6,565,159	- %	41,368	- %

December 31, 2022							
Type / Item			Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt	Coverage ratio(%) (Note 4)
Enterprise	Secured		1,032,014	605,945,135	0.17 %	8,863,368	858.84 %
	Non secured		226,955	1,720,338,722	0.01 %	26,757,560	11,789.81 %
Consumer	House mortgage (Note 5)		840,154	903,522,846	0.09 %	7,932,557	944.18 %
	Cash card		-	-	- %	-	- %
	Micro credit (Note 6)		12,364	4,386,099	0.28 %	86,999	703.65 %
	Others (Note 7)	Secured	934,215	203,974,937	0.46 %	2,140,869	229.16 %
		Non secured	114,237	26,156,528	0.44 %	315,236	275.95 %
Total			3,159,939	3,464,324,267	0.09 %	46,096,589	1,458.78 %
			Overdue receivables	Account receivable	Ratio (%)	Allowance for doubtful debt	Cover ratio
Credit card business			510	1,090,941	0.05 %	11,485	2,252.71 %
Non-recourse factoring (Note 8)			-	6,473,103	- %	36,051	- %

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: The discount and premium adjustment was not included in total amount of loans.

Note 3: Ratio of nonperforming loans: Nonperforming loans÷Outstanding loan balance. Ratio of nonperforming credit card receivables: Nonperforming credit card receivables÷Outstanding credit card receivables balance.

Note 4: Coverage ratio of loans: Allowance for possible losses for loans÷Nonperforming loans. Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables÷Nonperforming credit card receivables.

Note 5: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 6: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 7: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgages, cash cards, credit cards and small-scale credit loans.

Note 8: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494),non-recourse factoring are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

(Continued)

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Notes to the Consolidated Financial Statements

2) Non-performing Loans and Overdue Receivables Exempted from Reporting

Unit: In thousand of TWD

	December 31, 2023		January 1, 2022	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement	-	-	23	-
As a result of debt solvency and restart plan	19,502	12,907	9,646	15,306
Total	19,502	12,907	9,669	15,306

3) Concentration of Credit Risk

Unit: In million of TWD; %

December 31, 2023			
Rank	Group Name	Credit Extensions Balance	% of Net Asset Value
1	A group – Plastic Sheets, Pipes and Tubes Manufacturing	43,530	9.94 %
2	B company－Rail Transport	41,477	9.47 %
3	C group－Smelting and Refining of Iron and Steel	31,793	7.26 %
4	D group－Manufacture of Made-up Textile Articles	29,334	6.70 %
5	E group－Air Transportation	25,376	5.79 %
6	F group－Wireless Telecommunications	24,814	5.67 %
7	G group－Electric Wires and Cables Manufacturing	24,407	5.57 %
8	H group－Real Estate Development Activities	20,714	4.73 %
9	I group - Real estate leasing and sales	19,910	4.55 %
10	J group－Real Estate Development Activities	18,908	4.32 %

(Continued)

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December 31, 2022			
Rank	**Group Name**	**Credit Extensions Balance**	**% of Net Asset Value**
1	A company－Transport via Railways	42,596	10.77 %
2	B group－Smelting and Refining of Iron and Steel	37,807	9.56 %
3	C group – Plastic Sheets, Pipes and Tubes Manufacturing	36,157	9.14 %
4	D group－Air Transportation	31,893	8.06 %
5	E group－Manufacture of Made-up Textile Articles	23,524	5.95 %
6	F group－Wireless Telecommunications	22,765	5.76 %
7	G group－Air Transportation	22,583	5.71 %
8	H group－Electric Wires and Cables Manufacturing	22,156	5.60 %
9	I group - Manufacture of Other Food Products Nots Elsewhere Classified	17,406	4.40 %
10	J group－Real Estate Development Activities	17,095	4.32 %

4) Average balance and current average interest rates of interest-bearing assets and liabilities

Unit: In thousand of TWD; %

	December 31, 2023		December 31, 2022	
	Average	**Average interest rate (%)**	**Average**	**Average interest rate (%)**
Interest earnings assets				
Call loans and placement with banks	$ 303,754,768	2.99	317,182,906	1.71
Placement with Central Bank	328,429,849	0.74	424,331,394	0.72
Financial assets	1,409,091,167	1.82	957,317,453	1.05
Negotiation, discounts and total loans	3,292,308,909	1.64	3,205,054,675	1.52
Interest bearing liabilities				
Deposit of Central Bank	18,746,079	-	20,074,831	-
Deposits and call loans from banks	190,548,487	2.32	187,253,471	1.03
Loans to Central Bank and banks	158,732,511	0.87	114,223,346	0.55
Demand deposits	529,867,786	0.63	555,089,809	0.30
Demand savings	1,222,149,450	0.66	1,226,540,748	0.47
Time savings	1,581,104,253	1.29	1,457,720,564	1.33
Time deposits	1,047,451,306	2.16	807,717,661	1.25
Government deposits	381,667,373	0.40	367,624,271	0.22
Structured products	919,860	3.23	529,558	1.91
Financial bonds	25,336,986	1.26	26,000,000	1.18

Note:1. Each average balance is calculated by respectively summing up the daily average balances and then dividing the number of days in the year starting from January to the financial statement date.

2. The balances are derived from the Department of banking, credit cards, trusts and securities.

(Continued)

(d) Liquidity Risk

(i) Causes and definition of liquidity risk

The definition for liquidity risk is the Bank encounter difficulty in meeting the obligations with its financial liabilities and causes the losses, for example, a saving account cancels its saving ahead of time, the ways or conditions to call loans to banks drop, creditors' credit become worsen and cause an exceptional condition, financial instruments cannot be financed and etc. The situation mentioned above may reduce the cash flow for lending, trading, and investing activities. In some extreme situation, the poor liquidity position may decrease the level of balance sheet, sale assets, or the possibility of not fulfilling the contractual loan balance. Liquidity risk is containing in the inherent risk of bank operation, and could be affected by a separate industry or whole market's incident, which are included but not only as: credit event, consolidation or merger and acquisition, system shock, and natural disaster.

(ii) Management policies of liquidity risk

1) To optimize the structure of assets and liabilities, the Bank set up an Assets and Liabilities Management Committee of which the chairperson is the general manager and the vice chairpersons are the vice general managers to decide the direction of assets and liabilities management, to manage the liquidity portion and interest rate risk, and to review the structure of deposits and loans and so on.

2) To enforce the management of liquidity and interest rate risk and maintain suitable liquidity for higher effectiveness of capital and good operations, the Bank set up policies for liquidity and interest rate risk. The assets and Liabilities Management Committee conducts necessary monitoring procedures. The Risk Management Department prepares risk-monitoring reports periodically and reports to the Risk Management Committee and then the Board of Directors.

3) Management of liquidity risk

a) Maintain liquidity reserve ratio: According to "Liquidity Guidelines for Financial Institutions" published by the Central Bank, the Bank and subsidiary have to maintain the liquidity reserve ratio of deposit balances greater than 15%.

b) Short term gap analysis: Calculate 1~10 day and 11~30 day gaps which should be greater than zero.

c) Liquidity coverage ratio: calculate their liquidity coverage ratio and report it to the authorities on a monthly basis. In accordance with the "Standards Implementing the Liquidity Coverage Ratio of Banks" announced by FSC and Central Bank, the ratio shall be higher than 100%.

d) Net stable funding ratio: Calculate their net stable funding ratio and report it to the authorities on a monthly basis. In accordance with the "Standards Implementing the Net Stable Funding Ratio of Banks" announced by FSC and Central Bank, the ratio shall be higher than 100%.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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e) Foreign currency gap management: Make sure the ratio of accumulated capital liquidity gap to each currency assets of the major foreign currencies of the Bank and subsidiary measured for every month and every term under one year between ± 50% and ±40%.

f) Fund management: Utilize the Assets and Liabilities Management Information System to analyze the gaps of assets and liabilities and the change of the structure. Allocate appropriate fund and adjust the fund structure according to financial status. For TWD fund management, the bank maintains appropriate cash and cashable securities on hand, draw up notice about TWD fund management and request every unit to notify on significant cash transactions, analyze the gaps for maturity amount of purchased bills, bonds and call loans to control the fund trend and decrease the liquidity risk. For foreign currencies, manage the financial gap of actual amount received on due date and payment in a year by using the maturity method.

g) Establish “Bank of Taiwan operational crisis management plan” to prevent and response quickly to the crisis.

(iii) Maturity date analysis of non derivative financial assets and liabilities

These tables represent the cash outflow analysis of non derivative financial liabilities of the Bank’s major currencies according to the unexpired term of the contracts. The disclosed amounts are presented on the basis of contract cash flows, so some disclosed items are not correspond to the accounts in the financial statements. These tables do not include BankTaiwan Insurance Brokers.

Maturity analysis of assets and liabilities (United State Dollars)

Unit: In thousand of USD

December 31, 2023	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	607,772	48,500	-	-	2,199	658,471
Call loans to banks and overdrafts	1,771,000	2,264,500	1,247,660	415,000	-	5,698,160
Investment securities	118,215	720,373	360,674	1,026,126	6,642,374	8,867,762
Loans (including overdue loans)	562,916	273,462	176,873	326,375	3,551,042	4,890,668
Interest receivables and income receivables	83,852	83,007	45,749	4,364	27,556	244,528
Other expired items	8,887,268	8,629,971	5,060,864	692,941	945,396	24,216,440
Total major matured capital inflow	12,031,023	12,019,813	6,891,820	2,464,806	11,168,567	44,576,029

Unit: In thousand of USD

December 31, 2023	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	3,191,215	520,000	-	30,000	-	3,741,215
Demand deposits	740,574	1,052,938	1,579,407	-	724,705	4,097,624
Time deposits	6,852,515	5,810,618	3,227,790	4,005,104	-	19,896,027
Bills and bonds sold under repurchase agreements	150,983	291,684	-	-	-	442,667
Borrowings	-	-	-	-	585,000	585,000
Interest payables	93,993	72,497	35,896	18,988	73,077	294,451
Loan Commitments	85,411	114,141	177,383	307,692	1,194,601	1,879,228
Equities	-	-	-	-	(200,747)	(200,747)
Other expired items	8,924,535	4,296,928	785,705	342,284	912,270	15,261,722
Total major matured capital outflow	20,039,226	12,158,806	5,806,181	4,704,068	3,288,906	45,997,187

(Continued)

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Maturity analysis of assets and liabilities (New Taiwan Dollars)

Unit: In thousand of TWD

December 31, 2023	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	73,888,433	155,103,222	19,602,008	53,610,289	60,245,660	362,449,612
Call loans to banks and overdrafts	42,585,000	10,000	-	-	-	42,595,000
Investment securities	774,697,663	35,267,621	61,487,507	61,050,546	620,107,426	1,552,610,763
Loans (including overdue loans)	197,229,612	308,711,801	343,123,213	336,380,308	1,789,030,635	2,974,475,569
Interest receivables and income receivables	5,724,231	2,667,127	2,990,730	1,916,080	1,206,185	14,504,353
Other expired items	263,089,300	70,197,196	22,885,409	4,753,725	335,404,931	696,330,561
Total major matured capital inflow	1,357,214,239	571,956,967	450,088,867	457,710,948	2,805,994,837	5,642,965,858

Unit: In thousand of TWD

December 31, 2023	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	102,611,701	38,128,186	10,715,240	25,902,854	39,273,051	216,631,032
Demand deposits	50,992,266	34,767,454	47,515,521	81,703,517	1,716,546,475	1,931,525,233
Time deposits	267,257,218	272,019,979	330,558,244	835,932,152	188,285,833	1,894,053,426
Bills and bonds sold under repurchase agreements	362,524	413,455	1,061,092	2,592	-	1,839,663
Borrowings	133,337	-	9,000,000	-	2,000,000	11,133,337
Interest payables	4,575,414	1,795,180	2,499,690	1,304,668	856,842	11,031,794
Loan Commitments	125,876,500	251,561,115	377,437,615	754,875,230	409,098,624	1,918,849,084
Equities	-	-	-	-	440,182,741	440,182,741
Other expired items	266,511,747	240,529,664	154,870,031	18,005,776	199,455,258	879,372,476
Total major matured capital outflow	818,320,707	839,215,033	933,657,433	1,717,726,789	2,995,698,824	7,304,618,786

Maturity analysis of assets and liabilities (United State Dollars)

Unit: In thousand of USD

December 31, 2022	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	1,763,766	15,000	-	10,500	1,834	1,791,100
Call loans to banks and overdrafts	3,245,200	1,638,500	1,187,000	950,000	-	7,020,700
Investment securities	14,975	137,304	148,933	901,983	6,689,168	7,892,363
Loans (including overdue loans)	906,365	422,182	192,778	325,128	3,463,905	5,310,358
Interest receivables and income receivables	46,264	51,602	23,937	16,899	23,002	161,704
Other expired items	16,241,184	9,084,773	3,147,168	934,898	7,147,758	36,555,781
Total major matured capital inflow	22,217,754	11,349,361	4,699,816	3,139,408	17,325,667	58,732,006

Unit: In thousand of USD

December 31, 2022	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	1,740,515	471,000	-	-	-	2,211,515
Demand deposits	959,683	1,271,985	1,907,978	-	1,094,248	5,233,894
Time deposits	5,983,544	4,362,267	2,769,778	4,589,739	-	17,705,328
Bills and bonds sold under repurchase agreements	-	669,130	-	-	-	669,130
Borrowings	-	-	-	-	595,000	595,000
Interest payables	40,271	31,078	15,557	21,549	75,989	184,444
Loan Commitments	107,154	254,607	626,474	200,594	775,869	1,964,698
Equities	-	-	-	-	(258,902)	(258,902)
Other expired items	6,817,487	7,986,489	1,691,276	868,536	14,432,620	31,796,408
Total major matured capital outflow	15,648,654	15,046,556	7,011,063	5,680,418	16,714,824	60,101,515

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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Maturity analysis of assets and liabilities (New Taiwan Dollars)

Unit: In thousand of TWD

December 31, 2022	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	77,552,804	155,269,167	19,987,143	57,859,000	58,325,956	368,994,070
Call loans to banks and overdrafts	14,255,000	4,610,000	-	-	-	18,865,000
Investment securities	646,927,895	56,625,518	31,430,038	95,955,734	462,473,918	1,293,413,103
Loans (including overdue loans)	526,533,428	234,647,361	350,658,308	323,491,889	1,808,322,235	3,243,653,221
Interest receivables and income receivables	5,232,065	2,456,300	1,407,547	1,318,812	112,550	10,527,274
Other expired items	176,315,607	205,275,793	54,074,636	43,850,177	310,728,596	790,244,809
Total major matured capital inflow	1,446,816,799	658,884,139	457,557,672	522,475,612	2,639,963,255	5,725,697,477

Unit: In thousand of TWD

December 31, 2022	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	45,678,235	6,943,471	10,295,086	63,320,767	68,202,642	194,440,201
Demand deposits	52,041,776	35,483,029	48,493,473	83,385,119	1,751,876,005	1,971,279,402
Time deposits	258,378,783	284,077,906	308,992,064	806,125,725	154,189,046	1,811,763,524
Bills and bonds sold under repurchase agreements	630,050	436,900	994,608	2,579	-	2,064,137
Borrowings	-	382	50,000,431	216,000,508	10,000,355	276,001,676
Interest payables	3,850,013	722,869	1,827,464	1,030,535	361,968	7,792,849
Loan Commitments	74,509,682	149,019,364	223,529,046	447,058,091	596,077,454	1,490,193,637
Equities	-	-	-	-	400,013,127	400,013,127
Other expired items	259,759,448	265,818,894	92,161,550	41,311,788	171,121,076	830,172,756
Total major matured capital outflow	694,847,987	742,502,815	736,293,722	1,658,235,112	3,151,841,673	6,983,721,309

(iv) Maturity analysis of derivatives

Unit: In thousand of TWD

December 31, 2023 Derivative financial instruments	1.Overdue less than 1 month	2.Overdue 1 to 3 months	3.Overdue 3 to 6 months	4.Overdue 6 months to 1 year	5.Overdue 1 to 5 years	6.Overdue more than 5 years	Total
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)							
Foreign exchange outflow	37,458,425	27,377,909	12,399,275	563,496	75,944	-	77,875,049
Foreign exchange inflow	37,458,611	25,612,958	12,307,657	563,496	78,401	-	76,021,123
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Interest)							
Interest outflow	447,124,552	343,504,828	165,224,262	26,131,129	213,953	-	982,198,724
Interest inflow	413,344,866	294,184,208	134,328,049	26,207,013	296,810	-	868,360,946
Hedging derivative financial instruments (Interest)							
Interest outflow	2,972	-	-	-	-	-	2,972
Interest inflow	2,523	-	-	-	-	-	2,523

Unit: In thousand of TWD

December 31, 2022 Derivative financial instruments	1.Overdue less than 1 month	2.Overdue 1 to 3 months	3.Overdue 3 to 6 months	4.Overdue 6 months to 1 year	5.Overdue 1 to 5 years	6.Overdue more than 5 years	Total
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)							
Foreign exchange outflow	18,562,046	15,080,766	20,407,379	10,431,979	1,057,283	-	65,539,453
Foreign exchange inflow	18,562,510	15,050,529	20,407,379	10,431,979	1,057,283	-	65,509,680
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Interest)							
Interest outflow	416,521,260	474,938,770	113,911,253	41,993,440	1,322,251	-	1,048,686,974
Interest inflow	337,547,407	388,959,996	107,188,154	46,950,973	1,010,043	-	881,656,573
Hedging derivative financial instruments (Interest)							
Interest outflow	-	10,305	8,940	-	-	-	19,245
Interest inflow	-	14,298	15,776	-	-	-	30,074

(Continued)

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Notes to the Consolidated Financial Statements

(v) Maturity analysis of off-balance sheet items

If the off-balance credit items of the Bank are classified as “Under One Year”, “One to Five Years” and “Above Five Years”, the maturity analysis of both off-balance items and lease agreements and capital expenditures are disclosed together.

Unit: In thousand of TWD

December 31, 2023	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Irrevocable loan commitment	210,909,000	5,359,454	2,080,000	44,784,636	110,119,561	373,252,651
Irrevocable credit card commitment	5,771	3,478	4,869	20,368	144,643	179,129
Unused letter of credit	27,580,723	1,726,731	3,869,815	6,139,918	4,245,629	43,562,816
Guarantee receivables	51,581,481	4,871,620	2,868,554	9,988,120	25,290,901	94,600,676
Total	290,076,975	11,961,283	8,823,238	60,933,042	139,800,734	511,595,272

Unit: In thousand of TWD

December 31, 2022	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Irrevocable loan commitment	64,425,000	138,488,089	2,080,000	118,229,655	29,004,738	352,227,482
Irrevocable credit card commitment	6,406	1,155	4,642	10,903	149,381	172,487
Unused letter of credit	24,607,588	2,442,462	8,672,352	8,193,980	1,996,211	45,912,593
Guarantee receivables	48,827,879	541,699	4,732,062	12,327,552	22,504,652	88,933,844
Total	137,866,873	141,473,405	15,489,056	138,762,090	53,654,982	487,246,406

(vi) Maturity analysis of lease agreements and capital expenditures

Maturity analysis of real estate lease agreements and capital expenditures were as follows:

Unit: In thousand of TWD

December 31, 2023	Less than 1 year	1-5 years	Over 5 years	Total
Lease agreements				
Lease liabilities	(528,441)	(875,724)	(68,497)	(1,472,662)
Lease income	137,236	162,623	-	299,859
Total	(391,205)	(713,101)	(68,497)	(1,172,803)

Unit: In thousand of TWD

December 31, 2022	Less than1 year	1-5 years	Over 5 years	Total
Lease agreements				
Lease liabilities	(477,517)	(646,018)	(95,320)	(1,218,855)
Lease income	148,340	214,215	-	362,555
Total	(329,177)	(431,803)	(95,320)	(856,300)

(vii) Disclosures required by the “Regulations Governing the Preparation of Financial Reports by Public Banks”

1) Maturity analysis of assets and liabilities (New Taiwan Dollars) (excluding BankTaiwan Insurance Brokers)

December 31, 2023

Unit: In thousand of TWD

	Total	Amount for each remaining period to maturity					
		Less than 10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Major matured capital inflow	$ 5,642,965,858	661,647,534	695,566,705	571,956,967	450,088,867	457,710,948	2,805,994,837
Major matured capital outflow	7,304,618,786	374,504,209	443,816,498	839,215,033	933,657,433	1,717,726,789	2,995,698,824
Capital gap	(1,661,652,928)	287,143,325	251,750,207	(267,258,066)	(483,568,566)	(1,260,015,841)	(189,703,987)

December 31, 2022

Unit: In thousand of TWD

		Amount for each remaining period to maturity					
	Total	**Less than 10 days**	**11~30 days**	**31~90 days**	**91~180 days**	**181~365 days**	**Over 1 year**
Major matured capital inflow	$ 5,725,697,477	585,399,942	861,416,857	658,884,139	457,557,672	522,475,612	2,639,963,255
Major matured capital outflow	6,983,721,309	342,331,446	352,516,541	742,502,815	736,293,722	1,658,235,112	3,151,841,673
Capital gap	(1,258,023,832)	243,068,496	508,900,316	(83,618,676)	(278,736,050)	(1,135,759,500)	(511,878,418)

2) Maturity analysis of assets and liabilities (United State Dollars) (excluding BankTaiwan Insurance Brokers)

December 31, 2023

Unit: In thousand of USD

		Amount for each remaining period to maturity				
	Total	**Less than 30 days**	**31~90 days**	**91~180 days**	**181~365 days**	**Over 1 year**
Major matured capital inflow	$ 44,576,029	12,031,023	12,019,813	6,891,820	2,464,806	11,168,567
Major matured capital outflow	45,997,187	20,039,226	12,158,806	5,806,181	4,704,068	3,288,906
Capital gap	(1,421,158)	(8,008,203)	(138,993)	1,085,639	(2,239,262)	7,879,661

December 31, 2022

Unit: In thousand of USD

		Amount for each remaining period to maturity				
	Total	**Less than 30 days**	**31~90 days**	**91~180 days**	**181~365 days**	**Over 1 year**
Major matured capital inflow	$ 58,732,006	22,217,754	11,349,361	4,699,816	3,139,408	17,325,667
Major matured capital outflow	60,101,515	15,648,654	15,046,556	7,011,063	5,680,418	16,714,824
Capital gap	(1,369,509)	6,569,100	(3,697,195)	(2,311,247)	(2,541,010)	610,843

(e) Market risk

(i) Causes and definition of market risk

Market risk means the changes in market price that lead to the fair value and future cash flow volatility risk of the held financial instruments, even if it is not included in the financial statements. The risk factors usually refer to interest rate, exchange rate, equity investment and price. When the factors change, the Bank's net operating income and the value of investment portfolio will have volatility risk.

The main market risks of the Bank is interest rate risk, exchange rate risk and equity investment risk. The main position of interest rate risk includes transactions with conditions, bonds, securities investments, interest rate swaps and so on. The main position of exchange risks includes forward exchange, foreign exchange swaps, FX options and so on. The main position of equity investment risk includes stocks, funds, stock market index futures and so on.

(ii) Management policies of market risk

The Bank sets up market risk management regulations and policies according to the risk management strategies approved by the Board of Directors, the Basel Accord and government regulations.The Bank decide the quota of investments and stop-loss point for financial instruments by types and characteristics in order to identify, assess, measure and monitor various risks of investment.

(iii) Procedures of market risk management

1) Identification

The identification procedures are as follows. First, use the business analysis or product analysis to identity the market risk factors of financial instruments. Second, measure the market risk of all financial instruments according to the risk factors changes of the important exposure. Finally, identify the market risk factors of every constitution of structured products and use the factors as the measurement basis. The above risk factors include interest rate, exchange rate and price of equity security.

2) Measurement

The Bank’s market risk exposure can be classified into trading book and banking book. The financial instruments classified in trading book are measured at market value every day; those classified in banking book are measured at market value at least once a month. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as prices from TWSE, electronic screen or independent brokerage firms) and Level-2 inputs (those which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which the Bank obtains inputs largely remain the same as prior periods and the Bank will check if a financial instrument can be reasonably measured before entering into a transaction.

3) Monitor and Report

The Bank conducts various risks monitoring procedures for ordinary trading activities, prepares risk monitoring reports and reports it to the Risk Management Committee and the Board of Directors. The monitoring procedures includes the controls over market risk position, profit and loss, exposure, quota of investments, degree of concentration, sensitivity analysis and stress testing. The Bank also has communication mechanism. Each operating unit should provide transaction information to supervisors periodically to ensure the accuracy and effectiveness. While trading amounts are over the preset limit or in an abnormal condition, the related operating units should alert it in time.

(iv) Management policies of trading book risk

The trading book refers to the financial instruments held for trading or hedging. The positions held for trading mean the positions that are held to earn profit from the buy-sell spread. The positions not belonging to trading book are regarded as banking book.

1) Policy and Procedure

The Bank formulates “ Bank of Taiwan Trading Book Management Provision” as important guideline for all trading units.

2) Valuation Policy

The Bank's market risk exposure can be classified into trading book and banking book. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as prices from TWSE, electronic screen or independent brokerage firms) and Level-2 inputs (which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which the Bank obtains inputs largely remain the same as prior periods and the Bank will check if a financial instrument can be reasonably measured before entering into a transaction.

3) Measurement Method

a) Monitoring the trading book of risk exposure including stocks, funds, bonds, spot exchanges, forward exchanges, rate swap, option, future contracts, etc. Checking the ratio of risk exposure with total investment everyday and reporting monthly.

b) The Bank conducts stress test every quarter under unfavorable economic scenarios which are set up risk factors: equity securities, interest rate, foreign exchange and commodities, setting the scene to calculate possible impacts by inputting different on profit or loss of each risk factor.

c) Check the market price every month.

d) Prepare the risk monitor report to chief director and put it on the Bank's website as reference.

(v) Interest rate risk management for trading book

1) Definition of interest rate risk

The interest rate risk means the changes of interest rate that lead to the fair value changes or loss. The main products include securities related to interest rate and derivatives.

2) Procedures of interest rate risk management

The Bank sets quota and stop-loss points for short-term securities, bonds and derivatives related to interest rate. Each trading units measure the market price for the position of trading book every day and submit monthly reports to risk management department and quarterly reports to the risk management committee and the Board of Directors.

3) Measurement method

The Bank also uses the DV01 to monitor the influence of interest risk.

4) Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

The Bank considers that a contract is not yet transitioned to an alternative benchmark rate when the interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an ‘unreformed contract’).

As of the reporting date, the Bank’s remaining IBOR exposure is indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). As announced by the Financial Conduct Authority (FCA) in March 2021, the submissions for 1 week USD LIBOR and 2 months USD LIBOR already ceased on December 31, 2021, so did all days of GBP, JPY, EUR and CHF LIBOR. Submissions for USD LIBOR (except 1 week and 2 months) already ceased on June 30, 2023. The Bank submissions for 1, 3, 6 and 12 months USD LIBOR also already ceased on June 30, 2023. Contracts with appropriate fallback clauses automatically switch the instrument from USD LIBOR to SOFR as and when USD LIBOR ceases.

The following table shows the total amounts in the unreformed contracts and those with appropriate fallback languages on December 31, 2022. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional principal amounts.

Unit: In million of TWD

	USD LIBOR	
	Total amount of unreformed contracts	**Amount with appropriate fallback clause**
December 31, 2022		
Financial assets		
Loans	$ 70,228	34,366
Corporate bonds	24,870	24,870
Financial liabilities		
Loans from central bank	3,994	3,994
Derivatives		
Interest rate swaps	29,796	29,796

(vi) Interest rate risk management for banking book

The main management purpose is to strengthen the interest rate risk management, increase the effectiveness of capital usage and improve the business.

1) Strategy

The interest rate risk management increases the Bank flexibility in order to measure, manage and hedge the interest rate risk. The Bank formulate “Liquidity and Interest Rate Management Strategies” to reinforce the management and maintain proper liquidity and adjust the interest rate sensitivity gap for the steady long-term profitability and business growth.

(Continued)

2) Management procedure

In order to adapt the economic financial environment changes and to fulfill the capital requirement, the Bank conducts different pricing management strategies, such as adopting variable or fixed interest rate, and use financial futures, foreign exchange swaps, interest rate swaps to manage the interest rate sensitivity gap. To adjust the interest rate sensitivity gap properly, the risk management department monitors the ratio of interest rate sensitivity assets to interest rate sensitivity liabilities, the ratio of TWD capital gap to equity and the interest rate sensitivity gap of foreign exchange, and report monthly to the Risk Management Committee and Board of Directors.

3) Measurement method

The Bank uses the “Assets and Liabilities Management Information System” to identify interest rate sensitivity assets and liabilities and analyses the maturity gap and changes of maturity structure as the basis of interest rate risk management and pricing strategies. They also make proper financial transfer and adjust the capital structure to lower the liquidity risk and increase the profit.

(vii) Exchange rate risk management

1) Definition of exchange rate risk

The exchange rate risk refers to the profit or loss resulted from two different currencies transferred at different times. The Bank's exchange rate risk is derived from exchange, forward exchange, FX swaps, cross currency swaps, and foreign exchange options. Because the Bank squares customer’ s position every day, the exchange rate does not have any significant risk.

2) Management procedures and measurement method of exchange rate risk

To control the exchange rate risk, the Bank sets different quotas and stop-loss point for employees with different levels and have annual total loss quota to control the loss in a tolerable range.

The Bank conducts stress testing. The simulated situations are ±5% changes of exchange rate for every currency. The relevant statements are disclosed at sensitivity analysis.

(viii) Equity security risk management

1) Definition of equity security risk

The market risk of holding equity securities includes the respective risk arising from the market price changes of respective equity security and general market risk resulting from the whole market price changes.

2) The intention of equity security price risk management

The intention is to avoid loss and worse financial status due to violent fluctuations of equity security price and increase the effectiveness of capital usage and improve the business.

3) Procedure of equity security price risk management

The Bank sets different investment quotas by industries, enterprises and groups. They monitor the risk value of equity securities and unrealized profit/loss ratio every day. The stop-loss point mechanism is approved by the security investment committee and executed by the risk management department.

4) Measurement method

The control of the equity security price risk is based on the unrealized gain (loss) ratio and the aforementioned investment limitations.

The Bank conducts stress testing every season. The simulated situations are ± 20% changes of equity security price. The relevant statements are disclosed at sensitivity analysis.

(ix) Market risk valuation technique

1) Interest rate risk sensitivity

The Bank assumed that other factors did not change and the yield curve of the whole world moves upward by 100 bps at December 31, 2023 and 2022. Under this assumption, the income after tax will decrease $29 million and $24 million, respectively; the other comprehensive income will decrease $15,621 million and $12,083 million, respectively. If the yield curve moves downward by 100 bps, the income after tax will increase $28 million and $23 million, respectively; the other comprehensive income will increase $16,649 million and $12,827 million, respectively.

2) Exchange rate risk sensitivity

The Bank assumed that other factors did not change and the foreign currency to New Taiwan Dollars exchange rate appreciated by 5% at December 31, 2023 and 2022. Under this assumption, the income after tax will increase $905 million and $1,212 million, respectively.

If the exchange rate depreciates by 5%, the income after tax will decrease $905 million and $1,212 million, respectively.

3) Equity security price risk sensitivity

The Bank assumes that other factors did not change and the market prices of the equity securities increase by 20% at December 31, 2023 and 2022. Under this assumption, the income after tax will increase $10,119 million and $9,316 million, respectively; the other comprehensive income will increase $25,059 million and $22,075 million, respectively.

If the market prices decreases by 20 %, the income after tax will decrease $10,119 million and $9,316 million, respectively; the other comprehensive income will decrease $25,059 million and $22,075 million, respectively.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

4) Sensitivity analysis is as follows:

Unit: In million of TWD

December 31, 2023			
		Amount Influence	
Main risk	**Range of changes**	**Equity**	**Gain or loss**
Interest rate risk	Interest rate curve rise 100BPS	(15,621)	(29)
Interest rate risk	Interest rate curve fall 100BPS	16,649	28
Exchange rate risk	Other foreign currency/ TWD rise 5%		905
Exchange rate risk	Other foreign currency / TWD fall 5%		(905)
Price of equity stock risk	Price of equity stock rise 20 %	25,059	10,119
Price of equity stock risk	Price of equity stock fall 20 %	(25,059)	(10,119)

Unit: In million of TWD

December 31, 2022			
		Amount Influence	
Main risk	**Range of changes**	**Equity**	**Gain or loss**
Interest rate risk	Interest rate curve rise 100BPS	(12,083)	(24)
Interest rate risk	Interest rate curve fall 100BPS	12,827	23
Exchange rate risk	Other foreign currency/ TWD rise 5%		1,212
Exchange rate risk	Other foreign currency / TWD fall 5%		(1,212)
Price of equity stock risk	Price of equity stock rise 20 %	22,075	9,316
Price of equity stock risk	Price of equity stock fall 20 %	(22,075)	(9,316)

(Continued)

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(x) Information of currency risk concentrate

Net position of major foreign currencies

Unit: In thousand of stated currencies

December 31, 2023		
Amount in original currency		**Amount in New Taiwan Dollars**
USD	5,893,362	180,955,665
EUR	582,099	19,802,999
CNY	3,478,833	15,056,391
AUD	49,080	1,030,678
CAD	43,515	1,010,414

Unit: In thousand of stated currencies

December 31, 2022		
Amount in original currency		**Amount in New Taiwan Dollars**
USD	5,344,921	164,222,690
EUR	497,504	16,298,243
CNY	3,514,515	15,502,526
AUD	454,933	9,453,504
CAD	38,501	873,199

Note 1: The major foreign currencies were the top 5 currencies by position expressed in New Taiwan Dollars after exchange rate conversion.

Note 2: The net position represented the absolute value of each currency.

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All held foreign financial assets and liabilities are classified by currencies and represented using the carrying amounts. The following tables display the information at December 31, 2023 and 2022, respectively.

Unit: In thousand of TWD

December 31, 2023			
Assets	**USD to TWD**	**Other currencies to TWD**	**Total TWD**
Cash and cash equivalents	$ 38,982,376	23,736,554	62,718,930
Placement with Central Bank and call loans to banks	142,797,487	71,342,819	214,140,306
Financial assets measured at fair value through profit or loss	113,979,050	28,277,665	142,256,715
Financial assets measured at fair value through other comprehensive income	129,417,786	80,026,456	209,444,242
Debt investments measured at amortized cost	139,113,037	21,139,415	160,252,452
Hedging derivative financial assets	-	1,419	1,419
Receivables, net	13,322,834	2,310,366	15,633,200
Current income tax assets	40,346	107,482	147,828
Loans and Discounts, net	119,904,702	82,825,047	202,729,749
Other financial assets, net	401,353	15,926	417,279
Property and equipment, net	70,358	20,436	90,794
Right-of-use assets, net	222,402	103,796	326,198
Intangible assets, net	30,697	1,377	32,074
Deferred income tax assets, net	35,042	56,445	91,487
Other assets, net	25,450,093	(4,958,818)	20,491,275
Total assets	**$ 723,767,563**	**305,006,385**	**1,028,773,948**

BANK OF TAIWAN AND SUBSIDIARY
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Liabilities	December 31, 2023 USD to TWD	Other currencies to TWD	Total TWD
Deposits of Central Bank and banks	$ 86,139,374	35,056,708	121,196,082
Due to Central Bank and banks	3,531,075	-	3,531,075
Financial liabilities measured at fair value through profit or loss	14,440,089	83,785	14,523,874
Bills and bonds sold under repurchase agreement	13,592,083	840,334	14,432,417
Payables	10,020,505	2,822,278	12,842,783
Current income tax liabilities	49,243	128,205	177,448
Deposits and remittances	680,299,651	229,087,103	909,386,754
Other financial liabilities	1,135,041	147,426	1,282,467
Provisions	1,260	17,728	18,988
Lease liabilities	270,693	141,696	412,389
Deferred income tax liabilities	-	14,799	14,799
Other liabilities	739,933	251,999,780	252,739,713
Total liabilities	**$ 810,218,947**	**520,339,842**	**1,330,558,789**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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	December 31, 2022		
Assets	**USD to TWD**	**Other currencies to TWD**	**Total TWD**
Cash and cash equivalents	$ 78,793,433	22,947,747	101,741,180
Placement with Central Bank and call loans to banks	173,253,066	84,471,947	257,725,013
Financial assets measured at fair value through profit or loss	97,062,403	25,926,382	122,988,785
Financial assets measured at fair value through other comprehensive income	105,064,930	74,029,974	179,094,904
Debt investments measured at amortized cost	124,355,029	22,731,586	147,086,615
Hedging derivative financial assets	-	9,467	9,467
Receivables, net	9,497,969	2,171,374	11,669,343
Current income tax assets	51,205	45,526	96,731
Loans and Discounts, net	133,274,611	85,066,222	218,340,833
Other financial assets, net	278,624	16,995	295,619
Property and equipment, net	86,740	27,800	114,540
Right-of-use assets,net	203,572	172,163	375,735
Intangible assets, net	32,554	820	33,374
Deferred income tax assets, net	18,258	51,820	70,078
Other assets, net	27,500,180	(7,653,610)	19,846,570
Total assets	**$ 749,472,574**	**310,016,213**	**1,059,488,787**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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December 31, 2022			
Liabilities	**USD to TWD**	**Other currencies to TWD**	**Total TWD**
Deposits of Central Bank and other banks	$ 58,238,363	20,504,476	78,742,839
Loans from Central Bank and banks	3,840,625	-	3,840,625
Financial liabilities measured at fair value through profit or loss	14,441,575	45	14,441,620
Bills and bonds sold under repurchase agreement	20,559,034	1,234,738	21,793,772
Payables	7,169,095	1,892,521	9,061,616
Current income tax liabilities	-	63,350	63,350
Deposits and remittances	627,252,841	260,944,040	888,196,881
Other financial liabilities	504,366	42,339	546,705
Provisions	1,506	13,073	14,579
Lease liabilities	251,837	177,471	429,308
Deferred income tax liabilities	1,807	20,472	22,279
Other liabilities	1,925,039	218,842,262	220,767,301
Total liabilities	**$ 734,186,088**	**503,734,787**	**1,237,920,875**

(xi) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public banks

1) Interest rate sensitivity assets and liabilities analysis (New Taiwan Dollars)

Unit: In thousand of TWD

December 31, 2023					
Item	**1~90 days**	**91~180 days**	**181 days to one year**	**Over one year**	**Total**
Interest rate sensitive assets	$ 3,385,126,067	666,551,889	89,590,223	341,705,040	4,482,973,219
Interest rate sensitive liabilities	285,662,795	3,723,381,378	218,190,760	98,658,985	4,325,893,918
Interest rate sensitive gap	3,099,463,272	(3,056,829,489)	(128,600,537)	243,046,055	157,079,301
Net worth					440,182,741
Ratio of interest rate sensitive assets to liabilities (%)					103.63
Ratio of interest rate sensitive gap to net worth (%)					35.69

BANK OF TAIWAN AND SUBSIDIARY
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Unit: In thousand of TWD

December 31, 2022					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	$ 1,626,729,145	2,354,235,199	143,972,255	415,500,653	4,540,437,252
Interest rate sensitive liabilities	327,880,873	3,555,898,225	196,123,218	312,060,890	4,391,963,206
Interest rate sensitive gap	1,298,848,272	(1,201,663,026)	(52,150,963)	103,439,763	148,474,046
Net worth					400,013,127
Ratio of interest rate sensitive assets to liabilities (%)					103.38
Ratio of interest rate sensitive gap to net worth (%)					37.12

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

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interesting-bearing liabilities with revenues and costs affected by interest rate changes.

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

Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities (in New Taiwan Dollars).

2) Assets and liabilities interest rate sensitivity analysis (United State Dollars)

Unit: In thousand of USD

December 31, 2023					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	$ 36,674,011	7,229,443	3,149,302	3,329,745	50,382,501
Interest rate sensitive liabilities	35,899,762	6,128,682	849,336	470,244	43,348,024
Interest rate sensitive gap	774,249	1,100,761	2,299,966	2,859,501	7,034,477
Net worth					(200,746)
Ratio of interest rate sensitive assets to liabilities (%)					116.23
Ratio of interest rate sensitive gap to net worth (%)					(3,504.17)

Unit: In thousand of USD

December 31, 2022					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	$ 39,514,603	5,055,615	4,299,973	3,785,767	52,655,958
Interest rate sensitive liabilities	28,800,458	9,440,481	5,573,187	510,293	44,324,419
Interest rate sensitive gap	10,714,145	(4,384,866)	(1,273,214)	3,275,474	8,331,539
Net worth					(258,901)
Ratio of interest rate sensitive assets to liabilities (%)					118.80
Ratio of interest rate sensitive gap to net worth (%)					(3,218.04)

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

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.

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

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

(Continued)

(f) Other risks

(i) Operational risk and legal risk

The Bank has identified, measured and monitored operational risk and legal risk and also disclosed qualitative and quantitative information in accordance with the " Information of the Capital Adequacy and the Risk Managements" and the FSC's requirements.

According to the " The Explanations and Formats of Calculation of Bank' s Self- Owned Capital and Risk-Weighted Assets," operation risks is the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses. As legal risk is part of the operational risk, where it involves legal risk to be reported together with the operation risk to the appropriate management level.

(ii) Compliance risks

To conduct the planning, management and execution of the Bank's legal compliance, the Department of Compliance has set up the Regulations and Guidelines of Legal Compliance, which clearly states the responsibility of the competent unit (Department of Compliance). The Department of Compliance also holds the responsibility of planning, managing and executing the overall legal compliance of the Bank. For instance, the task force should look into potential risks of legal compliance and obtain the opinion and approval of the Department of Compliance before new services and products are introduced to the market or applications are submitted to the authorities for the approval of sales.

In response to continuous changes in external regulations, the Department of Compliance prepared the "Legislation and Amendment of External Financial Regulations Checklist" to make each operation unit recheck their internal guidelines and make necessary adjustments in time. The Department of Compliance passes the information to its employees about the changes in financial regulations related to the the Bank's operations to lower the risk of legal compliance.

The Department of Compliance conducts the compliance risk assessment work for the whole bank every year, and submits the assessment results to the Audit Committee, the Board of Directors and the Financial Management Committee for reference. In addition, based on the results of the compliance risk assessment, the Department of Compliance further analyzes the risk management situation of each relevant unit, supervises the relevant management and improvement plan of compliance risk management, and continuously strengthens the control measures of the whole bank.

The Bank will not only comply with the requirements of the competent authority but also keep collecting domestic and foreign data and refer to the practical practice of other banks to improve the management of compliance risk.

(iii) Money laundering and terrorist financing risks

The Bank has established and amended the related policies and procedures in accordance with the "Money Laundering Control Act" and its related sub-regulations announced by the FSC, as well as the "Template of Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism of Banks" and the 0 suspicious transaction patterns amended or issued by the bankers association of the R.O.C. The Bank took the following actions to combat money laundering and terrorism financing (AML/CFT):

1) Setting up responsible unit and appoint AML/CFT Responsible Officer

The Board of Directors of the Bank appointed the Chief Compliance Officer to serve as AML/CFT Responsible Officer, and set up "AML Center" under The Department of Compliance in January 16, 2017. A Supervisor and a Vice Supervisor are set up in the center, and the Deputy Chief Compliance Officer is appointed to serve as the Supervisor. So far, there are 19 members in the center.

2) Setting up AML/CFT Committee

The Bank sets up "Legal Compliance, Anti-Money Laundering and Combating Terrorism Financing Committee (AML/CFT Committee)" according to the "Regulations for Legal Compliance, Anti-Money Laundering and Combating Terrorism Financing Committee, Bank of Taiwan". The President is the Chairperson, and the Chief Compliance Officer is the Vice President of the committee. The managers of the 20 other departments also serve as the committee members. The AML/CFT Committee is responsible for examining and supervising AML/CFT related affairs.

3) Optimizing AML/CFT managerial mechanisms

In order to strengthen the Bank's AML/CFT managerial mechanisms, the Bank has already engaged independent certified public accountant to exam the effectiveness of its AML/CFT managerial mechanism since 2017. The Bank has continuously improved the audit findings provided by the accountant.

4) Optimizing and Expanding AML/CFT information systems

According to the Regulations Governing Anti-Money Laundering Art. 9.1., financial institutions should gradually integrate customer information and transaction data into information systems, for the purpose of enhancing its capability of account and transaction monitoring. The Bank will strengthen its policies and procedures regarding ongoing monitoring over accounts and transactions by applying risk-based approach and the assistance of information systems. In order to verify the effectiveness of the systems, consultants were hired to conduct independent tests, regularly review the transaction monitoring threshold setting every year, and continuously optimize the system.

5) Establishing AML/CFT area in its internal information network

In order for its employees to have an immediate access to AML/CFT related information, the Bank sets up an AML/CFT website within its internal network. This measure simplifies the procedures of collecting related information, and is beneficial to the Bank by providing compliance guidance to its employees in their daily operations.

(Continued)

6) Raising awareness about money laundering and terrorism financing

The Bank established an online course, "2023 AML/CFT Program," for staff to improve awareness on AML/CFT. To comply with the amendments related to AML/CFT, the Bank also engaged external experts to hold training for the Bank's responsible officers and supervisors. Furthermore, the Bank held a "Compliance, AML/CFT Forum" in the north, central, and south of Taiwan to propagate common mistakes in AML/CFT and build awareness on AML/CFT in each staff member.

7) Reporting the properties (including its related interests and their locations) designated by the Counter-Terrorism Financing Act and suspicious transactions to Investigation Bureau, the Ministry of Justice.

8) Improving oversight on trade-based money laundering, counter-proliferation financing, and anti-sanctions measures

To control trade-based money laundering, counter-proliferation financing, and anti-sanctions effectively, the Bank set up database of "Countries/regions with Severe AML/CFT Deficiencies as Announced by the FATF" and listed those countries/regions as high-risk countries to control the potential risk of proliferation financing in those regions. Also, the Bank kept purchasing/renting "Maritime Risk Intelligence Database" and "Commodity Price Database"to strengthen its verification on the authentication of cross-border trading and rational pricing of commodities in order to lower the threat of trade-based money laundering and proliferation financing.

(iv) Emerging risks (Climate change risks)

In 2021, the Bank revised its risk management policy to implement climate change risks into its risk management framework, and established climate change risk identification, as well as reporting mechanism. Since June 2021, the Bank has added the climate change risk to its risk monitoring report, identified risk and checked the impact on “physical risks” and “transition risks” . The responsible personnel reports the assessment of climate change risk and corresponding measures to the risk management committee and the board of directors on a quarterly basis. In addition, “ the Climate Change Risk Management Guidelines” were formulated in 2022 to improve the climate change risk management framework.

In November 2021, the FSC announced “the Guidelines on Financial Disclosure of Climate Risk for Domestic Banks”, requiring domestic banks to complete their financial disclosure on climate risks, related to those in the previous year, by the end of June of each year, starting from 2023. In accordance with the regulations issued by the competent authority, the Bank has placed the Bank's “ Task Force on Climate-related Financial Disclosure Report” in the sustainability section of the external website by the end of June 2023.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(g) Transfer of financial assets－transferred financial assets without overall derecognition

The transferred financial assets of the Bank and subsidiary that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. The right to receive cash flow is transferred and reflects the associated liabilities to repurchase transferred financial assets at a fixed price in the future period, the Bank and subsidiary cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Bank and subsidiary still bear the interest rate risks and credit risks, transferred financial assets are not completely derecognized. Analysis of financial assets without overall derecognition and the associated liabilities are as follows:

	December 31, 2023				
Type of financial assets	**Carrying amount of the transferred financial assets**	**Carrying amount of the Financial liability**	**Fair value of transferred financial assets**	**Fair value of financial liabilities**	**Fair value net position**
Financial asset measured at fair value through profit or loss					
Under repurchase agreements	$ 796,149	762,468	796,149	762,468	33,681
Financial asset measured at fair value through other comprehensive income					
Under repurchase agreements	16,117,311	15,509,611	16,117,311	15,509,611	607,700

	December 31, 2022				
Type of financial assets	**Carrying amount of the transferred financial assets**	**Carrying amount of the Financial liability**	**Fair value of transferred financial assets**	**Fair value of financial liabilities**	**Fair value net position**
Financial asset measured at fair value through profit or loss					
Under repurchase agreements	$ 992,659	859,647	992,659	859,647	133,012
Financial asset measured at fair value through other comprehensive income					
Under repurchase agreements	23,760,341	22,742,043	23,760,341	22,742,043	1,018,298
Debt instruments measured at amortized cost					
Under repurchase agreements	337,828	256,219	265,422	256,219	9,203

(Continued)

BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

(h) Offsetting of financial assets and financial liabilities

The Bank and subsidiary hold financial instruments which meet Section 42 of the IAS 32 endorsed by FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although the Bank and subsidiary do not engage in transactions that meet the offsetting condition in IFRSs, they have signed the net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could opt for net settling.

The offsetting information of financial assets and financial liabilities is shown below:

December 31, 2023

Financial assets under offsetting or general agreement of net amount settlement or similar norms

Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheet (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d): Financial instrument (note)	Relevant amount not offset on the balance sheet (d): Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 9,602,788	-	9,602,788	3,436,857	332,732	5,833,199

December 31, 2023

Financial liabilities under offsetting or general agreement of net amount settlement or similar norms

Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheet (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d): Financial instrument (note)	Relevant amount not offset on the balance sheet (d): Pledged cash Collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 20,982,724	-	20,982,724	3,431,785	2,910,701	14,640,238
Securities sold under repurchase agreements	13,592,083	-	13,592,083	15,238,891	17,195	(1,664,003)
Total	$ 34,574,807	-	34,574,807	18,670,676	2,927,896	12,976,235

Note: Master netting arrangements and non-cash financial collaterals are included.

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December 31, 2022

Financial assets under offsetting or general agreement of net amount settlement or similar norms

Financial assets	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheet (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Cash received as collaterals	Net amount (e)=(c)-(d)
Derivative financial assets	$ 17,622,062	-	17,622,062	7,031,467	1,462,661	9,127,934

December 31, 2022

Financial liabilities under offsetting or general agreement of net amount settlement or similar norms

Financial liabilities	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheet (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d) Financial instrument (note)	Pledged cash Collaterals	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 12,627,864	-	12,627,864	7,028,092	2,872,897	2,726,875
Securities sold under repurchase agreements	20,559,034	-	20,559,034	23,598,336	77,687	(3,116,989)
Total	$ 33,186,898	-	33,186,898	30,626,428	2,950,584	(390,114)

Note: Master netting arrangements and non-cash financial collaterals are included.

(9) Capital Management:

(a) The Target and Procedure of capital management

The Target of capital management is to achieve the authority's requirements for the BIS Capital Adequacy Ratio and to improve the efficiency of capital usage through capital management procedures.

The Bank consider the short-term and long-term capital demand, operating plans and the lowest requirement to the BIS ratio to draft the capital plan. The Bank conducts the stress testing, the simulation analysis periodically, consider the external conditions and other factors, such as potential risks, environment changes of the financial market and other events that will affect the risk tolerable ability to ensure the Bank can maintain sufficient capital while unfavorable events and significant changes to the market occur.

(b) The definition and regulations of capital

The Competent authority of the Bank is the FSC. The Bank follows the "Regulations Governing the Capital Adequacy and Capital Category of Banks" issued by the FSC.

BANK OF TAIWAN AND SUBSIDIARY
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The term “Ratio of Regulatory Capital to Risk-weighted Assets” shall mean Common Equity Ratio, Tier 1 Capital Ratio, and Total Capital Adequacy Ratio. Except computing the Bank's own ratios, it also calculates the ratios using the consolidated financial information according to the IFRS 10. All mentioned ratios should be in conformity with article 5 of the regulations.

(c) Regulatory Capital

The term "Regulatory Capital" shall mean the net Tier 1 Capital and the net Tier 2 Capital according to the Regulations Governing the Capital Adequacy and Capital Category of Banks.”

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

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

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

a) Non-cumulative perpetual preferred stock and its capital stock premium.

b) Non-cumulative perpetual subordinated debts.

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

(ii) The range of Tier 2 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.

1) Cumulative perpetual preferred stock and its capital stock premium.

2) Cumulative perpetual subordinated debts.

3) Convertible subordinated debts

4) Long-term subordinated debts

5) Non-perpetual preferred stock and its capital stock premium

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

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

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

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

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

(i) The First Pillar

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

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

2) Market risks refer to the loss due to the changes of the market price, such as the changes of the market interest rate, the exchange rate, the stock price and the product price. There are two measurement methods, the Standardized Approach and the Internal Model Approach. The Bank uses the Standardized Approach.

3) Operation risks refer that the Bank has loss caused by the internal operations, the employee's faults, the system errors or external events. The operation risks include legal risks but exclude strategy risks and reputation risks. The measurement methods are the Basic Indicator Approach, the Standardized Approach, the Alternative Standardized Approach and the Advanced Measurement Approach. The Bank uses the Standardized Approach.

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BANK OF TAIWAN AND SUBSIDIARY

Notes to the Consolidated Financial Statements

(ii) The Second Pillar

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

(iii) The Third Pillar

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

(d) Capital adequacy ratio

Analyze Items		Date	**December 31, 2023**	**December 31, 2022**
Eligible capital	Common stock capital		333,278,440	305,202,251
	Other tier 1 capital		-	-
	Tier 2 capital		52,905,012	54,483,022
	Eligible capital		386,183,452	359,685,273
Risk weighted assets	Credit risk	Standardized approach	2,203,896,622	2,255,957,139
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/Alternative standardized approach	76,844,863	62,008,213
		Advance measurement approach	-	-
	Market risk	Standardized approach	105,681,738	81,314,025
		Internal models approach	-	-
	Total risk weighted assets		2,386,423,223	2,399,279,377
Capital adequacy ratio			16.18 %	14.99 %
Common stock based capital ratio			13.97 %	12.72 %
Tier 1 risk based capital ratio			13.97 %	12.72 %
Leverage ratio			5.55 %	5.02 %

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
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Note 1: The calculation of eligible capital, risk-weighted assets, and the total amount of risk exposure shall follow the Regulations Governing the Capital Adequacy and Capital Category of Banks, and Calculation of Equity Capital and Risk Assets.

Note 2: The annual report shall disclose the current and preceding period of BIS ratio. The semi-annual report (beside the current and preceding period) shall disclose the information one year before.

Note 3: The table shall disclose the calculation formula as follows:

1. Equity Capital = shareholders' equity + other tier 1 capital + tier 2 capital
2. Risk-weighted assets = credit risk-weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5
3. Capital adequacy ratio = equity capital / internal models approach
4. Common stock - based capital ratio = shareholders' equity / total risk weighted assets
5. Tier 1 risk based capital ratio = (shareholders' equity + Other tier 1 capital)/ weighted risk
6. Leverage ratio = tier 1 capital / total risk exposure

Note 4: The table may choose not to disclose in Q1 and Q3 financial report.

(e) Stress test: In addition to the FSC's requirement regarding the stress test to be conducted by the Bank, the Bank also establishes its own stress test policy based on global environment and economic situations. The testing includes the average common equity ratio, the first class capital ratio, the capital adequacy ratio, and the leverage ratio, calculated by the Bank under different assumptions of scenarios, which had been approved by the Bank's Board of Directors and risk management committee.

(10) Related-party Transactions:

(a) Name of related party and relationship

Name	Relationship
Taiwan Financial Holding Co., Ltd.	Parent company of the Bank
BankTaiwan Life Insurance Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.
BankTaiwan Securities Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.
Hua Nan Financial Holdings Co., Ltd.	Investee company of the Bank under the equity method
Tang Eng Iron Works Co., Ltd.	Investee company of the Bank under the equity method
Tai Yi Real Estate Management Co., Ltd.	Investee company of the Bank under the equity method
Taiwan Business Bank Co., Ltd.	Related- Party
Land Bank of Taiwan	Related- Party
The Export-Import Bank of the Republic of China	Related- Party
Cathy United Bank	Related- Party
Chang Hwa Bank	Related- Party

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BANK OF TAIWAN AND SUBSIDIARY
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Name	Relationship
United Taiwan Bank	Related- Party
Central Pictures Corporation	Related- Party
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and so on

(b) Key Management Personnel Compensation

The related information about the salaries and bonus for the key management personnel for the years ended December 31, 2023 and 2022 was as follows:

	2023	2022
Short-term employee benefits	$ 15,641	15,786

(c) Other related-party transactions

(i) Call loans to bank

	December 31, 2023			
	Highest balance	Ending balance	Interest rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	$ 25,344,804	9,693,963	0.6500～5.9300	365,711
Land Bank of Taiwan	29,662,152	5,030,093	0.5540～5.9000	401,949
Taiwan Business Bank Co., Ltd.	18,010,386	2,610,433	0.1800～5.9200	162,083
Cathy United Bank	25,941,680	4,223,922	0.6600～5.6000	111,118
The Export-Import Bank of the Republic of China	4,228,000	-	2.2000～4.5500	3,959
Chang Hwa Bank	31,270,466	5,491,113	0.5550～5.8800	202,911
United Taiwan Bank	805,590	442,260	1.4500～5.2000	19,640
Total		$ 27,491,784		1,267,371

	December 31, 2022			
	Highest balance	Ending balance	Interest rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	$ 17,212,685	7,577,575	0.0300～5.2800	92,450
Land Bank of Taiwan	32,581,151	7,646,460	0.0800～5.6000	156,538
Taiwan Business Bank Co., Ltd.	10,762,583	4,255,896	0.0001～5.1800	101,974
Cathy United Bank	29,934,784	5,219,380	0.0400～6.8000	60,534
The Export-Import Bank of the Republic of China	2,729,400	1,392,175	0.0850～4.2500	2,265
Chang Hwa Bank	19,174,171	2,395,212	0.0500～5.4500	73,539
United Taiwan Bank	891,180	548,780	-0.4200～4.2200	3,160
Total		$ 29,035,478		490,460

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(ii) Receivables

Name	December 31, 2023 Amount	December 31, 2023 Percentage of account balance	December 31, 2022 Amount	December 31, 2022 Percentage of account balance
Taiwan Financial Holding Co., Ltd.	$ 52,108	0.08	34,421	0.06
BankTaiwan Life Insurance Co., Ltd.	23,927	0.04	19,403	0.03
BankTaiwan Securities Co., Ltd.	755	-	582	-
Total	$ 76,790	0.12	54,406	0.09

(iii) Other assets

Name	December 31, 2023 Amount	December 31, 2023 Percentage of account balance	December 31, 2022 Amount	December 31, 2022 Percentage of account balance
Taiwan Financial Holding Co., Ltd.	$ 2,500,000	6.44	2,300,000	7.70
BankTaiwan Life Insurance Co., Ltd.	8,368	0.02	8,339	0.03
BankTaiwan Securities Co., Ltd.	14	-	14	-
Total	$ 2,508,382	6.46	2,308,353	7.73

(iv) Securities lending (classified as other financial assets)

Name	December 31, 2023 Amount	December 31, 2023 Percentage of account balance	December 31, 2022 Amount	December 31, 2022 Percentage of account balance
BankTaiwan Securities Co., Ltd.	$ 245,640	1.02	276,525	1.01

(v) Deposits of banks

Name	December 31, 2023 Amount	December 31, 2023 Percentage of account balance	December 31, 2022 Amount	December 31, 2022 Percentage of account balance
Hun Nan Financial Holdings Co., Ltd.	$ 194,185	0.57	318,007	0.50

(vi) Call loans from banks (recognized as deposit of central bank and other bank)

	December 31, 2023			
	Highest balance	**Ending balance**	**Interest rate range (%)**	**Interest expense**
Hua Nan Financial Holdings Co., Ltd.	$ 17,745,402	307,050	0.6800～5.9000	19,876
Land Bank of Taiwan	27,068,639	2,255,938	0.5530～5.9200	71,815
Taiwan Business Bank Co., Ltd.	10,932,931	3,000,000	0.6800～5.5000	11,241
Cathy United Bank	30,200,372	-	0.5550～5.7300	91,942
The Export-Import Bank of the Republic of China	3,000,000	3,000,000	0.6800～1.4000	22,411
Chang Hwa Bank	30,329,658	921,150	0.6790～5.9000	58,632
United Taiwan Bank	549,439	-	5.0900～5.3700	203
Total		**$ 9,484,138**		**276,120**

	December 31, 2022			
	Highest balance	**Ending balance**	**Interest rate range (%)**	**Interest expense**
Hua Nan Financial Holdings Co., Ltd.	$ 14,162,000	577,081	0.0800～4.4500	5,084
Land Bank of Taiwan	38,177,645	921,750	0.0600～4.2700	27,943
Taiwan Business Bank Co., Ltd.	1,079,817	-	0.1300～3.8100	1,323
Cathy United Bank	34,487,682	-	0.0300～3.7500	21,062
The Export-Import Bank of the Republic of China	1,850,000	-	0.0850～0.4400	56
Chang Hwa Bank	33,703,498	110,275	0.0500～4.2700	34,981
Total		**$ 1,609,106**		**90,449**

(vii) Deposits

	December 31, 2023		**December 31, 2022**	
Name	**Amount**	**Percentage of account balance**	**Amount**	**Percentage of account balance**
Taiwan Financial Holding Co., Ltd.	$ 1,455,969	0.03	750,013	0.02
BankTaiwan Life Insurance Co., Ltd.	13,683,571	0.29	5,444,108	0.12
BankTaiwan Securities Co., Ltd.	182,475	-	413,171	0.01
Hua Nan Financial Holdings Co., Ltd.	26,968	-	375,875	0.01
Tang Eng Iron Works Co., Ltd.	1,281	-	3,623	-
Total	**$ 15,350,264**	**0.32**	**6,986,790**	**0.16**

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Notes to the Consolidated Financial Statements

(viii) Payables

Name	December 31, 2023 Amount	December 31, 2023 Percentage of account balance	December 31, 2022 Amount	December 31, 2022 Percentage of account balance
Taiwan Financial Holding Co., Ltd.	$ 247	-	112	-
BankTaiwan Life Insurance Co., Ltd.	2,683	-	1,635	-
BankTaiwan Securities Co., Ltd.	67	-	99	-
Total	**$ 2,997**	**-**	**1,846**	**-**

(ix) Other liabilities

Name	December 31, 2023 Amount	December 31, 2023 Percentage of account balance	December 31, 2022 Amount	December 31, 2022 Percentage of account balance
Taiwan Financial Holding Co., Ltd.	$ 3,253	0.04	2,853	0.03
BankTaiwan Life Insurance Co., Ltd.	538	0.01	493	0.01
BankTaiwan Securities Co., Ltd.	1,830	0.02	1,813	0.02
Total	**$ 5,621**	**0.07**	**5,159**	**0.06**

(x) Interest income

Name	2023 Amount	2023 Percentage of account balance	2022 Amount	2022 Percentage of account balance
Taiwan Financial Holding Co., Ltd.	$ 528,760	0.45	312,565	0.45
BankTaiwan Securities Co., Ltd.	13,413	0.01	5,014	0.01
Total	**$ 542,173**	**0.46**	**317,579**	**0.46**

(xi) Interest expense

Name	2023 Amount	2023 Percentage of account balance	2022 Amount	2022 Percentage of account balance
Taiwan Financial Holding Co., Ltd.	$ 2,162	-	1,481	-
BankTaiwan Life Insurance Co., Ltd.	132,153	0.17	45,207	0.13
BankTaiwan Securities Co., Ltd.	3,572	-	947	-
Total	**$ 137,887**	**0.17**	**47,635**	**0.13**

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(xii) Service fee income

	2023		2022	
Name	**Amount**	**Percentage of account balance**	**Amount**	**Percentage of account balance**
BankTaiwan Life Insurance Co., Ltd.	$ 189,449	4.10	251,464	5.16
BankTaiwan Securities Co., Ltd.	2,564	0.06	3,699	0.08
Total	**$ 192,013**	**4.16**	**255,163**	**5.24**

(xiii) Service fee expense

	2023		2022	
Name	**Amount**	**Percentage of account balance**	**Amount**	**Percentage of account balance**
BankTaiwan Securities Co., Ltd.	**$ 5,508**	**0.61**	**7,526**	**0.93**

(xiv) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

	2023		2022	
Name	**Amount**	**Percentage of account balance**	**Amount**	**Percentage of account balance**
BankTaiwan Life Insurance Co., Ltd.	$ 1,738,232	2.41	401,568	(0.65)
BankTaiwan Securities Co., Ltd.	(1,555)	-	(1,704)	-
Total	**$ 1,736,677**	**2.41**	**399,864**	**(0.65)**

(xv) Other non-interest income (expense)

	2023		2022	
Name	**Amount**	**Percentage of account balance**	**Amount**	**Percentage of account balance**
Taiwan Financial Holding Co., Ltd.	$ 38,626	(0.05)	31,974	0.08
BankTaiwan Life Insurance Co., Ltd.	28,655	(0.04)	28,388	0.07
BankTaiwan Securities Co., Ltd.	31,758	(0.05)	31,218	0.08
Total	**$ 99,039**	**(0.14)**	**91,580**	**0.23**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(xvi) Other general and administrative expense

Name	2023 Amount	2023 Percentage of account balance	2022 Amount	2022 Percentage of account balance
Taiwan Financial Holding Co., Ltd.	$ 739	0.01	759	0.01

(xvii) Loans

Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Status of performance: Performing loans	Status of performance: Non-performing loans	Type of collateral	Differences in transaction terms between related and non related parties
December 31, 2023							
Consumer loans	28 households	12,835	8,492	8,492	-	None	None
House mortgages	243 households	1,066,176	889,094	889,094	-	Land and buildings	None
Short-term loans	Taiwan financial Holding Co., Ltd.	38,100,000	38,100,000	38,100,000	-	None	None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	630,000	-	-	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	163,630	37,982	37,982	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	100,000	100,000	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd	3,700,000	1,500,000	1,500,000	-	Land and factory	None
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	2,300,000	1,300,000	1,300,000	-	Land and factory	None
Medium-term secured loans	Central Pictures Corporation	947,000	738,000	738,000	-	Land and factory	None
Medium-term secured loans	Central Pictures Corporation	4,000,000	4,000,000	4,000,000	-	Land and factory	None

Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Status of performance: Performing loans	Status of performance: Non-performing loans	Type of collateral	Differences in transaction terms between related and non related parties
December 31, 2022							
Consumer loans	39 households	17,930	11,449	11,449	-	None	None
House mortgages	236 households	1,049,651	855,351	855,351	-	Land and buildings	None
Short-term loans	Taiwan financial Holding Co., Ltd.	33,500,000	33,500,000	33,500,000	-	None	None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	630,000	-	-	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd	120,542	120,542	120,542	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	100,000	100,000	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	2,069,677	1,400,000	1,400,000	-	Land and factory	None
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	2,100,000	1,800,000	1,800,000	-	Land and factory	None
Medium-term secured loans	Central Pictures Corporation	950,000	947,000	947,000	-	Land and factory	None
Medium-term secured loans	Central Pictures Corporation	4,000,000	4,000,000	4,000,000	-	Land and factory	None

(Continued)

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for disclosure. The disclosure of other loans is sorted by interested parties.

Note 2: Collateral is classified by real estate, short term notes, government bonds, secured or non secured bonds, TSEC and GTSM stocks, non TSEC and non GTSM stocks, and others.

(xviii)Derivative financial instruments

December 31, 2023						
					Balance sheet	
Name of related party	**Subject**	**Agreement period**	**Notional amounts**	**Current valuation adjustment**	**Account name**	**Amount**
BankTaiwan Life Insurance Co., Ltd.	Swap agreement	2019.08.19~ 2024.05.24	37,263,313	289,185	Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(1,035,028)

December 31, 2022						
					Balance sheet	
Name of related party	**Subject**	**Agreement period**	**Notional amounts**	**Current valuation adjustment**	**Account name**	**Amount**
BankTaiwan Life Insurance Co., Ltd.	Swap agreement	2019.08.19~ 2023.03.20	51,665,080	(108,402)	Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	373,812
					Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(592,726)

(Continued)

(xix) Lease

The Bank rented several buildings from its related party, BTLI, to be used as its branch office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was $250,372 thousand. For the years ended December 31, 2023 and 2022, the Bank recognized the amount of $1,320 thousand and $1,177 thousand as interest expense; $48,799 thousand and $46,884 thousand as depreciation expense, respectively. As of December 31, 2023 and 2022, the balance of lease liabilities amounted to $116,313 thousand and $143,882 thousand , respectively.

The Bank rented a building from its related party, BTS, to be used as its branch office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was $432 thousand. For the years ended December 31, 2023 and 2022, the Bank recognized the amount of $3 thousand as interest expense and $85 thousand as depreciation expense for both years. As of December 31, 2023 and 2022, the balance of lease liabilities amounted to $256 thousand and $340 thousand, respectively.

The Bank rented a building to its related party, TFH, to be used as its office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was $92,783 thousand. For the years ended December 31, 2023 and 2022, the Bank recognized the amount of $18,917 thousand and $16,896 thousand as rental income, respectively.

The Bank rented a building to its related party, BTLI, to be used as its office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was $16,140 thousand. For the years ended December 31, 2023 and 2022, the Bank recognized the amount of $3,228 thousand and$2,959 thousand as rental income, respectively.

The Bank rented a building to its related party, BTS, to be used as its office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was $55,033 thousand. For the years ended December 31, 2023 and 2022, the Bank recognized the amount of $11,031 thousand and $10,816 thousand as rental income, respectively.

(xx) The price and payment conditions for related-party transactions mentioned above have no significant differences from the conditions for the transactions between the Bank and subsidiary, and non-related parties. The expense of database is allocated between the Bank and subsidiaries based on the usage of each company in the group.

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(11) Pledged Assets:

Pledged assets	Purpose of pledge	December 31, 2023	December 31, 2022
Deposit reserve - account B and deposits in Central Bank etc.	Project fund accommodations secured	$ -	250,000,000
Financial assets measured at fair value through other comprehensive income—bonds	Guarantee deposit for provisional seizure against defaulted loans and others	-	7,013
Financial assets measured at fair value through other comprehensive income—bonds	Operating deposit for securities investment trust and consulting	165,133	162,879
Financial assets measured at amortized cost—bonds	Guarantee deposit for provisional seizure against defaulted loans and others	353,798	371,218
Financial assets measured at amortized cost—bonds	Guarantee deposits for trust business compensation reserve	499,160	498,747
Financial assets measured at amortized cost—bonds	Deposit for bills	52,075	52,196
Financial assets measured at fair value through other comprehensive income – negotiable certificate	Payment and settlement systems of Central Bank	47,396,714	47,158,785
Time deposit—The Local Branches of China Banks	Guarantee deposit for calling loans in CNY	1,298,400	1,323,300
Time deposit—The Local Branches of China Banks	Guarantee deposit for liquidation account in CNY	1,298,400	1,323,300
		$ 51,063,680	300,897,438

(12) Commitments and Contingencies:

(a) Commitments and contingencies

	December 31, 2023	December 31, 2022
Trust liabilities	$ 870,661,742	812,535,541
Marketable securities held as custodian	2,149,356,294	2,034,093,301
Goods held in custody	21,960,466	26,056,380
Contract guarantee on behalf of counter parties	1,241,793	1,404,012
Consignment collection	44,858,063	47,740,709
Issuance of New Taiwan Dollars	3,430,346,893	3,358,816,386
Trustee of behalf of Lenders	594,579,077	537,290,946
Registered government bonds for sale	738,820,000	672,371,100
Registered short term bills for sale	257,574,154	261,542,722
Consigned sales of goods	867,198	1,330,402
Guarantees	94,600,676	88,933,844
Letters of credit	43,562,816	45,912,594
	$ 8,248,429,172	7,888,027,937

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(b) Balance sheet, income statement and details of assets under trust

Trust assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
Deposits				
Deposits in BOT	$ 39,567,819	5	37,448,107	5
Deposits in other banks	18,399	-	18,398	-
Short term investment				
Investment in funds	166,344,583	19	170,120,394	21
Investment in bonds	375,046,325	43	363,683,689	45
Common stock investment–marketable securities	52,144,626	6	52,614,598	7
Receivables				
Interest receivable	2,652,961	-	2,472,833	-
Cash dividend receivable	1,917	-	2,477	-
Receivables from trading securities	337,765	-	124,400	-
Receivables from forward contracts	-	-	415,924	-
Real estate				
Land	28,631,766	3	32,334,540	4
Buildings	288,554	-	223,168	-
Construction in progress	18,182,483	2	11,953,215	1
Marketable securities under custody	187,444,544	22	141,123,798	17
Total of trust assets	**$ 870,661,742**	**100**	**812,535,541**	**100**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Trust liabilities	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Payables				
Payables from trading securities	$ 213,503	-	173,838	-
Payables from forward contracts	-	-	415,600	-
Payables from management fee	3,041	-	2,919	-
Payables from supervision fee	841	-	602	-
Other payables	788	-	766	-
Tax payable	74	-	61	-
Securities held in custody payable	187,444,544	22	141,123,798	17
Trust capital				
Money trust	439,253,368	50	440,008,107	54
Marketable securities trust	316,728	-	277,395	-
Real estate investment trust	50,309,838	6	46,982,521	6
Other reserve and accumulated income				
Accumulated loss	179,333,258	20	169,028,077	21
Foreign currency translation	(4,118,779)	-	1,337,773	-
Deferred unrealized income	1,586,213	-	352,956	-
Current income	16,318,325	2	12,831,128	2
Total of trust liabilities	**$ 870,661,742**	**100**	**812,535,541**	**100**

Note: Including fund and bond investments of the offshore branch amounting to $325,050 thousand and $291,991 thousand as of December 31, 2023 and 2022, respectively.

Details of trust	December 31, 2023	December 31, 2022
Deposits		
Deposits in the Bank	$ 39,567,819	37,448,107
Deposits in other banks	18,399	18,398
Short term investment		
Investment in funds	166,344,583	170,120,394
Investment in bonds	375,046,325	363,683,689
Common stock investment– marketable securities	52,144,626	52,614,598
Real estate		
Land	28,631,766	32,334,540
Buildings	288,554	223,168
Construction in progress	18,182,483	11,953,215
Marketable securities under custody	187,444,544	141,123,798
Total	**$ 867,669,099**	**809,519,907**

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Income statement for assets under trust	2023	2022
Trust revenue		
Capital interest revenue	$ 14,107,178	13,380,791
Cash dividend revenue	1,134,575	2,758,746
Donation revenue	104,799	112,040
Realized capital gain – shares	48,158	-
Realized capital gain – fund	624,554	27,792
Realized capital gain – bond	129,588	175,307
Realized foreign exchange gains	1,698	16,020
Income from beneficiary certificates	3,836,056	4,083,818
Other revenue	7	33
Total trust revenue	19,986,613	20,554,547
Trust expense		
Capital management fee	264,954	318,865
Tax expense	7,636	5,417
Supervisory fee	1,350	1,086
Storage fee	19,097	18,523
Commission fee	158	324
Donation cost	649,092	594,866
Realized capital loss – shares	-	23,735
Unrealized capital loss – shares	2,483,372	5,589,109
Unrealized capital loss – fund	3,285	447
Realized loss on property exchange	207,711	1,135,548
Other expense	31,633	35,499
Total trust expense	3,668,288	7,723,419
Net income	**$ 16,318,325**	**12,831,128**

(13) Profitability:

Item		December 31, 2023		December 31, 2022	
		Before adjusting	After adjusting	Before adjusting	After adjusting
Return on total assets (Note 6)	Before income tax	0.46	0.57	0.33	0.43
	After income tax	0.39	0.49	0.29	0.39
Return on net worth (Note 7)	Before income tax	6.83	7.74	4.81	5.78
	After income tax	5.72	6.62	4.27	5.24
Profit margin			42.64		39.84

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

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

Note 3: Profit margin=Income after income tax/Total operating revenues.

(Continued)

Note 4: Income before (after) income tax is the income for the whole current year.

Note 5: The above profitability ratios are at annual rates.

Note 6: Return on total assets－after adjusting means assets excluding the short-term advances and long-term receivables resulted from government policies, and the assets of government employees insurance department; it also refers to income before (after) tax, plus, excess preferential interest expense.

Note 7: Return on net worth after adjusting means income before (after) tax, plus, excess preferential interest expense.

(14) Losses Due to Major Disasters: None.

(15) Subsequent events: None.

(16) Other:

(a) The employee benefit expenses, depreciation, depletion and amortization, categorized by function, were as follows:

By function	2023			2022		
By nature	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salaries	65,196	12,574,292	12,639,488	62,464	12,054,023	12,116,487
Labor and health insurances	123,219	583,266	706,485	120,599	569,475	690,074
Pensions	3,166	1,093,172	1,096,338	3,097	1,045,960	1,049,057
Director and supervisor compensation payment	-	2,626	2,626	-	2,640	2,640
Others	2,507,920	374,980	2,882,900	1,965,733	295,650	2,261,383
Depreciation expenses	55,201	1,679,675	1,734,876	53,648	1,551,612	1,605,260
Amortization expenses	-	441,794	441,794	-	390,841	390,841

The average number of employees for the years ended December 31, 2023 and 2022 were 8,257 and 8,272, respectively. And among them, directors without employee position were 12 and 13, respectively.

(Continued)

(b) Financial Statements Audited adjustment

The accounting records for the year ended December 31, 2022, have been audited and examined by the MoA, and the resulting adjustments are summarized as follows:

(i) Audit matters:

Balance Sheet	As Previously Reported December 31, 2022	Adjustments －Increase (Decrease)	As Audited by the MoA, December 31, 2022
Assets			
Financial Assets Measured at Fair Value through Other Comprehensive Income	$ 1,138,542,241	516	1,138,542,757
Deferred tax assets	335,415	2,374	337,789
Liabilities			
Current Income Tax Liabilities	1,448,625	41	1,448,666
Deferred tax liabilities	18,489,863	232	18,490,095
Stockholders' equity			
Unappropriated retained earnings	30,751,075	(59)	30,751,016
Other equity	42,669,864	2,676	42,672,540

Income statement	As Previously Reported 2022	Adjustments －Increase (Decrease)	As Audited by the MoA, 2022
Foreign exchange gain (loss)	$ 16,234,086	1,158	16,235,244
Income tax expenses	2,143,696	1,217	2,144,913
Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(12,456,246)	516	(12,455,730)
Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	(25,683)	(2,160)	(27,843)

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(ii) Audit entries:

Item	Adjustment accounts	Amount revised by the MoA		Explanation of revision by the MoA
1.	Deferred tax assets	$ 2,890		MoA adjusted taxable income based on the adjustment entry from the accountant of South Africa branch.
	Income tax expenses	309		
	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income		2,676	
	Current Income Tax Liabilities		523	
2.	Financial Assets Measured at Fair Value through Other Comprehensive Income	$ 516		MoA adjusted taxable income based on the adjustment entry from the accountant of New York branch.
	Deferred tax assets		516	
3.	Income tax expenses	$ 1,158		MoA adjusted taxable income based on the adjustment entry from the accountant of Shanghai branch.
	Foreign exchange gain (loss)		1,158	
4.	Current income tax liabilities	$ 482		MoA adjusted taxable income.
	Income tax expenses		250	
	Deferred Tax Liabilities		232	

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(c) Supplementary information for government employees' insurance department

(i) Balance sheets

	Government employees' insurance department	
	December 31, 2023	December 31, 2022
Cash and cash equivalents	$ 46,661,666	51,748,515
Financial assets measured at fair value through profit or loss	297,686,295	238,758,774
Debt investments measured at amortized cost	120,236,537	109,099,725
Receivables, net	11,873,027	10,464,810
Property and equipment, net	8,404	11,044
Intangible assets, net	5,671	11,265
Other assets, net	592,311	595,816
Total assets	**$ 477,063,911**	**410,689,949**

	Government employees ' insurance department	
	December 31, 2023	December 31, 2022
Payables	$ 42,340	39,792
Provisions	477,021,568	410,650,138
Other liabilities	3	19
Total liabilities	**$ 477,063,911**	**410,689,949**

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(ii) Income statement

	Government employees' insurance department	
	2023	2022
Net interest income	$ 4,346,332	2,474,493
Service fee expenses	(14,756)	(19,870)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	61,295,768	(61,668,558)
Foreign exchange gain (loss)	322,550	13,930,005
Gain on reversal of impairment loss on assets	(4,735)	(2,855)
Premium income	22,804,693	22,626,131
Government subsidy (note)	9,060,440	9,207,821
Insurance payments	(31,193,322)	(29,341,339)
Provision for insurance premium reserve	(66,371,429)	43,014,084
Miscellaneous expense	(91,090)	(90,376)
Miscellaneous revenue	10,766	24,981
Net revenue	165,217	154,517
Bad debt expenses and reserve for guarantees	(132)	9,985
Employee benefits	137,752	137,274
Depreciation and amortization expenses	8,977	9,005
Other general and administrative expenses	18,356	18,223
	165,085	164,502
Net income	$ -	-

Note: According to Government Employees and School Staff Insurance Act, if GESSI experiences a loss, the loss before May 30, 1999, would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium. Besides, according to the same Act, the expenses to carry on government employees and school staff insurance are subsidized by the budget designated by the Ministry of Civil Service.

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(17) Notes to Disclosure Items:

(a) Information on Significant Transactions:

Following the principle of financial report for public bank, the disclosure of information on significant transaction of the Bank and subsidiary were as follow:

(i) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 10% of the capital stock:None

(ii) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 10% of the capital stock:None

(iii) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 10% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
Bank of Taiwan	51 parcels of land including Lot No. 518-2, Section 2, Shuanglian Section, Datong District, Taipei City	2023.10.05	1951.06.04	193,468	923,130	The bidder shall pay a deposit of 10% according to the reserve price of the bid at the time of bidding, and the winning bidder shall pay the price in full (the balance of the final bid price after deducting the deposit) within 40 days from the day after receiving the notice of payment, based on the contract. Delivery is deemed upon completion of the registration of the transfer of ownership.	729,662	Yilian Construction Co., Ltd	None	Execute the budget	By first referring to the appraisal price of the real estate appraiser firm. The public auction was held after the reserve price was approved by the Audit Committee and the Board of Directors.	

(iv) Service charge discounts on transactions with related parties in an aggregate amount of NT$5 million or more:None

(v) Receivables from related parties with amounts exceeding the lower of NT$300 million or 10% of the capital stock:None

(vi) Information on NPL disposal transaction:

1) Summary table of NPL disposal:None

2) Disposal of a single batch of NPL up to NT$1 billion and information on each transaction:None

(vii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information:None

(viii) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

Number	Name of Company	Name of the counter-party	Existing relationship with the counter-party	State of transaction			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenues or total assets
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Demand deposits	42,078	Same as regular transaction	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Placement with banks	42,078	〃	- %
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Time deposits	284,971	〃	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Placement with banks	284,971	〃	- %
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Other receivables	24,526	〃	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Other payables	24,526	〃	- %

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Number	Name of Company	Name of the counter-party	Existing relationship with the counter-party	State of transaction			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenues or total assets
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Service fees revenue	303,889	Same as regular transaction	0.26 %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Service fees expenses	303,889	〃	0.26 %
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Miscellaneous revenues	480	〃	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Administrative expense	480	〃	- %
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Refundable deposits	861	〃	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Guarantee deposits paid	861	〃	- %
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Miscellaneous revenue	15,986	〃	0.01 %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Operating expenses	15,986	〃	0.01 %
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Interest payables	355	〃	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Interest receivables	355	〃	- %
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Interest expenses	1,838	〃	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Interest incomes	1,838	〃	- %
0	Bank of Taiwan	BankTaiwan Insurance Brokers	1	Other operating revenue	5,147	〃	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Right-of-use assets	19,722	〃	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Lease liabilities	19,860	〃	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Interest expense	306	〃	- %
1	BankTaiwan Insurance Brokers	Bank of Taiwan	2	Depreciation expense	4,968	〃	- %

Note 1: Number is based on the following rules:
1) The parent company is 0.
2) Subsidiaries are numbered by company from 1.

Note 2: The relation with trader is numbered as follow:
1) The parent company to its subsidiary is 1.
2) The subsidiary to its parent company is 2.

Note 3: The transactions mention above have already write-off when building the financial report.

(ix) Other significant transactions that may have substantial influence upon the decisions made by financial report users:None

(b) Information on Investees:

The followings are the information on investees during 2023:

(In Thousands of New Taiwan Dollars)

Name of the investee	Investee Location	Major Operation	% of shares	Original investment amount	Gain(Loss) recognized during the period	Held by the bank and related party at year-end				Notes
						Shares		Subtotal		
								Shares	% of Shares	
Hua Nan Financial Holdings Co., Ltd.	Taipei	Financial Holding	21.23 %	44,118,080	4,589,665	3,420,763	-	3,420,763	25.07 %	
Tang Eng Iron Works Co., Ltd.	Kaohsiung	Iron Industry	21.37 %	985,558	(240,481)	74,802	-	74,802	21.37 %	
Tai Yi Real Estate Management Co., Ltd.	Taipei	Real Estate Service	30.00 %	30,460	12,973	1,500	-	1,500	30.00 %	
BankTaiwan Insurance Brokers Co., Ltd.	Taipei	Insurance Brokers	100.00%	341,178	3,845	2,000	-	2,000	100.00%	note 3

(Continued)

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

Note 1: The shares held or to be held by The Bank or its directors, supervisors, president, vice president and investees held by the affiliates as defined in the Company Act shall be included.

Note 2: 1) The shares to be held shall mean the shares acquired upon conversion, as hypothesized, of equity securities purchased or contracted for derivative products concluded (not yet converted to equity) in accordance with the trading terms and conditions and The Bank's intent to link with the reinvested enterprise's equity for the purpose of reinvestment provided in Article 74 of the Act.

2) The "equity securities" referred to in the preceding paragraph shall mean the valuable securities referred to in Paragraph 1 of Article 11 of the Securities and Exchange Law Enforcement Rules, e.g. convertible corporate bond and warrant.

3) The "derivative products" referred to in the preceding paragraph shall comply with the definition of derivative products referred to in Statement of Financial Accounting Standards No. 34, e.g. stock option.

Note 3: This transaction had been written off when the consolidated financial statements were prepared.

(c) Information on Investment in Mainland China:

(i) Information on investees' names, locations, etc. in China:

(In Thousands of New Taiwan Dollars)

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types (Note1)	Accumulated outflow of Investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income from investee	% of shares	Equity in the Earnings (gains) (Note2)	Carrying value as of December 31, 2023	Accumulated inward remittance of earnings as of December 31, 2023
					Outflow	Regain						
Bank of Taiwan, Shanghai Branch	Banking business	4,328,000 CNY1,000,000	(3)	4,328,000 CNY1,000,000	-	-	4,328,000 CNY1,000,000	154,693	100.00%	154,693	6,815,926	-
Bank of Taiwan, Guangzhou Branch	Banking business	4,328,000 CNY1,000,000	(3)	4,328,000 CNY1,000,000	-	-	4,328,000 CNY1,000,000	134,701	100.00%	134,701	5,285,365	-
Bank of Taiwan Fuzhou Branch	Banking business	4,328,000 CNY1,000,000	(3)	4,328,000 CNY1,000,000	-	-	4,328,000 CNY1,000,000	135,159	100.00%	135,159	5,130,706	-

Note 1: Three types of investments are as follows:

1) Direct investment in Mainland China.
2) Investment in Mainland China through a company set up in a third region.
3) Via overseas branches.

Note 2: The net income from investeees is not audited by an independent auditor, yet.

(ii) Limitation on investment in Mainland China:

Unit: In thousands of TWD

Current period of accumulate investment amount remitting from Taiwan	The rationed investing amount approved by Investment Commission, MOEA	The regulation announced by Investment Commission, MOEA rationed investing amount
12,984,000	12,984,000	262,811,537

(d) Subsidiaries lending to other parties, guarantees and endorsements for other parties, securities held as of December 31, 2023, securities for which purchase or sale amount for the period exceed $300 million or 10% of the Bank's paid-in capital, and trading in derivative financial instruments: None.

(18) Segment Information:

(a) Bank department: include transacting deposit, loan, and foreign exchange; dispatching, managing, performing TWD and foreign currency; investing in securities, and analyzing, managing interest for loan and deposit, and etc.

(b) Government employees' insurance department: include managing government employees' insurance business; auditing insurance, cash settlement, and issue business; analyzing, managing, and taking statistics of government employees' insurance business, and etc.

(c) Department of Procurement: include managing government institutions, public schools, and public enterprises' centralized purchasing business; being agency of government institutions, public schools, and public enterprises for inter-entity supply contract, and etc.

(d) Department of Precious Metals: include managing gold, silver, precious metals and analyzing customs duty; gold, silver and precious metals intermediary trading, planning, marketing, training, settlement, risk management, assuring and etc.

BANK OF TAIWAN AND SUBSIDIARY
Notes to the Consolidated Financial Statements

(e) BankTaiwan Insurance Broker: operation businesses include insuring personal, property insurance, related services, and the business approved by the authority which related to insurance broker.

	2023						
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	BankTaiwan Insurance Brokers	Reconciliation and elimination	Total
Interest income	$ 113,549,015	4,346,332	381	1,755	1,838	(1,838)	117,897,483
Less: interest expense	79,732,993	-	-	-	306	(2,144)	79,731,155
Interest income, net	33,816,022	4,346,332	381	1,755	1,532	306	38,166,328
Non-interest income, net	26,085,452	61,598,827	329,089	29,384	101,662	(3,845)	88,140,569
Other non-interest income	(5,047,906)	(65,779,942)	(10,114)	419,825	(307)	(21,613)	(70,440,057)
Net revenue	54,853,568	165,217	319,356	450,964	102,887	(25,152)	55,866,840
Bad debt expenses and reserve for guarantees	(2,177,557)	(132)	-	-	-	-	(2,177,689)
Operating expenses	(24,747,386)	(165,085)	(116,455)	(100,719)	(98,090)	21,434	(25,206,301)
Continuing operating income before income tax	**$ 27,928,625**	**-**	**202,901**	**350,245**	**4,797**	**(3,718)**	**28,482,850**
Continuing operating income after inocme tax	**$ 23,265,983**	**-**	**202,901**	**350,245**	**3,718**	**(3,718)**	**23,819,129**
Total assets	**$ 5,761,792,867**	**477,063,911**	**3,701,197**	**1,665,022**	**402,836**	**(84,070,000)**	**6,160,555,833**
Total Liabilities	**$ 5,324,326,785**	**477,063,911**	**3,498,296**	**1,314,776**	**61,796**	**(83,728,959)**	**5,722,536,605**

	2022						
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	BankTaiwan Insurance Brokers	Reconciliation and elimination	Total
Interest income	$ 67,582,709	2,474,493	103	600	726	(726)	70,057,905
Less: interest expense	34,836,467	-	-	-	32	(758)	34,835,741
Interest income, net	32,746,242	2,474,493	103	600	694	32	35,222,164
Non-interest income, net	14,396,998	(47,761,278)	365,228	51,634	105,140	(3,288)	(32,845,566)
Other non-interest income	(5,388,033)	45,441,302	(13,696)	387,763	(1,232)	(21,764)	40,404,340
Net revenue	41,755,207	154,517	351,635	439,997	104,602	(25,020)	42,780,938
Bad debt expenses and reserve for guarantees	(634,699)	9,985	-	-	-	-	(624,714)
Operating expenses	(22,516,466)	(164,502)	(116,639)	(89,145)	(100,395)	21,654	(22,965,493)
Continuing operating income before income tax	**$ 18,604,042**	**-**	**234,996**	**350,852**	**4,207**	**(3,366)**	**19,190,731**
Continuing operating income after inocme tax	**$ 16,459,970**	**-**	**234,996**	**350,852**	**3,366**	**(3,366)**	**17,045,818**
Total assets	**$ 5,841,888,803**	**410,689,949**	**3,657,272**	**2,970,390**	**380,855**	**(81,201,185)**	**6,178,386,084**
Total Liabilities	**$ 5,447,001,378**	**410,689,949**	**3,422,276**	**2,619,538**	**42,826**	**(80,863,156)**	**5,782,912,811**