

Union Bank of Taiwan and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

UNION BANK OF TAIWAN

By:

March 11, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

Opinion

We have audited the accompanying consolidated financial statements of Union Bank of Taiwan (the "Bank") and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

The key audit matter of the Company's consolidated financial statements for the year ended December 31, 2023 is described as follows:

Assessment of the Impairment of Discounts and Loans

As of December 31, 2023, the net amount of discounts and loans of the Company was approximately 60% of its total consolidated assets, and was considered material to the financial statements as a whole. Refer to Note 14 to the consolidated financial statements. The Company's management performs loan impairment assessment that involves making critical judgments on accounting estimates and assumptions; therefore, we determined allowance for possible losses on discounts and loans as a key audit matter for the year ended December 31, 2023.

The Company's management periodically performs loan impairment assessments that require making judgments to measure loss allowances at an amount equal to expected credit losses. Besides assessing the expected credit losses of loans in accordance with IFRS 9 "Financial Instruments", the Company's management complies with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and related regulations when assessing the classification of credit assets and recognizing allowances for possible losses.

For accounting policies and relevant information about loan impairment assessment, please refer to Notes 4, 5 and 14 to the consolidated financial statements.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

1. We obtained an understanding of the relevant internal controls in respect of the Bank's loan impairment assessment and tested the operating effectiveness of such controls.
2. We tested the classification of credit assets in accordance with relevant regulations issued by management and authorities. In addition, we calculated the required allowance for possible losses on loans in order to assess whether the recognized amount complied with the regulations.
3. We assessed the reasonableness and consistency of the methodology applied by management in the calculation of expected credit losses; we tested the completeness of the loans and the accuracy of the calculation of expected credit losses for selected loans.

Other Matter

We have also audited the parent company only financial statements of Union Bank of Taiwan as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company'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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company 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.

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

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

The engagement partners on the audits resulting in this independent auditors' report are Kuan-Hao Lee and Jiun-Hung Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

	2023		2022	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 11,526,796	1	\$ 12,598,697	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 7 and 48)	31,773,751	3	24,624,316	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	52,855,566	6	29,047,342	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 9 and 11)	58,459,080	6	59,513,169	7
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 5, 10 and 11)	81,648,341	9	82,519,002	10
SECURITIES PURCHASED UNDER RESALE AGREEMENTS (Notes 4 and 12)	62,727,638	7	43,741,945	5
RECEIVABLES, NET (Notes 4, 5 and 13)	37,808,389	4	29,180,983	3
CURRENT TAX ASSETS (Note 4)	15,608	-	1,593	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 47)	564,107,624	60	528,118,601	63
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 17)	1,942,531	-	1,937,259	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 18 and 48)	1,841,988	-	1,638,825	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 19)	15,351,294	2	12,518,775	2
RIGHT-OF-USE ASSETS (Notes 4 and 20)	1,819,034	-	1,674,658	-
INVESTMENT PROPERTIES, NET (Notes 4, 21, 31 and 48)	4,669,256	1	4,803,059	1
GOODWILL (Notes 4 and 22)	1,985,306	-	1,985,307	-
COMPUTER SOFTWARE (Note 4)	176,106	-	199,103	-
DEFERRED TAX ASSETS (Notes 4 and 45)	943,965	-	732,966	-
OTHER ASSETS, NET (Notes 4, 23, 34, 47 and 49)	<u>9,494,772</u>	<u>1</u>	<u>10,164,333</u>	<u>1</u>
TOTAL	<u>\$ 939,147,045</u>	<u>100</u>	<u>\$ 844,999,933</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Note 24)	\$ 12,844,229	1	\$ 5,817,199	1
DUE TO THE CENTRAL BANK AND OTHER BANKS (Notes 25, 31 and 48)	1,403,184	-	904,865	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	1,824,034	-	931,500	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Note 26)	61,079,195	7	34,298,607	4
PAYABLES (Note 27)	9,166,930	1	7,256,873	1
CURRENT TAX LIABILITIES (Note 4)	226,334	-	660,557	-
DEPOSITS AND REMITTANCES (Notes 28 and 47)	756,162,659	81	707,914,334	84
BANK DEBENTURES (Notes 4 and 29)	5,000,000	1	5,000,000	1
BONDS PAYABLE (Notes 21 and 31)	927,202	-	1,001,523	-
PREFERRED STOCK LIABILITY (Note 30)	375,000	-	375,000	-
OTHER FINANCIAL LIABILITIES (Note 32)	11,414,307	1	10,508,961	1
PROVISIONS (Notes 4, 5, 33 and 34)	361,129	-	349,779	-
LEASE LIABILITIES (Notes 4, 20 and 47)	1,812,408	-	1,662,565	-
DEFERRED TAX LIABILITIES (Notes 4 and 45)	2,284,362	-	1,819,261	-
OTHER LIABILITIES (Notes 35 and 49)	<u>3,623,617</u>	<u>-</u>	<u>3,381,987</u>	<u>1</u>
Total liabilities	<u>868,504,590</u>	<u>92</u>	<u>781,883,011</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Share capital				
Ordinary shares	37,789,525	4	35,940,460	4
Preference shares	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Total share capital	<u>39,789,525</u>	<u>4</u>	<u>37,940,460</u>	<u>4</u>
Capital surplus	<u>8,125,732</u>	<u>1</u>	<u>8,076,826</u>	<u>1</u>
Retained earnings				
Legal reserve	11,518,843	1	10,589,878	1
Special reserve	757,036	-	627,440	-
Unappropriated earnings	<u>5,623,241</u>	<u>1</u>	<u>4,473,399</u>	<u>1</u>
Total retained earnings	<u>17,899,120</u>	<u>2</u>	<u>15,690,717</u>	<u>2</u>
Other equity	<u>2,619,575</u>	<u>1</u>	<u>(637,581)</u>	<u>-</u>
Total equity attributable to owners of the Bank	68,433,952	8	61,070,422	7
NON-CONTROLLING INTERESTS	<u>2,208,503</u>	<u>-</u>	<u>2,046,500</u>	<u>-</u>
Total equity	<u>70,642,455</u>	<u>8</u>	<u>63,116,922</u>	<u>7</u>
TOTAL	<u>\$ 939,147,045</u>	<u>100</u>	<u>\$ 844,999,933</u>	<u>100</u>

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET INTEREST (Notes 4, 37 and 47)					
Interest revenue	\$ 19,970,042	112	\$ 14,962,590	94	33
Interest expense	<u>11,618,055</u>	<u>65</u>	<u>5,120,855</u>	<u>32</u>	127
Net interest	<u>8,351,987</u>	<u>47</u>	<u>9,841,735</u>	<u>62</u>	(15)
NET REVENUES OTHER THAN INTEREST					
Service fee income, net (Notes 4, 38 and 47)	3,310,311	18	3,321,684	21	-
Gains (losses) gain on financial assets and liabilities at fair value through profit or loss (Notes 4 and 39)	2,077,262	12	(203,322)	(1)	1,122
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 40)	219,071	1	788,478	5	(72)
Share of loss of associates (Notes 4 and 17)	(20,228)	-	(55,901)	-	(64)
Foreign exchange gains (Note 4)	1,224,309	7	547,695	3	124
Impairment losses on assets (Notes 4, 5 and 41)	(77,139)	(1)	(1,269,245)	(8)	(94)
Securities brokerage fee revenue, net (Note 4)	317,435	2	320,007	2	(1)
Rental revenue (Note 4)	2,228,937	12	2,318,359	14	(4)
Other noninterest gains, net	<u>302,682</u>	<u>2</u>	<u>375,849</u>	<u>2</u>	(19)
TOTAL NET REVENUE	<u>17,934,627</u>	<u>100</u>	<u>15,985,339</u>	<u>100</u>	12
BAD-DEBT EXPENSE AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4, 5, 15 and 33)	<u>628,393</u>	<u>4</u>	<u>499,377</u>	<u>3</u>	26

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
OPERATING EXPENSES					
Employee benefit (Notes 34 and 42)	\$ 4,682,035	26	\$ 4,298,695	27	9
Depreciation and amortization (Notes 4 and 43)	2,666,665	15	2,713,880	17	(2)
General and administrative (Notes 44 and 47)	<u>4,722,137</u>	<u>26</u>	<u>3,923,613</u>	<u>25</u>	20
Total operating expenses	<u>12,070,837</u>	<u>67</u>	<u>10,936,188</u>	<u>69</u>	10
INCOME BEFORE INCOME TAX	5,235,397	29	4,549,774	28	15
INCOME TAX EXPENSE (Notes 4 and 45)	<u>914,717</u>	<u>5</u>	<u>1,008,240</u>	<u>6</u>	(9)
CONSOLIDATED NET INCOME	<u>4,320,680</u>	<u>24</u>	<u>3,541,534</u>	<u>22</u>	22
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(57,490)	-	(77,502)	(1)	(26)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	3,067,341	17	(1,958,173)	(12)	257
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 45)	(291,386)	(2)	(49,876)	-	484

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

	2023		2022		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of the financial statements of foreign operations	\$ (125,642)	(1)	\$ 1,409,818	9	(109)
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	1,166,753	7	(5,768,822)	(36)	120
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 45)	<u>25,129</u>	<u>-</u>	<u>(281,964)</u>	<u>(2)</u>	109
Other comprehensive income for the year, net of income tax	<u>3,784,705</u>	<u>21</u>	<u>(6,726,519)</u>	<u>(42)</u>	156
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 8,105,385</u>	<u>45</u>	<u>\$ (3,184,985)</u>	<u>(20)</u>	354
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 4,317,286	24	\$ 3,539,070	22	22
Non-controlling interests	<u>3,394</u>	<u>-</u>	<u>2,464</u>	<u>-</u>	38
	<u>\$ 4,320,680</u>	<u>24</u>	<u>\$ 3,541,534</u>	<u>22</u>	22
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Owners of the Bank	\$ 8,101,987	45	\$ (3,187,453)	(20)	354
Non-controlling interests	<u>3,398</u>	<u>-</u>	<u>2,468</u>	<u>-</u>	38
	<u>\$ 8,105,385</u>	<u>45</u>	<u>\$ (3,184,985)</u>	<u>(20)</u>	354
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 46)					
Basic	<u>\$1.02</u>		<u>\$0.81</u>		
Diluted	<u>\$1.01</u>		<u>\$0.81</u>		

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

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

	Equity Attributable Owners of the Company								Other Equity (Notes 4 and 36)			Non-controlling Interests (Notes 30 and 36)	Total Equity	
	Share Capital (Notes 36 and 42)			Capital Surplus	Retained Earnings (Notes 4, 36 and 56)				Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
	Ordinary Shares	Preference Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total						Total
BALANCE AT JANUARY 1, 2022	\$ 32,952,187	\$ 2,000,000	\$ 34,952,187	\$ 8,051,984	\$ 8,924,700	\$ 627,440	\$ 6,932,579	\$ 16,484,719	\$ (1,636,613)	\$ 7,283,034	\$ 5,646,421	\$ 65,135,311	\$ 729,758	\$ 65,865,069
Appropriation of the 2021 earnings														
Legal reserve	-	-	-	-	1,665,178	-	(1,665,178)	-	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(494,282)	(494,282)	-	-	-	(494,282)	-	(494,282)
Cash dividends on preference shares	-	-	-	-	-	-	(480,000)	(480,000)	-	-	-	(480,000)	-	(480,000)
Stock dividends on common shares	2,916,269	-	2,916,269	-	-	-	(2,916,269)	(2,916,269)	-	-	-	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	-	-	3,539,070	3,539,070	-	-	-	3,539,070	2,464	3,541,534
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	(62,001)	(62,001)	1,127,854	(7,792,376)	(6,664,522)	(6,726,523)	4	(6,726,519)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,314,274	1,314,274
Share-based payment	72,004	-	72,004	24,842	-	-	-	-	-	-	-	96,846	-	96,846
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(380,520)	(380,520)	-	380,520	380,520	-	-	-
BALANCE AT DECEMBER 31, 2022	35,940,460	2,000,000	37,940,460	8,076,826	10,589,878	627,440	4,473,399	15,690,717	(508,759)	(128,822)	(637,581)	61,070,422	2,046,500	63,116,922
Appropriation of the 2022 earnings														
Legal reserve	-	-	-	-	928,965	-	(928,965)	-	-	-	-	-	-	-
Capital reserve	-	-	-	-	-	129,596	(129,596)	-	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(359,405)	(359,405)	-	-	-	(359,405)	-	(359,405)
Cash dividends on preference shares	-	-	-	-	-	-	(480,000)	(480,000)	-	-	-	(480,000)	-	(480,000)
Stock dividends on common shares	1,797,023	-	1,797,023	-	-	-	(1,797,023)	(1,797,023)	-	-	-	-	-	-
Other changes in capital surplus changes in capital surplus from investment in associates and joint ventures accounted for using the equity method	-	-	-	16,640	-	-	-	-	-	-	-	16,640	-	16,640
Net income for the year ended December 31, 2023	-	-	-	-	-	-	4,317,286	4,317,286	-	-	-	4,317,286	3,394	4,320,680
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	-	-	(45,595)	(45,595)	(100,513)	3,930,809	3,830,296	3,784,701	4	3,784,705
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	158,605	158,605
Share-based payment	52,042	-	52,042	32,266	-	-	-	-	-	-	-	84,308	-	84,308
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	573,140	573,140	-	(573,140)	(573,140)	-	-	-
BALANCE AT DECEMBER 31, 2023	<u>\$ 37,789,525</u>	<u>\$ 2,000,000</u>	<u>\$ 39,789,525</u>	<u>\$ 8,125,732</u>	<u>\$ 11,518,843</u>	<u>\$ 757,036</u>	<u>\$ 5,623,241</u>	<u>\$ 17,899,120</u>	<u>\$ (609,272)</u>	<u>\$ 3,228,847</u>	<u>\$ 2,619,575</u>	<u>\$ 68,433,952</u>	<u>\$ 2,208,503</u>	<u>\$ 70,642,455</u>

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,235,397	\$ 4,549,774
Adjustments for:		
Depreciation expenses	2,569,804	2,620,997
Amortization expenses	96,861	92,883
Expected credit losses/bad-debt expenses	628,393	499,377
Gains (losses) on financial assets at fair value through profit or loss	(2,002,284)	378,723
Interest expense	11,618,055	5,120,855
Interest revenue	(19,970,042)	(14,962,590)
Dividend income	(542,889)	(751,874)
Share of loss of associates	20,228	55,901
Gains disposal of properties and equipment	(37,227)	(77,126)
(Losses) gains on disposal of investments	248,840	(80,305)
Impairment loss on financial assets	75,492	1,279,572
Reversal of impairment loss on financial assets	-	(8,219)
Impairment loss on nonfinancial assets	3,081	-
Reversal of impairment loss on nonfinancial assets	(1,434)	(2,108)
Losses on disposal of collaterals	485	1,008
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(7,149,435)	4,928,795
Financial assets at fair value through profit or loss	(18,876,379)	18,638,526
Financial assets at fair value through other comprehensive income	4,952,909	(6,473,341)
Investments in debt instruments at amortized cost	746,263	(5,181,515)
Receivables	(8,392,145)	(1,064,363)
Discounts and loans	(36,531,709)	(35,509,315)
Other financial assets	(196,663)	48,938
Deposits from the Central Bank and other banks	6,708,630	(3,864,543)
Financial liabilities at fair value through profit or loss	(2,037,027)	(985,460)
Securities sold under repurchase agreements	26,780,588	(16,981,149)
Payables	(388,300)	(1,491,526)
Deposits and remittances	48,248,325	36,531,476
Other financial liabilities	8,034	(6,445)
Provision for employee benefits	(63,481)	(75,374)
Other liabilities	(1,059)	(278)
Cash generated from (used in) operations activities	11,751,311	(12,768,706)
Interest received	19,758,609	14,507,752
Dividends received	542,889	746,684
Interest paid	(9,237,745)	(4,750,963)
Income tax paid	(1,374,697)	(790,757)
Net cash generated from (used in) operating activities	<u>21,440,367</u>	<u>(3,055,990)</u>

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of associates	\$ (10,000)	\$ -
Net cash outflow on acquisition of subsidiary	420,434	-
Payments for property and equipment	(3,588,525)	(2,116,964)
Proceeds from disposal of property and equipment	15	1
Payments for investment properties	(49,086)	(11,214)
Increase in settlement fund	-	(324)
Decrease in settlement fund	872	-
Increase in refundable deposits	-	(1,025,315)
Decrease in refundable deposits	690,628	-
Payments for intangible assets	(73,863)	(98,967)
Proceeds from disposal of collaterals	949	1,100
Increase in other assets	<u>(1,230,108)</u>	<u>(1,146,252)</u>
Net cash used in investing activities	<u>(3,838,684)</u>	<u>(4,397,935)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to Central Bank and other banks	914,233	-
Decrease in due to Central Bank and other banks	-	(6,545,390)
Increase in commercial paper	897,311	731,167
Repayment of bonds payable	(9,564)	(10,224)
Proceeds from issue of bank debentures	-	(2,700,000)
Proceeds from issuance of preferred stock liability	-	375,000
Repayments of preferred stock liability	-	(371,500)
Proceeds from guarantee deposits received	5,016	-
Refund of guarantee deposits received	-	(111,977)
Repayment of the principal portion of lease liabilities	(489,595)	(482,985)
Increase in other liabilities	161,120	-
Decrease in other liabilities	-	(147,849)
Cash dividends paid	(839,405)	(974,282)
Preference shares issued by subsidiaries	-	1,314,000
Changes in non-controlling interests	<u>(234,934)</u>	<u>274</u>
Net cash generated from (used in) financing activities	<u>404,182</u>	<u>(8,923,766)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(92,073)</u>	<u>1,229,071</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,913,792	(15,148,620)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>56,340,642</u>	<u>71,489,262</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 74,254,434</u>	<u>\$ 56,340,642</u>

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

Reconciliation of the cash and cash equivalents reported in the consolidated statements of cash flows with those reported in the consolidated balance sheets as of December 31, 2023 and 2022:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents in the consolidated balance sheets	\$ 11,526,796	\$ 12,598,697
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>62,727,638</u>	<u>43,741,945</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 74,254,434</u>	<u>\$ 56,340,642</u>

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

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

1. GENERAL INFORMATION

The Union Bank of Taiwan (the “Bank”) was incorporated on December 31, 1991 after obtaining approval from the Ministry of Finance (MOF) on August 1, 1991 and started operations on January 21, 1992.

The Bank is mainly engaged in activities allowed under the Banking Law, which include deposits, loans, discounts, remittances, acceptances, issuance of guarantees and letters of credit, short-term bills transactions, investments, foreign exchange transactions, savings, trust, etc.

On the Bank’s merger with Chung Shing Bank on March 19, 2005, the Company took over all of the assets, liabilities and operating units.

The Bank merged with Union Bills Finance Corporation (UBF) on August 16, 2010, with the Bank as the surviving entity.

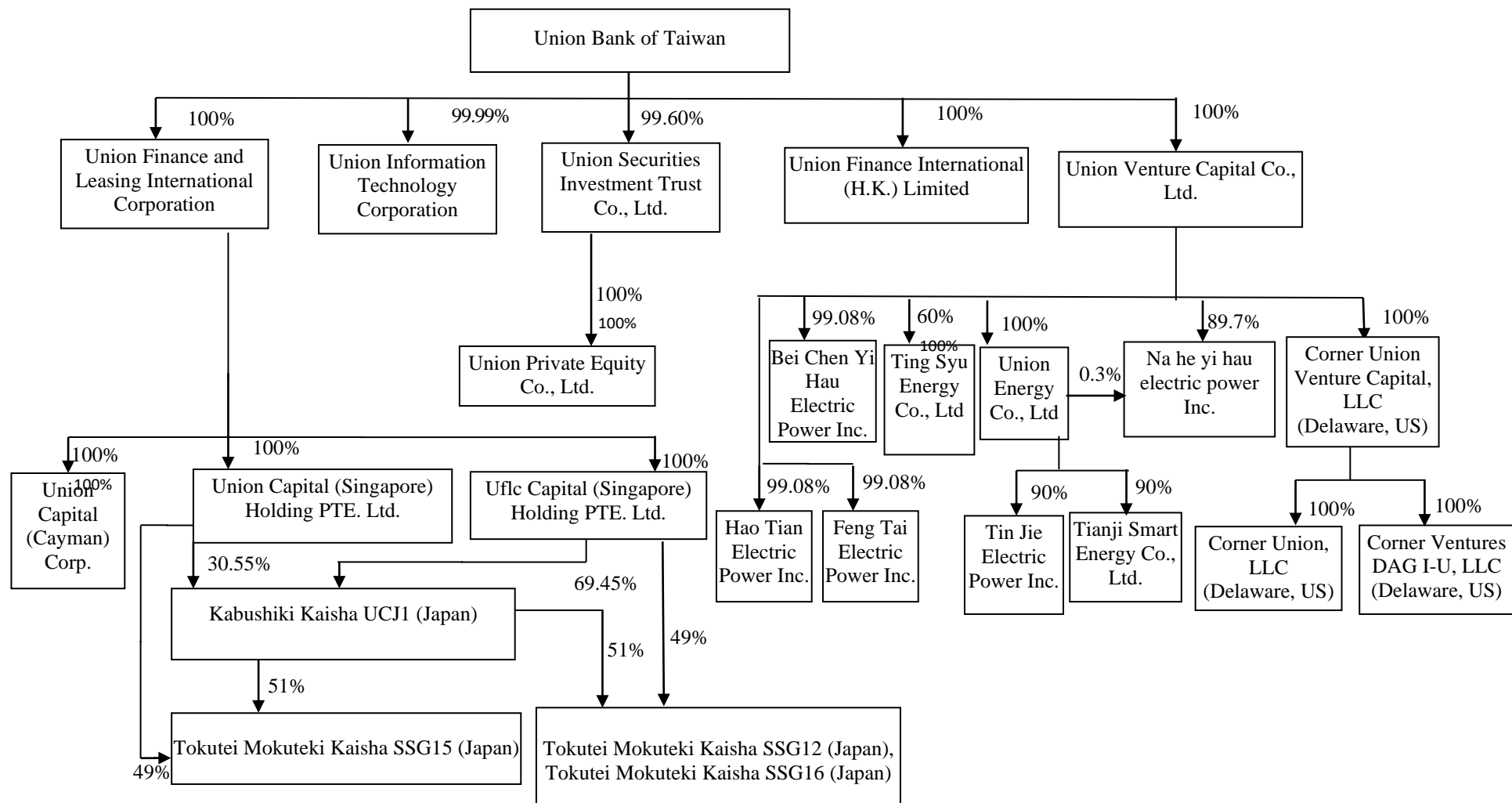
On August 26, 2015, the board of directors of the Company resolved to merge UIB in order to integrate the resources, strengthen management and business synergy. The merger was approved by the Financial Supervisory Commission (FSC) under Rule No. 10502022990. The effective date of this merger was August 1, 2016.

As of December 31, 2023, the Bank’s operating units included Banking, Trust, Wealth Management, Security Finance, Bills Finance, International Banking Department of the Head Office, Insurance Agency Department, an Offshore Banking Unit (OBU), three overseas representative offices in Hong Kong, Ho Chi Minh City and Hanoi, Vietnam, and 90 domestic branches (including the business department).

The operations of the Bank’s trust department are (1) trust business planning, managing and operating; and (2) custody of nondiscretionary trust funds in domestic and overseas securities and mutual funds. These foregoing operations are regulated under the Banking Law and Trust Law.

The Bank’s shares are traded on the Taiwan Stock Exchange.

The following chart presents the relationship between the Bank and its subsidiaries (collectively referred to as the “Company”) and percentage of ownership as of December 31, 2023:



The Company's consolidated financial statements are presented in the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 11, 2024.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Statements by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Statements by Public Banks and the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies:

1) Amendments to IAS 1 "Disclosure of Accounting Policies"

When applying the amendments, the Company refers to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Moreover:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The accounting policy information is likely to be considered material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgments or assumptions in applying an accounting policy, and the Company discloses those judgments or assumptions; or
- e) The accounting is complex, and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Refer to Note 4 for related accounting policy information.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The Company has applied the amendments since January 1, 2023, which defines accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

3) Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”

The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Company should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Company to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Company should disclose qualitative and quantitative information that helps users of financial statements understand the Company’s exposure to Pillar Two income taxes. The requirement that the Company apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

The Company assesses that the application of the above standards and interpretations have no material impact on the Company’s financial position and financial performance.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

- 1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated.

- 2) Amendments to IAS 21 “Lack of Exchangeability”

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRS Accounting Standards as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

Since the operating cycle cannot be reasonably identified in the banking industry and the Bank accounted for a significant percentage of the consolidated accounts, the accounts included in the consolidated financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity.

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries, including special purpose entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-Company transactions, balances, income and expenses are eliminated in full upon consolidation.

Non-controlling interests are presented in the consolidated balance sheets within equity, separately from the equity of the owners of the Bank.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

- b. The investees included in the consolidated financial statements are as follows:

Detail of subsidiaries, percentage of ownership and operating item, refer to the Note 16.

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for: exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments in Associate

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

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Company uses the equity method to account for its investments in associates.

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

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 52.

b) Financial assets at amortized cost

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

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

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

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

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

- ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments at FVTOCI, lease receivables, as well as contract assets.

For financial instruments and contract assets, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

In determining the allowance for credit losses and the reserve for losses on guarantees, the Company assesses the balances of discounts and loans, receivables, nonperforming loans, and other financial assets as well as guarantees and acceptances for their collectability and their specific risks or general risks as of the balance sheet date.

Under the regulations issued by the Ministry of Finance (MOF), the Company evaluates credit balances on the basis of their estimated collectability.

The MOF regulations also require the grouping of credit assets into these five classes: Normal, special mention, substandard, doubtful and losses; the minimum loan loss provision and guarantee reserve for the unsound credit assets (those other than normal) should be 2%, 10%, 50% and 100%, respectively, of the outstanding credit balance.

The MOF issued a guideline stating that from January 1, 2014, the minimum loan loss provision and guarantee should be the sum of 1% of the outstanding balance of the normal credit asset's claim, 2% of the balance of special mention credit assets, 10% of the balance of substandard credit assets, 50% of the balance of doubtful credit assets, and the full balance of losses credit assets (excluding assets that represent claims against the central and local government in Taiwan). Also, in accordance with Rule No. 10300329440 issued by FSC, the minimum allowance for mortgage loans should be 1.5%.

Credits deemed uncollectable may be written off if the write-off is approved by the board of directors. Recoveries of amounts previously written off are credited to the allowance account.

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

3) Derecognition of financial assets

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

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

b. Equity instruments

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

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

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

c. Financial liabilities

Subsequent measurement

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

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

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

Fair value is determined in the manner described in Note 52.

Financial guarantee contracts

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

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

d. Derivative financial instruments

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

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

Nonperforming Loans

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” issued by the authorities, loans and other credits (including the accrued interests) that remain unpaid on their maturity are transferred immediately to nonperforming loans if the transfer is approved by the board of directors.

Nonperforming loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Property and Equipment

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

Freehold land is not depreciated.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term of an item of property and equipment is shorter than its useful life, such asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

For a contract where an owner of land provides land for construction of buildings by a property developer in exchange for a certain percentage of the buildings, any exchange gain or loss is recognized when the exchange transaction occurs, if the buildings acquired are classified as property, plant and equipment and the exchange transaction has commercial substance.

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

Investment Properties

Investment properties are properties owned specifically to generate profit through rental income and/or capital gains. Land for which the future purpose of use has not been decided is also classified under investment properties.

Investment properties are initially recognized at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Company calculates depreciation by the straight-line method.

Gain or loss recognized on derecognition of an investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the investment property is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Intangible assets acquired separately

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

Derecognition

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

Foreclosed Collaterals

Collaterals assumed (included in other assets) are recorded at cost, which includes the assumed prices and any necessary repairs to make the collaterals saleable, and evaluated at the lower of cost or net realizable value as of the balance sheet date.

Impairment of Tangible and Intangible Assets (Excluding Goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis of allocation.

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

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

Leasing

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

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

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

a. The Company as lessor

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

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company's net investment outstanding in respect of leases.

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

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

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

b. The Company as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

Provisions

Provisions, including those arising from levies imposed by governments are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Decommissioning and restoration obligation

A levy imposed by a government is accrued as a provision when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time, the provision is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold, the provision is recognized when that minimum threshold is reached.

Pursuant to the lease agreement, the Company has an obligation, at the end of the respective lease terms, to restore the leased plant assets to their original condition at the time of the lease. Provisions are recognized based on the present value of the best estimate of future outflows of economic benefits that will be required for fulfillment of the restoration obligation.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Other long-term employee benefits

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

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

Income Tax

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

a. Current tax

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

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are measured at the amounts expected to be paid to (recovered from) taxation authorities, using the rates or laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets should reflect the tax consequences of how the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

c. Current and deferred taxes for the period

For transactions recognized in profit or loss, current and deferred taxes are also recognized in profit or loss; for transactions recognized outside profit or loss, i.e., in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Interest Revenue and Service Fees

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Company that are classified as nonperforming loans. The interest revenue on these loans/credits is recognized upon collection. Under the regulations of the Ministry of Finance, the interest revenue on credits covered by agreements that extend their repayment periods is recorded as deferred revenue and recognized as revenue upon collection.

Service fees are recognized when a major part of the earnings process is completed and cash is collected.

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

The points earned by customers under loyalty program are treated as multiple-element arrangements, in which consideration is allocated to the goods or services and the award credits based on fair value through the eyes of the customer. The consideration is not recognized in earnings at the original sales transactions but at the time when the points are redeemed and the Company's obligation is fulfilled.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Company considers the economic environment implications of the military conflict between Russia and Ukraine and related international sanctions when making its material accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis.

Estimated Impairment of Financial Assets

The provision for impairment of loan, receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 53. Where the actual future cash inflows are less than expected, a material impairment loss may arise. In addition, there is a high degree of uncertainty in the estimation of the default rate due to the impact of the military conflict between Russia and Ukraine and related international sanctions on the credit risk of financial assets.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 6,626,423	\$ 7,085,416
Checks for clearing	3,309,721	3,191,491
Due from banks	<u>1,590,652</u>	<u>2,321,790</u>
	<u>\$ 11,526,796</u>	<u>\$ 12,598,697</u>

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

	December 31	
	2023	2022
Reserve of deposit - account B	\$ 22,650,882	\$ 20,882,984
Reserve of deposit - account A	9,009,149	3,633,854
Reserve of deposit - foreign-currency deposits	<u>113,720</u>	<u>107,478</u>
	<u>\$ 31,773,751</u>	<u>\$ 24,624,316</u>

Under a directive issued by the Central Bank of the ROC, the Company determines monthly NTD-denominated reserve deposits at prescribed rates based on the average balances of customers' NTD-denominated deposits, which are subject to withdrawal restrictions.

In addition, the foreign-currency reserve deposits are determined at rates prescribed for balances of foreign-currency deposits. These reserves may be withdrawn anytime and do not bear interest.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Financial assets designated as at fair value through profit or loss</u>		
Commercial paper	\$ 47,158,569	\$ 26,558,195
Mutual Fund and Beneficiary certificates	1,221,325	824,895
Overseas government bonds	1,369,226	-
Domestic listed stocks	1,887,638	1,632
Overseas listed stocks	-	92,745
Overseas unlisted preferred stocks	22,913	38,838
Domestic unlisted preferred stocks	603,197	839,680
Futures exchange margins	61,390	62,175
Asset-backed securities	<u>20,258</u>	<u>26,637</u>
	<u>52,344,516</u>	<u>28,444,797</u>
Derivative financial instrument		
Foreign currency swap contracts	317,450	360,420
Foreign currency option contracts	121,266	162,274
Forward foreign exchange contracts	<u>72,334</u>	<u>79,851</u>
	<u>511,050</u>	<u>602,545</u>
	<u>\$ 52,855,566</u>	<u>\$ 29,047,342</u>
<u>Held for trading financial liabilities</u>		
Derivative instrument		
Foreign currency swap contracts	\$ 1,702,205	\$ 763,931
Foreign currency option contracts	121,570	162,265
Forward foreign exchange contracts	<u>259</u>	<u>5,304</u>
	<u>\$ 1,824,034</u>	<u>\$ 931,500</u>

The Company enters into derivative transactions mainly to accommodate its customers and to manage its exposure to adverse changes in exchange rates and interest rates. The Company's strategy for hedging against risk is to reduce most of the market price risk or cash flow risk.

As of December 31, 2023 and 2022, the contract (notional) amounts of derivative transactions of the Company were as follows:

	December 31	
	2023	2022
Currency swap contracts	\$ 83,063,520	\$ 72,703,788
Forward foreign exchange contracts	1,564,057	2,104,766
Future	-	15,354
Foreign currency option contracts		
Buy	4,245,623	4,565,524
Sell	4,245,623	4,565,524

As of December 31, 2023 and 2022, financial assets at fair value through profit and loss in the amounts of \$28,966,602 thousand and \$9,700,254 thousand, respectively, were sold under repurchase agreements.

The open positions of futures transactions of the Company were as follows:

December 31, 2022

Items	Products	Open Position		Contract Amount or Premium Paid (Charged)	Fair Value
		Buy/Sell	Number of Contracts		
Futures Contract	US 10-years note 2023	Sell	5	\$ 15,354	\$ 15,560

There were no open positions of futures transactions on December 31, 2023.

The Company's futures trading margins receivable were as follows:

	December 31	
	2023	2022
Account balance	\$ 61,390	\$ 61,969
Gain on open position	<u>-</u>	<u>206</u>
Carrying amount	<u>\$ 61,390</u>	<u>\$ 62,175</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
<u>Investments in equity instruments at FVTOCI</u>		
Overseas listed shares	\$ 7,518,132	\$ 6,004,389
Domestic listed shares and entering market shares	5,277,995	2,541,262
Domestic and overseas unlisted shares	<u>2,721,625</u>	<u>2,475,730</u>
	<u>15,517,752</u>	<u>11,021,381</u>
<u>Investments in debt instruments at FVTOCI</u>		
Overseas corporate bonds	15,864,132	15,433,031
Overseas government bonds	14,423,773	14,591,455
Corporate bonds	6,583,328	8,028,546
Government bonds	2,915,262	7,266,180
Overseas bond debentures	<u>3,154,833</u>	<u>3,172,576</u>
	<u>42,941,328</u>	<u>48,491,788</u>
	<u>\$ 58,459,080</u>	<u>\$ 59,513,169</u>

Details of the Company's investments in foreign and domestic unlisted shares are as follows:

	December 31	
	2023	2022
Line Bank Taiwan Limited	\$ 550,511	\$ 602,263
Taiwan Futures Exchange	582,305	548,734
RFD Micro Electricity Co., Ltd.	593,368	261,432
Financial Information Service Co., Ltd.	445,568	397,193
Taiwan Depository & Clearing Corporation	90,591	81,609
Others	<u>459,282</u>	<u>584,499</u>
	<u>\$ 2,721,625</u>	<u>\$ 2,475,730</u>

a. Investments in equity instruments at FVTOCI

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

Due to the consideration of the investment strategy, the Company sold the equity instrument investment measured at fair value through other comprehensive income in 2023 and 2022. The fair value of the sale was \$2,917,495 thousand and \$7,157,315 thousand, respectively. Meanwhile, the unrealized valuation gain of \$573,140 thousand and loss of \$380,520 thousand accumulated during the disposal were transferred from other equity to retained earnings.

In 2023 and 2022, the dividend revenue recognized by the Company as investments in equity instruments measured at fair value through other comprehensive income were \$467,911 thousand and \$708,173 thousand, respectively, and those still held on December 31, 2023 and 2022, amounted to \$347,464 thousand and \$507,936 thousand, respectively.

b. Investments in debt instruments at FVTOCI

For further information regarding credit risk management and impairment assessment of financial assets at FVTOCI, refer to Note 11.

The disposal of financial asset for \$19,314,950 thousand and \$8,999,616 thousand under repurchase agreements as of December 31, 2023 and 2022, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2023	2022
Negotiable certificates of deposit in the Central Bank	<u>\$ 42,900,000</u>	<u>\$ 42,900,000</u>
Debt instruments		
Overseas asset-backed securities	29,875,049	29,873,357
Government bonds	<u>8,873,292</u>	<u>9,745,645</u>
	<u>38,748,341</u>	<u>39,619,002</u>
	<u>\$ 81,648,341</u>	<u>\$ 82,519,002</u>

For further information regarding credit risk management and impairment assessment on financial assets at amortized cost, refer to Note 11.

The Company sold financial assets at amortized cost under repurchase agreements in the amounts of \$28,481,320 thousand and \$27,540,026 thousand in 2023 and 2022, respectively.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at FVTOCI and as at amortized cost were as follows:

	December 31, 2023		
	Financial Assets at FVTOCI	Financial Assets at Amortized Cost	Total
Gross carrying amount	\$ 49,606,306	\$ 38,990,586	\$ 88,596,892
Loss: Allowance for impairment loss	(1,457,535)	(242,245)	(1,699,780)
Adjustment to fair value	<u>(5,207,443)</u>	<u>-</u>	<u>(5,207,443)</u>
	<u>\$ 42,941,328</u>	<u>\$ 38,748,341</u>	<u>\$ 81,689,669</u>
	December 31, 2022		
	Financial Assets at FVTOCI	Financial Assets at Amortized Cost	Total
Gross carrying amount	\$ 56,262,594	\$ 39,815,632	\$ 96,078,226
Loss: Allowance for impairment loss	(1,427,072)	(196,630)	(1,623,702)
Adjustment to fair value	<u>(6,343,734)</u>	<u>-</u>	<u>(6,343,734)</u>
	<u>\$ 48,491,788</u>	<u>\$ 39,619,002</u>	<u>\$ 88,110,790</u>

The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other publicly available information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In determining the expected credit losses for debt instrument investments, the Company considers the historical probability of default and loss given default of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries.

The carrying values of financial assets at FVTOCI and at amortized cost sorted by credit rating are as follows:

Credit Ratings	Definition	ECL Recognition Basis	Expected Credit Loss Rate	Carrying Value (Including Premiums and Discounts) on December 31, 2023
Low credit risk	Low credit risk at the reporting date	12-month expected credit losses	0%-0.2120%	\$ 80,806,421
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses	0.3510%	296,095
Default	Objective evidence of impairment at the reporting date	Lifetime expected credit losses	31.56% -51.06%	587,153

Credit Ratings	Definition	ECL Recognition Basis	Expected Credit Loss Rate	Carrying Value (Including Premiums and Discounts) on December 31, 2022
Low credit risk	Low credit risk at the reporting date	12-month expected credit losses	0%-3.6518%	\$ 87,514,229
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses	0.3872%- 30.4296%	440,869
Default	Objective evidence of impairment at the reporting date	Lifetime expected credit losses	50%	155,692

Note: Credit rating of investment in debt instruments was normal, it did not apply.

The following table shows changes in balances of loss allowances of financial assets at FVTOCI and debt instruments at amortized cost, sorted by credit risk ratings resulting from the application of IFRS 9:

	Credit Risk Ratings		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit Impaired)	In Default (Lifetime ECLs - Credit Impaired)
Balance as of January 1, 2023	\$ 263,895	\$ 192,013	\$ 1,167,794
Changes in credit risk ratings			
Low credit risk to significant increase in credit risk	(1,070)	1,070	-
Significant increase in credit risk to low credit risk	-	-	-
Significant increase in credit risk to default	-	(206,022)	206,022

(Continued)

	Credit Risk Ratings		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit Impaired)	In Default (Lifetime ECLs - Credit Impaired)
New debt instruments purchased	\$ 236	\$ -	\$ -
Derecognition	(11,830)	-	-
Changes in risk or model parameters	20,758	14,717	51,612
Change in exchange rates	<u>(611)</u>	<u>1</u>	<u>1,195</u>
Loss allowance on December 31, 2023	<u>\$ 271,378</u>	<u>\$ 1,779</u>	<u>\$ 1,426,623</u>
Balance as of January 1, 2022	\$ 257,033	\$ -	\$ -
Changes in credit risk ratings			
Low credit risk to significant increase in credit risk	(431)	431	-
Significant increase in credit risk to low credit risk	-	-	-
Significant increase in credit risk to default	(2,985)	-	2,985
New debt instruments purchased	44,702	-	-
Derecognition	(16,884)	-	-
Changes in risk or model parameters	(112,484)	191,535	1,164,484
Change in exchange rates	<u>94,944</u>	<u>47</u>	<u>325</u>
Loss allowance on December 31, 2022	<u>\$ 263,895</u>	<u>\$ 192,013</u>	<u>\$ 1,167,794</u> (Concluded)

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	December 31	
	2023	2022
Commercial paper	\$ 32,207,796	\$ 25,018,878
Corporate bonds	28,709,205	15,124,824
Government bonds	-	10,013
Negotiable certificates of deposit	<u>1,810,637</u>	<u>3,588,230</u>
	<u>\$ 62,727,638</u>	<u>\$ 43,741,945</u>
Maturity date	2024.01	2023.01
Resale price	<u>\$ 62,761,789</u>	<u>\$ 43,765,496</u>

The securities purchased under resell agreements had not been sold under repurchase agreements.

13. RECEIVABLES, NET

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Credit card receivables	\$ 25,712,166	\$ 19,796,531
Notes and accounts receivable	4,852,902	2,507,945
Interbank clearing fund receivable	3,679,334	3,500,661
Interest receivable	1,785,684	1,498,757
Collections receivable	1,360,655	720,444
Acceptances receivable	129,455	111,093
Non-interbank collections receivable	114,452	81,765
Accounts receivable factoring without recourse	-	799,996
Others	<u>455,589</u>	<u>376,407</u>
	38,090,237	29,393,599
Less: Allowance for doubtful accounts	<u>281,848</u>	<u>212,616</u>
	<u>\$ 37,808,389</u>	<u>\$ 29,180,983</u>

Refer to Note 53 for the impairment loss analysis of receivables.

The changes in gross carrying amounts of receivables for the years ended December 31, 2023 and 2022 were as follows:

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2023	\$ 28,366,326	\$ 142,768	\$ 884,505	\$ 29,393,599
Receivables assessed collectively	(76,990)	(30,412)	107,402	-
Receivables purchased or originated	15,786,511	150,775	229,059	16,166,345
Write-offs	-	-	(202,638)	(202,638)
Derecognition	<u>(6,977,989)</u>	<u>(85,705)</u>	<u>(203,375)</u>	<u>(7,267,069)</u>
Balance at December 31, 2023	<u>\$ 37,097,858</u>	<u>\$ 177,426</u>	<u>\$ 814,953</u>	<u>\$ 38,090,237</u>
Balance at January 1, 2022	\$ 26,562,872	\$ 115,944	\$ 1,051,881	\$ 27,730,697
Receivables assessed collectively	(256,378)	43,779	212,599	-
Receivables purchased or originated	10,351,797	35,601	56,049	10,443,447
Write-offs	-	-	(159,521)	(159,521)
Derecognition	<u>(8,291,965)</u>	<u>(52,556)</u>	<u>(276,503)</u>	<u>(8,621,024)</u>
Balance at December 31, 2022	<u>\$ 28,366,326</u>	<u>\$ 142,768</u>	<u>\$ 884,505</u>	<u>\$ 29,393,599</u>

The Company has accrued an allowance for doubtful accounts receivable, the changes in allowance for doubtful accounts receivable for the years ended December 31, 2023 and 2022 were as follows:

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Balance at January 1, 2023	\$ 129,372	\$ 12,241	\$ 47,143	\$ 188,756	\$ 23,860	\$ 212,616
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(338)	469	(131)	-	-	-
Credit-impaired financial assets	(76,242)	(32,885)	109,127	-	-	-
12-month ECL	507	(333)	(174)	-	-	-
Derecognition of financial assets in the current reporting period	(13,190)	(3,477)	(17,184)	(33,851)	-	(33,851)
New financial assets purchased or originated	84,565	40,998	147,194	272,757	-	272,757
Difference of impairment loss under regulations	-	-	-	-	15,403	15,403
Write-offs	-	-	(202,638)	(202,638)	-	(202,638)
Recovery of written-off receivables	-	-	204,162	204,162	-	204,162
Change in risk parameters and others	123	(27)	(186,700)	(186,604)	-	(186,604)
Change in exchange rate	3	-	-	3	-	3
Balance at December 31, 2023	<u>\$ 124,800</u>	<u>\$ 16,986</u>	<u>\$ 100,799</u>	<u>\$ 242,585</u>	<u>\$ 39,263</u>	<u>\$ 281,848</u>
Balance at January 1, 2022	\$ 75,695	\$ 10,976	\$ 86,908	\$ 173,579	\$ 80,497	\$ 254,076
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(310)	550	(240)	-	-	-
Credit-impaired financial assets	(54,059)	(24,385)	78,444	-	-	-
12-month ECL	292	(230)	(62)	-	-	-
Derecognition of financial assets in the current reporting period	(14,468)	(3,662)	(18,136)	(36,266)	-	(36,266)
New financial assets purchased or originated	116,948	28,897	45,857	191,702	-	191,702
Difference of impairment loss under regulations	-	-	-	-	(56,637)	(56,637)
Write-offs	-	-	(159,521)	(159,521)	-	(159,521)
Recovery of written-off receivables	-	-	206,847	206,847	-	206,847
Change in risk parameters and others	4,972	95	(192,954)	(187,887)	-	(187,887)
Change in exchange rate	302	-	-	302	-	302
Balance at December 31, 2022	<u>\$ 129,372</u>	<u>\$ 12,241</u>	<u>\$ 47,143</u>	<u>\$ 188,756</u>	<u>\$ 23,860</u>	<u>\$ 212,616</u>

14. DISCOUNTS AND LOANS, NET

	December 31	
	2023	2022
Discounts and overdraft	\$ 54,623	\$ 51,920
Accounts receivable - financing	64,180	13,440
Loans		
Short-term - unsecured	21,019,125	33,172,547
- secured	121,253,507	106,608,688
Medium-term - unsecured	41,735,147	42,309,556
- secured	135,112,873	117,975,043
Long-term - unsecured	7,849,312	8,835,580
- secured	242,657,100	224,763,471
Import and export negotiations	12,676	17,184
Overdue loans	<u>1,222,626</u>	<u>595,291</u>
	570,981,169	534,342,720
Less: Allowance for doubtful accounts	<u>6,873,545</u>	<u>6,224,119</u>
	<u>\$ 564,107,624</u>	<u>\$ 528,118,601</u>

As of December 31, 2023 and 2022, the balances of nonaccrual loans were \$1,222,626 thousand and \$595,291 thousand, respectively. The unrecognized interest revenues on nonperforming loans were \$38,062 thousand and \$10,814 thousand in 2023 and 2022. As of December 31, 2023 and 2022, the Company only had written off certain credits after completing the required legal procedures.

The changes in gross carrying amounts on receivables for the years ended December 31, 2023 and 2022 were as follows:

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2023	\$ 529,977,755	\$ 2,423,258	\$ 1,941,707	\$ 534,342,720
Discount and loans assessed collectively	(1,374,960)	580,119	794,841	-
Discount and loans purchased or originated	286,962,900	482,920	287,094	287,732,914
Write-offs	-	-	(90,762)	(90,762)
Derecognition	<u>(249,532,458)</u>	<u>(774,830)</u>	<u>(696,415)</u>	<u>(251,003,703)</u>
Balance at December 31, 2023	<u>\$ 566,033,237</u>	<u>\$ 2,711,467</u>	<u>\$ 2,236,465</u>	<u>\$ 570,981,169</u>
Balance at January 1, 2022	\$ 495,317,823	\$ 1,972,968	\$ 1,337,678	\$ 498,628,469
Discount and loans assessed collectively	(1,690,994)	646,746	1,044,248	-
Discount and loans purchased or originated	272,767,323	661,759	104,558	273,533,640
Write-offs	-	-	(67,205)	(67,205)
Derecognition	<u>(236,416,397)</u>	<u>(858,215)</u>	<u>(477,572)</u>	<u>(237,752,184)</u>
Balance at December 31, 2022	<u>\$ 529,977,755</u>	<u>\$ 2,423,258</u>	<u>\$ 1,941,707</u>	<u>\$ 534,342,720</u>

Refer to Note 53 for the impairment loss analysis of discounts and loans.

The Company has accrued an allowance for doubtful accounts on discount and loans; the changes in allowance for doubtful accounts on discount and loans for the years ended December 31, 2023 and 2022 were as follows:

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Balance at January 1, 2023	\$ 690,741	\$ 202,615	\$ 351,831	\$ 1,245,187	\$ 4,978,932	\$ 6,224,119
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(456)	936	(480)	-	-	-
Credit-impaired financial assets	(296)	(37,553)	37,849	-	-	-
12-month ECL	33,810	(29,255)	(4,555)	-	-	-
Derecognition of financial assets in the current reporting period	(461,028)	(67,489)	(237,658)	(766,175)	-	(766,175)
New financial assets purchased or originated	452,483	111,736	149,105	713,324	-	713,324
Difference of impairment loss under regulations	-	-	-	-	772,655	772,655
Write-offs	-	-	(90,762)	(90,762)	-	(90,762)

(Continued)

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference from Impairment Charged in Accordance with Applicable Laws and Regulations	Total
Recovery of written-off receivables	\$ -	\$ -	\$ 199,687	\$ 199,687	\$ -	\$ 199,687
Change in risk parameters and others	(15,378)	(22,491)	(139,247)	(177,116)	-	(177,116)
Change in exchange rate	(2,187)	-	-	(2,187)	-	(2,187)
Balance at December 31, 2023	<u>\$ 697,689</u>	<u>\$ 158,499</u>	<u>\$ 265,770</u>	<u>\$ 1,121,958</u>	<u>\$ 5,751,587</u>	<u>\$ 6,873,545</u>
Balance at January 1, 2022	\$ 429,117	\$ 110,659	\$ 373,914	\$ 913,690	\$ 4,482,269	\$ 5,395,959
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(466)	2,362	(1,896)	-	-	-
Credit-impaired financial assets	(422)	(9,651)	10,073	-	-	-
12-month ECL	23,892	(16,948)	(6,944)	-	-	-
Derecognition of financial assets in the current reporting period	(352,297)	(42,002)	(76,592)	(470,891)	-	(470,891)
New financial assets purchased or originated	541,405	145,439	50,337	737,181	-	737,181
Difference of impairment loss under regulations	-	-	-	-	496,663	496,663
Write-offs	-	-	(67,205)	(67,205)	-	(67,205)
Recovery of written-off receivables	-	-	260,706	260,706	-	260,706
Change in risk parameters and others	38,318	12,756	(190,562)	(139,488)	-	(139,488)
Change in exchange rate	11,194	-	-	11,194	-	11,194
Balance at December 31, 2022	<u>\$ 690,741</u>	<u>\$ 202,615</u>	<u>\$ 351,831</u>	<u>\$ 1,245,187</u>	<u>\$ 4,978,932</u>	<u>\$ 6,224,119</u>

(Concluded)

15. BAD-DEBT EXPENSE AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES

	<u>For the Year Ended December 31</u>	
	2023	2022
Provision for possible losses on receivables	\$ 67,705	\$ (89,088)
Provision for possible losses on discounts and loans	542,688	623,465
Provision (reversal of provision) for possible losses on guarantees	<u>18,000</u>	<u>(35,000)</u>
	<u>\$ 628,393</u>	<u>\$ 499,377</u>

16. SUBSIDIARIES

The investees included in the consolidated financial statements are as follows:

Investor	Investee	Main Businesses	<u>Percentage of Ownership</u>		
			<u>2023</u>	<u>2022</u>	
The Bank	Union Finance and Leasing International Corporation (UFLIC)	Installment, leasing and accounts receivable factoring.	100.00%	100.00%	Note 1
	Union Information Technology Corporation (UIT)	Software and hardware product retail and distribution, system programming development, system development outsourcing, website design, e-commerce, etc.	99.99%	99.99%	Note 2
	Union Finance International (HK) Limited	Import and export financing.	100.00%	100.00%	Note 3

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership		
			December 31 2023	December 31 2022	
UFLIC	Union Securities Investment Trust Corporation (USITC)	Securities investment trust.	99.60%	99.60%	Note 4
	Union Venture Capital Co., Ltd.	General Business investment	100.00%	100.00%	Note 5
	Union Capital (Cayman) Corp. (Cayman)	Installment and leasing receivable factoring.	100.00%	100.00%	Note 6
	Union Capital (Singapore) Holding Pte. Ltd. (Union)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00%	100.00%	Notes 6 and 8
	Uflc Capital (Singapore) Holding PTE. Ltd. (Uflc)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00%	100.00%	Notes 6 and 8
Union Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan) (KK)	Sale, purchasing and leasing of real estates, etc.	30.55%	30.55%	Notes 7 and 8
	Tokutei Mokuteki Kaisha SSG15 (Japan) (SSG15)	A real estate securitized special purpose company.	49.00%	49.00%	Notes 7 and 8
Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan) (KK)	Sale, purchasing and leasing of real estates, etc.	69.45%	69.45%	Notes 7 and 8
	Tokutei Mokuteki Kaisha SSG12 (Japan) (SSG12)	A real estate securitized special purpose company.	49.00%	49.00%	Notes 7 and 8
Kabushiki Kaisha UCJ1 (Japan)	Tokutei Mokuteki Kaisha SSG16 (Japan) (SSG16)	A real estate securitized special purpose company.	49.00%	49.00%	Notes 7 and 8
	Tokutei Mokuteki Kaisha SSG15 Japan) (SSG15)	A real estate securitized special purpose company.	51.00%	51.00%	Notes 7 and 8
Union Venture Capital Co., Ltd.	Tokutei Mokuteki Kaisha SSG12 (Japan) (SSG12)	A real estate securitized special purpose company.	51.00%	51.00%	Notes 7 and 8
	Tokutei Mokuteki Kaisha SSG16 (Japan) (SSG16)	A real estate securitized special purpose company.	51.00%	51.00%	Notes 7 and 8
	Corner Union Venture Capital, LLC (Delaware)	General business investment	100.00%	100.00%	Note 9
	Na He Yi Hau Electric Power Inc.	Energy development and technology service	89.70%	89.70%	Note 10
	Union Energy Co., Ltd	General business investment	100.00%	100.00%	Note 12
Union Energy Co., Ltd.	Ting Syu Energy Co., Ltd	Energy development and technology service	60.00%	60.00%	Note 15
	Bei Chen Yi Hau Electric Power Inc.	Energy development and technology service	99.08%	-	Note 16
	Hao Tian Electric Power Inc.	Energy development and technology service	99.08%	-	Note 17
	Feng Tai Electric Power	Energy development and technology service	99.08%	-	Note 17
	Na He Yi Hau Electric Power Inc.	Energy development and technology service	0.30%	0.30%	Note 10
	Ting Jie Electric Power Inc.	Energy development and technology service	90.00%	90.00%	Note 11
Corner Union Venture Capital, LLC (Delaware)	Tianji Smart Energy Co., Ltd.	Energy development and technology service	90.00%	90.00%	Note 14
	Corner Ventures DAG I-U, LLC (Delaware)	General business investment	100.00%	100.00%	Note 9
Union Securities Investment Trust Corporation (USITC)	Corner Union, LLC (Delaware)	General business investment	100.00%	100.00%	Note 9
	Union Private Equity Co., Ltd.	General business investment	100.00%	100.00%	Note 13

(Concluded)

Note 1: Union Finance and Leasing International Corporation (collectively, the “UFLIC”) was established under the Company Law on November 11, 1996. UFLIC trades and leases real estates, motor vehicles and machinery and equipment and does accounts receivable factoring.

On January 12, 2023, the board of directors resolved to increase the capital of UFLIC through the issuance of 40,000 thousand shares amounting to \$400,000 thousand in order to expand its investment capital. UFLIC’s capital increase was approved by the FSC under Rule No. 1120232287 on October 18, 2023, and the base date of the capital increase was December 12, 2023.

Note 2: Union Information Technology Corporation (collectively, the “UIT”), which was incorporated on August 10, 1998, mainly renders software services, wholesale and retail of information software and telecommunications equipment, enterprise management consulting, etc.

In response to the rapid development of financial technology and market demand, as well as to promote new businesses, optimize system functions, cultivate talent and strengthen working capital, on February 22, 2022, the board of UIT approved to increase its capital by \$90,000 thousand. On March 7, 2022, the Company participated in the capital increase in cash of UIT in proportion to its shareholding percentage, for a total of \$89,993 thousand, after approval from its board of directors. As of the date of issue of the financial statements, the Company has invested a total of \$99,992 thousand and holds 99.99% of the shares of UIT.

Note 3: Union Finance International (HK) Limited (UFI (HK)) was incorporated in Hong Kong on April 23, 1996. UFI (HK) mainly engages in financial services and financial investments. On November 13, 2023, the Company considered an overseas professional layout plan, and the board of directors approved to close the UFI (HK). As of the date of issue of the financial statements, the liquidation procedures were still in progress.

Note 4: Union Securities Investment Trust Corporation (USITC) was incorporated on November 20, 1998. It obtained a securities investment trust enterprise license and started operations on February 26, 1999; it mainly establishes securities investment trust funds by issuing beneficiary certificates.

Note 5: In order to actively support the FSC’s needs to adapt to the nation’s overall industry development and to boost the diversification of the corporate banking business as well as improve the efficiency in the use of funds, the Bank established Union Venture Capital (UVC) in coordination with the nation’s financial policies, which was approved by the board of directors. The investment was approved by the FSC under Rule No. 10802042270 on March 28, 2019. Union Venture Capital was incorporated on November 21, 2019; it mainly engages in general business investment.

Note 6: Union Capital (Cayman) Corp. was established in the British West Indies in July 1997. It mainly engages in financial investment.

Union and Uflc were established in September 2014 and March 2016 by Cayman in Singapore. The capital was both US\$1. The companies mainly engage in investments, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.

The board of directors of Union Capital (Cayman) Corp., a subsidiary of UFLIC, resolved to restructure the investment in order to comply with the local economic substance law on February 25, 2020. On July 1 and 23, 2020, Union Capital (Cayman) Corp. transferred all the debts (the transaction price was offset against the debt payable of UFLIC) and shares of Uflc Capital (Singapore) Holding PTE. Ltd. and Union Capital (Singapore) Holding PTE. Ltd. to the UFLIC at carrying value on June 30, 2020, respectively.

Note 7: Kabushiki Kaisha UCJ1, Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 are established to acquire real estate for Union Capital (Singapore) Holding Pte. Ltd. and Uflc Capital (Singapore) Holding Pte. Ltd. Kabushiki Kaisha UCJ1 mainly buys, sells, and leases real estate. Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 is a special purpose entity that securitizes real estate.

Note 8: Union Capital (Singapore) Holding Pte. Ltd., Uflc Capital (Singapore) Holding Pte. Ltd., Kabushiki Kaisha UCJ1, Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 have fiscal year end. The Company applied equity method based on December 31, 2023 balances, adjusted for significant changes.

- Note 9: In order to manage Union Venture Corporation's investment, the board agreed to sign investment advisory contract with Corner Venture Partners, LLC on March 5, 2020. With the contract, a subsidiary, Corner Union Venture Capital, LLC, and sub-subsidiaries Corner Ventures DAG I-U, LLC and Corner Union, LLC, were established in Delaware, USA, with the approval by Delaware state government in April and July 2020. Union Venture Corporation held 100% equity in the subsidiaries and engages in general business investment.
- Note 10: In order to actively support the FSC's needs to adapt to the nation's overall industry development, Union Venture Capital Co., Ltd. invested in Na He Yi Hau Electric Power Inc. (the "Na He Yi Hau"), and it mainly engages in energy development and technology service.
- Note 11: In order to actively support the FSC's needs to adapt to the nation's overall industry development, on November 24, 2020, the board approved to acquire 90% equity of Ting Jie Electric Power Inc (the "Ting Jie Electric power"). UVC has invested \$900 thousand. In accordance with the investment development strategy and investment restructuring plan, on July 28, 2021, the board of UVC. approved to sell a total of 90 thousand shares at \$10 dollars per share to Union Energy Co., Ltd. On July 30, 2021, the board of Union Energy Co., Ltd. approved to participated in the capital increase in cash of Ting Jie Electric Power in proportion to its shareholding percentage for a total of \$18,000 thousand. As a result, Union Energy Co., Ltd. has invested a total of \$18,900 thousand and held 90% of equity on December 31, 2023. Ting Jie Electric Power. mainly engages in energy development and technology service.
- Note 12: In order to manage Union Venture Corporation's investment, it established Union Energy Co., Ltd (the "Union Energy") and held 100% equity on December 17, 2020. It mainly engages in general business investment management.
- Note 13: USITC actively supports the FSC's needs to adapt to the nation's overall industry development. On January 14, 2020, the board approved to establish Union Private Equity Co., Ltd. (the "UPECL"). It mainly engages in general business investment and investment management advisory.
- Note 14: Union Energy Co., Ltd. actively supports FSC's financial strategy, investment in green energy technology industry and efficiency of fund application. In May 2020, the board of Union Energy Co., Ltd. approved the acquisition of Tianji Smart Energy Co., Ltd. (the "Tianji Smart"). It mainly engages in energy development and technology service.
- Note 15: On May 31, 2022, UVC's board passed a resolution to develop startup industries, which was actively supported by the FSC. Ting Syu Energy Co., Ltd. (the "Ting Syu Energy") was incorporated on July 7, 2022. Ting Syu Energy is mainly engaged in energy development and technology services.
- Note 16: On March 13, 2023, UVC's board passed a resolution to develop startup industries, which was actively supported by the FSC. In May 2023, UVC acquired 99.08% equity in Bei Chen Yi Hau Electric Power Inc. (the "Bei Chen Yi Hau"). The total invested capital was \$108,000 thousand. Bei Chen Yi Hau mainly engages in energy development and technology services.
- Note 17: On March 13, 2023, UVC's board passed a resolution to develop startup industries, which was actively supported by the FSC. In July 2023, UVC acquired 99.08% equity in Hao Tian Electric Power Inc. (the "Hao Tian Electric Power") and Feng Tai Electric Power Inc. (the "Feng Tai Electric Power") at the cost of \$108,000 thousand. Hao Tian Electric Power and Feng Tai Electric Power mainly engage in energy development and technology services.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Not individually material</u>		
Line Pay Taiwan Limited	\$ 1,550,935	\$ 1,510,914
iPass Corporation	224,384	261,578
Blue Borders Medical and Health Management Consulting Co., Ltd.	115,310	112,801
Union Real-Estate Management Corporation	<u>51,902</u>	<u>51,966</u>
	<u>\$ 1,942,531</u>	<u>\$ 1,937,259</u>

The summarized financial information in respect of the Company's associate is set out below:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Net loss	<u>\$ (20,228)</u>	<u>\$ (55,901)</u>

To promote innovative financial technology services and popularize mobile payment endorsed by the government, the board of directors of the Bank approved the investment of Line Pay Taiwan Limited on July 25, 2018 and later acquired 5,471 thousand of their ordinary shares with a price of \$1,579,977 thousand on September 21, 2018 resulting in a 10% shareholding and a seat on the board. The Company has significant influence over Line Pay Taiwan Limited and thus uses the equity method to account for the investment. Acquired Line Pay Taiwan Limited has generated \$977,235 thousand of goodwill and was included in the investment's cost. In April 2023, Line Pay Taiwan Limited exercised employee share options, resulting in the decrease in the Company's shareholding ratio to 9.76%. In addition, on January 2, 2024, the Company resigned the directors of Line Pay Taiwan Limited and lost influence. In January 2024, the Company considered investment purposes and stopped using the equity method and converted the investment to the financial assets at fair value through other comprehensive income.

Management of the Company considers the fact that numbers quoted from the unaudited financial statements and other comprehensive income, except Union Real-Estate Management Corporation. It will not lead to material misstatements of the Company's consolidated financial statements.

18. OTHER FINANCIAL ASSETS, NET

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Pledged assets (Note 48)	\$ 1,542,385	\$ 1,513,611
Call loans from security companies	215,145	-
Due from banks - certificate of deposit	77,879	118,014
Others	<u>6,579</u>	<u>7,200</u>
	<u>\$ 1,841,988</u>	<u>\$ 1,638,825</u>

The amount of due from banks - time deposits with maturities longer than three months or certificate of deposits that cannot be cancelled or used.

19. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment Land and Building	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 3,972,480	\$ 5,252,361	\$ 3,577,525	\$ 341,827	\$ 548,077	\$ 169,458	\$ 13,861,727
Additions	4	35,942	90,042	14,235	59,741	1,917,000	2,116,964
Disposals	-	(14,073)	(61,347)	(6,636)	(1,785)	-	(83,841)
Reclassification	-	1,530	102,309	52	3,218	719,143	826,252
Effect of foreign currency exchange differences	-	-	34	-	-	-	34
Balance at December 31, 2022	<u>3,972,484</u>	<u>5,275,760</u>	<u>3,708,563</u>	<u>349,478</u>	<u>609,251</u>	<u>2,805,601</u>	<u>16,721,137</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	-	2,036,401	1,215,480	286,733	355,893	-	3,894,507
Depreciation	-	123,545	198,662	15,560	49,307	-	387,074
Disposals	-	(11,432)	(60,182)	(6,345)	(1,292)	-	(79,251)
Effect of foreign currency exchange differences	-	-	32	-	-	-	32
Balance at December 31, 2022	-	<u>2,148,514</u>	<u>1,353,992</u>	<u>295,948</u>	<u>403,908</u>	-	<u>4,202,362</u>
Balance at December 31, 2022, net	<u>\$ 3,972,484</u>	<u>\$ 3,127,246</u>	<u>\$ 2,354,571</u>	<u>\$ 53,530</u>	<u>\$ 205,343</u>	<u>\$ 2,805,601</u>	<u>\$ 12,518,775</u>
<u>Cost</u>							
Balance at January 1, 2023	\$ 3,972,484	\$ 5,275,760	\$ 3,708,563	\$ 349,478	\$ 609,251	\$ 2,805,601	\$ 16,721,137
Additions	461,319	65,480	71,839	15,120	39,418	2,935,349	3,588,525
Disposals	-	-	(72,764)	(5,376)	(3,860)	-	(82,000)
Reclassification	-	126,434	8,614	-	-	(504,545)	(369,497)
Balance at December 31, 2023	<u>4,433,803</u>	<u>5,467,674</u>	<u>3,716,252</u>	<u>359,222</u>	<u>644,809</u>	<u>5,236,405</u>	<u>19,858,165</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	-	2,148,514	1,353,992	295,948	403,908	-	4,202,362
Depreciation	-	128,667	193,688	14,816	45,399	-	382,570
Disposals	-	-	(69,686)	(5,170)	(3,205)	-	(78,061)
Balance at December 31, 2023	-	<u>2,277,181</u>	<u>1,477,994</u>	<u>305,594</u>	<u>446,102</u>	-	<u>4,506,871</u>
Balance at December 31, 2023, net	<u>\$ 4,433,803</u>	<u>\$ 3,190,493</u>	<u>\$ 2,238,258</u>	<u>\$ 53,628</u>	<u>\$ 198,707</u>	<u>\$ 5,236,405</u>	<u>\$ 15,351,294</u>

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

Buildings

Main buildings	33-55 years
Equipment installed in buildings	3-20 years
Machinery and computer equipment	3-20 years
Transportation equipment	1-8 years
Lease improvements	2-5 years

In January 2023, with the approval of the board of directors, the Company purchased the land and buildings in Taoyuan District, Taoyuan City, out of considerations of business sustainability and to provide a good working environment for branches. The total transaction price for the land and buildings was \$354,019 thousand. Since January 2023, the Company has successively signed contracts with landowners for payment, and the total transaction price has been paid as of December 31, 2023.

20. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Land and buildings	<u>\$ 1,819,034</u>	<u>\$ 1,674,658</u>
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 614,340</u>	<u>\$ 197,990</u>
Depreciation charge for right-of-use assets		
Land and buildings	<u>\$ 495,062</u>	<u>\$ 484,907</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Carrying amounts	<u>\$ 1,812,408</u>	<u>\$ 1,662,565</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Land and buildings	0.72%-2.30%	0.72%-1.75%

c. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 190,663</u>	<u>\$ 167,498</u>
Total cash outflow for leases	<u>\$ (680,258)</u>	<u>\$ (650,483)</u>

The Company's leases of certain assets qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

21. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 4,197,388	\$ 951,679	\$ 5,149,067
Additions	-	49,086	49,086
Net exchange difference	<u>(104,934)</u>	<u>(46,527)</u>	<u>(151,461)</u>
Balance at December 31, 2023	<u>4,092,454</u>	<u>954,238</u>	<u>5,046,692</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2023	-	(346,008)	(346,008)
Depreciation	-	(43,928)	(43,928)
Net exchange differences	<u>-</u>	<u>12,500</u>	<u>12,500</u>
Balance at December 31, 2023	<u>-</u>	<u>(377,436)</u>	<u>(377,436)</u>
Carrying amount at December 31, 2023	<u>\$ 4,092,454</u>	<u>\$ 576,802</u>	<u>\$ 4,669,256</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 4,254,377	\$ 965,340	\$ 5,219,717
Additions	-	11,214	11,214
Net exchange difference	<u>(56,989)</u>	<u>(24,875)</u>	<u>(81,864)</u>
Balance at December 31, 2022	<u>4,197,388</u>	<u>951,679</u>	<u>5,149,067</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2022	-	(308,196)	(308,196)
Depreciation	-	(42,735)	(42,735)
Net exchange differences	<u>-</u>	<u>4,923</u>	<u>4,923</u>
Balance at December 31, 2022	<u>-</u>	<u>(346,008)</u>	<u>(346,008)</u>
Carrying amount at December 31, 2022	<u>\$ 4,197,388</u>	<u>\$ 605,671</u>	<u>\$ 4,803,059</u>

The Company acquired investment properties amounting to \$986,055 thousand, \$1,026,015 thousand and \$668,984 thousand via SSG15, SSG12 and SSG16 in Japan on September 2014, February 2016 and April 2016, respectively. The amount was based on the valuation by independent appraisers that were not the Company's related parties.

Investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	15-50 years
Equipment installed in buildings	6-15 years

The fair values of investment properties were \$6,040,367 thousand and \$6,282,802 thousand as of December 31, 2023 and 2022, respectively. The fair values were based on the valuation at these dates by independent appraisers that were not the Company's related parties and estimated by the management according to the prices of similar properties in the vicinity.

Refer to Note 31 for information relating to investment properties pledged as guarantee.

The investment properties were leased out for 3 to 20 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

As of December 31, 2023 and 2022, refundable deposits paid under operating leases were \$64,462 thousand and \$70,401 thousand (included in other assets - refundable deposits), respectively.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2023 and 2022 was as follows:

	December 31	
	2023	2022
Year 1	\$ 111,700	\$ 65,368
Year 2	78,318	27,223
Year 3	54,754	12,745
Year 4	53,066	11,912
Year 5	53,066	11,340
Year 5 onwards	<u>453,056</u>	<u>59,692</u>
	<u>\$ 803,960</u>	<u>\$ 188,280</u>

22. GOODWILL

The Company acquired Chung Shing Bank (Chung Shing) on March 19, 2005 and recognized goodwill of \$3,309,000 thousand. The goodwill amortization period was five years, and the amortization expense in 2005 was \$551,500 thousand. However, the amortization of goodwill was no longer required from January 1, 2006.

The Company merged with Union Bills Finance Corporation on August 16, 2010, with the Company as the survivor entity, and recognized goodwill amounting to \$130,498 thousand.

For the impairment test on Chung Shing, the Company treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast for the next five years based on the going-concern assumption. Future cash flows were estimated on the basis of Chung Shing's present operations and will be adjusted depending on the business outlook and economic trends.

As of December 31, 2023 and 2022, the balances of accumulated impairment were both \$902,691 thousand. As a result of the Company's evaluation, there was no impairment for the years ended December 31, 2023 and 2022.

23. OTHER ASSETS, NET

	December 31	
	2023	2022
Assets for leasing, net	\$ 5,882,902	\$ 5,791,090
Refundable deposits	2,828,709	3,520,209
Prepaid expense	462,981	545,706
Prepaid pension (Note 34)	55,619	190,616
Others	<u>264,561</u>	<u>116,712</u>
	<u>\$ 9,494,772</u>	<u>\$ 10,164,333</u>

24. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2023	2022
Deposits from Chunghwa Post Co., Ltd.	\$ 3,574,680	\$ 4,574,680
Call loans from banks	9,033,675	1,026,304
Deposits from the Central Bank and other banks	83,373	113,753
Overdraft	<u>152,501</u>	<u>102,462</u>
	<u>\$ 12,844,229</u>	<u>\$ 5,817,199</u>

25. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2023	2022
Due to other banks (Note 31)	<u>\$ 1,403,184</u>	<u>\$ 904,865</u>

26. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2023	2022
Asset-based securities	\$ 14,321,243	\$ 15,447,083
Commercial paper	28,993,136	9,701,184
Corporate bonds	7,884,499	5,395,172
Government bonds	8,967,881	3,399,339
Financial bonds	<u>912,436</u>	<u>355,829</u>
	<u>\$ 61,079,195</u>	<u>\$ 34,298,607</u>
Maturity date	2024.01-2024.03	2023.01-2023.02
Repurchase price	<u>\$ 61,503,776</u>	<u>\$ 34,519,536</u>

27. PAYABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Checks for clearing	\$ 3,309,721	\$ 3,191,491
Accrued expenses	1,344,415	1,137,013
Accrued payable	1,502,105	819,072
Investment payable	1,379,985	670,206
Collections payable	207,839	193,548
Tax payable	209,341	162,551
Remittance payable	135,466	138,724
Acceptances	129,643	111,305
Others	<u>948,415</u>	<u>832,963</u>
	<u>\$ 9,166,930</u>	<u>\$ 7,256,873</u>

28. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Savings deposits	\$ 438,815,060	\$ 406,072,520
Demand deposits	145,802,986	143,603,288
Time deposits	163,760,528	148,188,015
Checking deposits	7,438,026	7,208,820
Negotiable certificates of deposit	227,200	2,604,500
Inward and outward remittances	<u>118,859</u>	<u>237,191</u>
	<u>\$ 756,162,659</u>	<u>\$ 707,914,334</u>

29. BANK DEBENTURES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
First issue of subordinated bank debentures in 2019; fixed rate at 1.10%; maturity: September 2026	\$ 500,000	\$ 500,000
First issue of subordinated bank debentures in 2019; fixed rate at 1.23%; maturity: September 2029	1,500,000	1,500,000
First issue of subordinated bank debentures in 2021; no maturity date and non-cumulative; redeemable at face value plus interest accrued under the approval of the authorities when the issue term is above 5.5 years; fixed rate at 1.92% (the benchmark interest rate is +1.1183%)	<u>3,000,000</u>	<u>3,000,000</u>
	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

30. PREFERRED STOCK LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Preferred stock liabilities	<u>\$ 375,000</u>	<u>\$ 375,000</u>

On June 2, 2021, the board of directors of Union Energy approved to issue 37,150 thousand shares of preferred stock A. The face value of each stock is \$10, issue amount was \$371,500 thousand. To meet business needs, the board of directors of Union Energy approved to redeem 450 thousand and 36,700 thousand preferred stock A at the initial issuance price plus compensation of \$4,676 thousand and \$394,701 thousand on March 28, 2022 and December 16, 2022, respectively.

On December 16, 2022, the boards of directors of Union Energy approved to issue 37,500 thousand shares of preferred stock B. The face value of each stock is \$10 dollars, issue amount was \$375,000 thousand. To meet business needs, the board of directors of Union Energy approved to redeem 37,500 thousand preferred stock B at the initial issuance price plus compensation of \$402,683 thousand on November 2, 2023.

On November 2, 2023, the board of directors of Union Energy approved to issue 37,500 thousand shares of preferred stock C. The face value of each stock is \$10, and issue amount was \$375,000 thousand. The main terms and conditions of the preferred stock C are the following:

- a. Maturity: Preferred stock C up to 20 years.
- b. Interest: The annual interest rate is 5.8%, based on the price of each stock.
- c. Dividend payment: Where Union Energy makes a profit in a fiscal year, apart from paying income tax, the earnings shall first be used to offset the deficits in previous years, appropriated as legal reserve, and appropriated or reversed from the special reserve with respect to the Articles of Incorporation before distributing dividends to holders of preferential shares of the year. Union Energy has the sole discretion on the distribution of dividends of preferential shares, which includes but is not limited to the their discretion to resolve not to distribute dividends to the preferential shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferential shares, the preferential shareholders shall raise no objection if the resolution is not to distribute dividends of preferential shares; the dividends resolved not to be distributed or not paid in full will be accumulated and payment will be deferred to the years with profits. Distribution of dividends of preferential shares C will be in cash and made in one payment in a year. After the financial statements have been ratified in the annual general meeting of shareholders, the board of directors shall determine the base date to distribute the dividends for the previous year. The year of issuance and the recovery of the number of dividends issued of the year shall be calculated based on the actual number of days of issuance in the year. The amount of dividends distributed should be recognized on the dividend statements.
- d. Restrictions on payment of dividends to common shares: Except for the dividends prescribed in the preceding subparagraphs, the shareholders of preferred stock are not entitled to participate in the distribution of earnings or capital reserve as cash or stock dividends of ordinary shares.

- e. Redemption: Within 30 days from the first day of the 4th year since the issuance date, Union Energy may redeem a portion or all of the outstanding shares of preferential shares at any time at the issuance price plus compensation at 7.25% annual interest rate for the actual number of issuance days of the same year. The amount of accumulated dividends paid prior to the date of recovery should be deducted. The rights and obligations of all types of issuance conditions of unrecovered preferential shares will continue. If Union Energy wishes to redeem all or part of the preferred shares due to business restructuring needs, the preferred shares shall be redeemed with the approval of a majority of the preferred shareholders and shall be paid at a premium rate of 7.25% per annum based on the actual issue price plus the actual number of days of issuance since the issue date, less the amount of accumulated dividends paid prior to the redemption date.
- f. Preferred stock repurchase: Preferred shares C cannot be sold by the holder of preferred stock.
- g. Liquidation preference: In the event of liquidation the order of priority for the distribution of the earnings and assets due to the shareholders is first to common shareholders then to the preferred shareholders and not more than the issuance amount of outstanding shares of preferred stock.
- h. Non-voting: Generally, the preferred shares C do not assign voting rights to their holders. However, some preferred shares allow its holders to vote on extraordinary events.
- i. Convertibility to common stock: No conversion of preferred share C into common shares.
- j. When Union Energy Co., Ltd. issue new shares in cash, the shareholders of preferred shares C and the common stock shall be entitled to equivalent preemptive rights on the new shares.

Union Green Energy I Private Equity Limited Partnership acquired all of the Union Energy issued preferred stock.

Union Energy's preferred shares C according to International Accounting Standards 32 "Financial Instruments: Presentation", the preferred stock classified as preferred stock liability.

31. BONDS PAYABLE

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Overseas corporate bonds - secured	<u>\$ 927,202</u>	<u>\$ 1,001,523</u>

SSG15

To comply with the Japanese law, whenever SSG15 issues secured corporate bonds, UCSH must transfer more than half of the shares of common stock of SSG15 held by UCSH to the legal entity Ippam Shadan Hojin UCJ1 (ISH UCJ1) in order to establish bankruptcy isolation mechanism.

SSG15 issued five-year period secured corporate bonds with a face value of JPY2,200,000 thousand (NT\$478,163 thousand) secured by investment property as a guarantee in March 2020. The book value of the investment property was JPY3,787,112 thousand (NT\$823,117 thousand). According to the contract, the issuance can be extended by one year, every quarter will pay the interest and installment of JPY11,000 thousand. The overseas corporate bonds - secured has the book value of JPY2,046,000 thousand (NT\$444,692 thousand).

The interest rates are as follows:

- a. The first to fifth years: Base interest rate + 0.41%

Base rate: The Tokyo Swap Rate (TSR), six-month LIBOR-based 5-year JPY/JPY-interest swap rate displayed on page 17143 of the Telerate screen at 10:00 am (JST) on the day that is two business days before the issuance date.

- b. The sixth year: Base interest rate + 1.41%

Base rate: The 3-month TIBOR (based on 365 days) displayed as the Japanese yen TIBOR as published by the JBA TIBOR Administration on page 17097 of the Telerate screen at 11:00 am JST on the day that is two business days before the interest payment date.

SSG12

SSG12 issued secured corporate bonds. KK must transfer more than half of the shares of common stock of SSG12 held by KK to the legal entity Ippam Shadan Hojin UCJ2 (ISH UCJ2) in order to establish bankruptcy isolation mechanism.

SSG12 issued five-year period secured corporate bonds with a face value of JPY1,920,000 thousand (NT\$417,306 thousand) secured by investment property as a guarantee in September 2021. According to the contract, the issuance can be extended by one year. The interest rates are as follows:

- a. The first to fifth years: Base interest rate + 0.5%

Base rate: The five-year yen-yen swap rate displayed on Refinitiv Screen page 17143 as the index rate as of 10 a.m. Tokyo time two business days prior to the issue date.

- b. The sixth year: Base interest rate + 0.5%

Base rate: The three-month yen TIBOR published by JBA TIBOR Administration on page 17097 of the Telerate screen as of 11 a.m., Tokyo time two business days prior to the first day of each interest calculation period during the tail period.

SSG16

SSG16 issued secured corporate bonds. KK must transfer more than half of the shares of common stock of SSG16 held by KK to the legal entity Ippam Shadan Hojin UCJ2 (ISH UCJ2) in order to establish bankruptcy isolation mechanism.

SSG16 issued four-year period secured corporate bonds with a face value of JPY300,000 thousand (NT\$65,204 thousand) and the loan under guarantee of JPY1,250,000 thousand (equivalent to NT\$271,684 thousand) was recorded as interbank financing (Note 25) secured by investment property as a guarantee in September 2021. The interest rate of the corporate bonds and guaranteed borrowings is the base rate + 0.850% (base rate: Tokyo exchange rate - 4-year exchange rate).

32. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Commercial paper	\$ 11,406,274	\$ 10,508,961
Principal amounts of structured products	<u>8,033</u>	<u>-</u>
	<u>\$ 11,414,307</u>	<u>\$ 10,508,961</u>

33. PROVISIONS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Reserve for losses on guarantees and loan commitment	\$ 316,538	\$ 298,537
Provisions for employee benefits	7,665	13,256
Others	<u>36,926</u>	<u>37,986</u>
	<u>\$ 361,129</u>	<u>\$ 349,779</u>

The Company has accrued an allowance for doubtful guarantees and loan commitments; the changes in allowance for doubtful accounts on guarantees and loan commitment for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>					Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
	12-month Expected- credit Losses	Lifetime Expected- credit Losses	Lifetime Expected- credit Losses (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)		
Balance at January 1, 2023							
Changes of financial instruments recognized at the beginning of the current reporting period	\$ 77,447	\$ 3,647	\$ 321	\$ 81,415	\$ 217,122	\$ 298,537	
Transfers to							
Lifetime ECL	(67)	67	-	-	-	-	
Credit-impaired financial assets	(65)	(2)	67	-	-	-	
12-month ECL	510	(509)	(1)	-	-	-	
Derecognition of financial assets in the current reporting period	(49,752)	(2,748)	(127)	(52,627)	-	(52,627)	
New financial assets purchased or originated	84,933	2,691	49	87,673	-	87,673	
Difference of impairment loss under regulations	-	-	-	-	(17,046)	(17,046)	
Change in risk parameters and others	-	-	-	-	-	-	
Change in exchange rates	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>	
Balance at December 31, 2023	<u>\$ 113,007</u>	<u>\$ 3,146</u>	<u>\$ 309</u>	<u>\$ 116,462</u>	<u>\$ 200,076</u>	<u>\$ 316,538</u>	

	12-month Expected- credit Losses	Lifetime Expected- credit Losses	Lifetime Expected- credit Losses (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2022	\$ 60,190	\$ 1,825	\$ 271	\$ 62,286	\$ 271,009	\$ 333,295
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(79)	79	-	-	-	-
Credit-impaired financial assets	(64)	(5)	69	-	-	-
12-month ECL	195	(195)	-	-	-	-
Derecognition of financial assets in the current reporting period	(34,864)	(1,058)	(133)	(36,055)	-	(36,055)
New financial assets purchased or originated	51,827	3,001	114	54,942	-	54,942
Difference of impairment loss under regulations	-	-	-	-	(53,887)	(53,887)
Change in risk parameters and others	-	-	-	-	-	-
Change in exchange rates	<u>242</u>	<u>-</u>	<u>-</u>	<u>242</u>	<u>-</u>	<u>242</u>
Balance at December 31, 2022	<u>\$ 77,447</u>	<u>\$ 3,647</u>	<u>\$ 321</u>	<u>\$ 81,415</u>	<u>\$ 217,122</u>	<u>\$ 298,537</u>

34. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The total expenses recognized in profit or loss for 2023 and 2022 of \$179,187 thousand and \$161,319 thousand, respectively, were contributions payable to these plans by the Company at rates specified in the pension plan rules.

b. Defined benefit plans

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

As of December 31, 2022, under Rule No. 1116032316 dated on January 19, 2022 from the Bureau of Labor Affairs of the Taipei City Government, the Bank withdrew \$75,414 thousand (recorded as prepaid pension) and transferred it to the account of the Labor Retirement Fund Supervisory Committee.

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

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ (1,536,128)	\$ (1,534,396)
Fair value of plan assets	<u>1,584,081</u>	<u>1,636,342</u>
Surplus (deficit)	<u>47,953</u>	<u>101,946</u>
Net defined benefit assets (liabilities)	<u>\$ 47,953</u>	<u>\$ 101,946</u>
Provisions - accrued retirement liabilities	<u>\$ (7,665)</u>	<u>\$ (13,256)</u>
Other assets - prepaid retirement	<u>\$ 55,618</u>	<u>\$ 115,202</u>

Movements in net defined benefit (liabilities) assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Balance at January 1, 2022	\$ (1,725,510)	\$ 1,899,748	\$ 174,238
Current service cost	(10,278)	-	(10,278)
Net interest (expense)	<u>(8,633)</u>	<u>9,497</u>	<u>864</u>
Recognized in profit or loss	<u>(18,911)</u>	<u>9,497</u>	<u>(9,414)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(201,531)	(201,531)
Actuarial gain (loss) - changes in financial assumptions	169,858	-	169,858
Actuarial gain (loss) - experience adjustments	<u>(45,829)</u>	<u>-</u>	<u>(45,829)</u>
Recognized in other comprehensive income	<u>124,029</u>	<u>(201,531)</u>	<u>(77,502)</u>
Contributions from the employer	-	10,126	10,126
Benefits paid	<u>85,996</u>	<u>(81,498)</u>	<u>4,498</u>
Balance at December 31, 2022	<u>\$ (1,534,396)</u>	<u>\$ 1,636,342</u>	<u>\$ 101,946</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Balance at January 1, 2023	\$ (1,534,396)	\$ 1,636,342	\$ 101,946
Current service cost	(7,759)	-	(7,759)
Net interest (expense)	(20,322)	21,633	1,311
Recognized in profit or loss	(28,081)	21,633	(6,448)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	17,626	17,626
Actuarial gain (loss) - changes in financial assumptions	(17,634)	-	(17,634)
Actuarial gain (loss) - experience adjustments	(57,482)	-	(57,482)
Recognized in other comprehensive income	(75,116)	17,626	(57,490)
Liabilities extinguished on settlement	1,772	(4,674)	(2,902)
Contributions from the employer	-	7,240	7,240
Benefits paid	99,693	(94,086)	5,607
Balance at December 31, 2023	<u>\$ (1,536,128)</u>	<u>\$ 1,584,081</u>	<u>\$ 47,953</u>

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

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

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

	December 31	
	2023	2022
Discount rate	1.209%-1.241%	1.325%-1.364%
Expected rates of future salary increase	2.250%-3.000%	2.250%-3.000%

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

	December 31	
	2023	2022
Discount rate(s)		
0.25% increase	<u>\$ (34,892)</u>	<u>\$ (36,619)</u>
0.25% decrease	<u>\$ 36,054</u>	<u>\$ 37,896</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 35,369</u>	<u>\$ 37,271</u>
0.25% decrease	<u>\$ (34,389)</u>	<u>\$ (36,178)</u>

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

	December 31	
	2023	2022
The expected contributions to the plan for the next year	<u>\$ 6,987</u>	<u>\$ 10,414</u>
The average duration of the defined benefit obligation	7-10.23 years	7-9.95 years

c. Retirement benefits plans of Union Finance International (HK) Limited

Union Finance International (HK) Limited has a defined contribution plan under foreign standards and regulations and is thus not covered by the Labor Pension Act and the Labor Standards Law. Its pension costs were \$0 thousand and \$78 thousand in 2023 and 2022.

35. OTHER LIABILITIES

	December 31	
	2023	2022
Guarantee deposits received	\$ 2,461,731	\$ 2,456,715
Advance receipts	1,030,648	778,229
Others	<u>131,238</u>	<u>147,043</u>
	<u>\$ 3,623,617</u>	<u>\$ 3,381,987</u>

36. EQUITY

a. Capital stock

Common stock

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Number of shares authorized (in thousands)	<u>4,500,000</u>	<u>4,500,000</u>
Amount of shares authorized	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,778,953</u>	<u>3,594,046</u>
Amount of shares issued	<u>\$ 37,789,525</u>	<u>\$ 35,940,460</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

Preferred stock

Due to the capital needs of the Company for future long-term business development and operational scale expansion, the Company's shareholders approved and authorized the board of directors to issue ordinary shares or special shares for domestic cash capital increase (one or both, as appropriate) in accordance with the provisions of the Articles of Incorporation or the relevant laws and regulations in order to raise the long-term funds on June 20, 2017. The total funds to be raised through issuing new shares as authorized this time shall not be more than NT\$10 billion (inclusive) as the principle. The number of shares for issue shall not be more than 800,000,000 shares (inclusive), as a principle. On June 28, 2017, the Company's board of directors resolved to issue preferred stock - A totaling 200,000 thousand shares with a par value of NT\$10, at NT\$50 per share in the total amount of NT\$10,000,000 thousand. The issuance of shares has been approved by the FSC under Order No. 1060033586 issued on September 1, 2017.

On October 24, 2017, the capital from issue of preferred stock - A amounted to NT\$10,000,000 thousand. The preferred stock - A was listed on Taiwan Stock Exchange on December 1, 2017.

The rights and other important conditions of issuance of the preferred stock - A are as follows:

- 1) Tenor: Perpetual.
- 2) Dividend yield: An annual dividend yield is set at 4.8% (5-year IRS 0.89125%+3.90875%) per annum of the issue price at the pricing day. The 5-year IRS will be reset on the next business day after each fifth and half anniversary day after issuance thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 5-year IRS rate is the arithmetic mean of 5-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. As the price of "PYTWDFIX" at the five-year IRS rate at 11:00 a.m. was not available, the Company decided to adopt the arithmetic mean of 5-year IRS rates of "TAIFXIRS" and "COSMOS3" appearing on Reuters pages at 11:00 a.m. dated April 20, 2023 as the 5-year IRS rate based on the integrity principle and reasonable market conditions. The dividend yield (annual rate) reset for the Company's Class A preference shares from April 24, 2023 is 5.26125%.

- 3) Dividend payment: Whereas the Company makes profit in a fiscal year, the profit shall be first utilized for paying taxes, offset losses of previous years, and from the remaining profit set aside amount as legal reserve, and set aside or reverse special reserve in accordance with the laws and regulations, and distribute dividends to the preferred shareholders. The Company has the sole discretion on the distribution of dividends of preferred stocks - A, which includes but not limited to the Company's discretion to resolve not to distribute dividends to the preferred shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferred stocks, or if the distribution of dividends of preferred stocks may cause Total Capital Adequacy Ratio to be less than the authority's minimum requirement, or if the Company has other essential considerations. If the Company resolves not to distribute dividends to the preferred shareholders, the shareholders of preferred stock - A shall raise no objection. The unpaid dividend will not be carried forward to years with earnings. The stock dividends of preferred stocks - A are distributed by cash in one payment annually. After the shareholders, in their meeting, approved the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolved to distribute from the earnings cash dividends, the board of directors sets the record date of preferred stock - A for payment of dividends. Dividend is calculated based on the proportion of the number of days that the stocks are issued in a fiscal year, starting from the date of issuance to the record date (or redemption date) of dividend. The amount of dividends distributed should be listed on the dividend statements. The shareholders' meeting of the Union Bank of Taiwan on June 9, 2023 has passed the resolution for the amendment to the Articles of Incorporation. Dividends of preferential shares if distributed will be in cash and in one payment in a year. After the annual general meeting of shareholders ratifies the financial statements, the board of directors shall determine the base date to disburse the dividends for the previous year. The year of issuance and the recovery of the number of dividends issued of the year shall be calculated based on the actual number of days of issuance in the year. The amount of dividends distributed should be recognized on the dividend statements.
- 4) Restrictions on payment of dividends to common shares: Except for the dividends prescribed in the preceding subparagraphs herein, the shareholders of preferred stock - A are not entitled to participate in the distribution of cash or stock dividends with regard to the ordinary shares derived from earnings or capital reserves.
- 5) Redemption: After 5.5 years from the issue date, the Company may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - A at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock - A shall continue as specified herein. If the stockholders' meeting approves the distribution of dividends in the year the Company redeems the outstanding shares of preferred stock - A, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.
- 6) Liquidation preference: In the event of liquidation, except when the competent authority assigned officials to take receivership over the Company, order the Company to suspend and wind up business, or liquidate the Company, in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", the order of priority for the distribution of the earnings and assets of the shareholders of preferred stock - A is the same as that of a common stockholder, the shareholders of preferred stock - A shall be given priority to claim on the Company's remaining assets over the shareholders of common stocks, and equal to shareholders of other preferred stock issued by the Company, but subordinate to the holders of Tier 2 capital, depositors, and other general creditors, and not more than the issuance amount of outstanding shares of preferred stock - A.
- 7) Voting rights or election rights: The shareholders of preferred stock - A are not entitled to any voting rights or election rights in shareholders' meeting. However, they may vote in preferred stock - A shareholders' meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of the shareholders of preferred stock - A.

- 8) Preferred stock - A shall not be converted into common stocks. The shareholders of the preferred stocks shall not require the Company to redeem the rights of the preferred stocks - A.
- 9) When the Company issues new shares in cash, the shareholders of preferred stock - A and the common stock shall be entitled to equivalent preemptive rights on the new shares.

b. Capital surplus

	<u>December 31</u>	
	2023	2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of preference shares	\$ 8,000,000	\$ 8,000,000
Treasury stock transactions	32,413	32,413
Issuance of ordinary shares	70,389	38,123
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	659	659
Share of changes in capital surplus of associates or joint ventures	<u>22,271</u>	<u>5,631</u>
	<u>\$ 8,125,732</u>	<u>\$ 8,076,826</u>

- 1) The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of ordinary shares and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus and to once a year.
- 2) The changes in ownership of subsidiaries under capital surplus are generated from the effects of equity transactions recognized due to changes of the subsidiaries' equities, and not due to actual acquisition or disposal of the subsidiaries' equities.

c. Legal reserve

Legal reserve should be appropriated until it equals the Company's paid-in-capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of its paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, based on the Banking Act, if the legal reserve is less than the Company's paid-in capital, the amount that may be distributed in cash should not exceed 15% of the Company's paid-in-capital.

d. Special reserve

	<u>December 31</u>	
	2023	2022
Balance at January 1	\$ 627,440	\$ 627,440
Special reserves appropriated	<u>129,596</u>	<u>-</u>
Balance at December 31	<u>\$ 757,036</u>	<u>\$ 627,440</u>

Items referred to under Rule No. 109015022 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Company in March 31, 2021.

If a special reserve appropriated on the first-time adoption of IFRSs relates to investment properties other than land, the special reserve may be reversed continuously over the period of use. The special reserve relating to land may be reversed on the disposal or reclassification of the related assets.

The above special reserve may be used to offset a deficit; if the reserve has reached at least 50% of the paid-in capital, half of this special reserve may be capitalized.

According to Order No. 10510001510 issued by the FSC on May 25, 2016, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. Since 2017, the Company is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology.

e. Retained earnings and dividend policy

If the Company has made a profit at the end of the fiscal year, in addition to paying income tax in accordance with the law, losses from prior years should first be compensated, then 30% shall be provided as legal reserve. Special reserve may also be provided in accordance with the law or as required for business. The remaining amount together with the accumulated undistributed profit from the previous year shall be subject to a profit distribution proposal prepared by the board of directors and shall be submitted to the shareholders’ meeting for a resolution on the distribution of shareholders’ dividends and bonuses.

The dividends and bonuses under the first paragraph shall be distributed in cash or stock, as determined by the board of directors based on the financial status at the time, future profitability status and capital budget planning of the Company. In principle, if the ratio between the Company’s own capital and risky assets after distribution will be lower than the ratio stipulated by the competent authority by 1%, issuance of stock dividend may be given priority; before the level of capital reserve reaches the amount of total capital, profit distribution in cash shall not exceed 15% of the total capital.

The appropriations from the earnings of 2022 and 2021 were approved in stockholders’ meetings on June 9, 2023 and May 27, 2022, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 928,965	\$ 1,665,178		
Special reserve	129,596	-		
Cash dividends on ordinary shares	359,405	494,282	\$ 0.10	\$ 0.15
Stock dividends on ordinary shares	1,797,023	2,916,269	0.50	0.885
Cash dividends on preference shares	480,000	480,000	2.40	2.40

The appropriations from the 2023 earnings were proposed by the board of directors on March 11, 2024. The appropriations, including the dividends per share, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,453,449	
Special reserve	(129,596)	
Stock dividends on ordinary shares	2,645,267	\$ 0.70
Cash dividends on ordinary shares	755,790	0.20
Cash dividends on preference shares	511,845	2.559

The appropriation of earnings for 2023 will be approved in stockholders' meeting to be held on June 14, 2024.

f. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ (508,759)	\$ (1,636,613)
Exchange differences arising on translation the foreign operations	(125,642)	1,409,818
Income tax on exchange differences on translation of the net assets of foreign operations	<u>25,129</u>	<u>(281,964)</u>
Balance at December 31	<u>\$ (609,272)</u>	<u>\$ (508,759)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance at January 1 (IFRS 9)	\$ (128,822)	\$ 7,283,034
Generated this year		
Unrealized gain (loss)		
Debt instruments	887,451	(7,044,078)
Equity instruments	2,764,055	(2,023,555)
Adjustments to loss allowance for debt instruments	30,463	1,355,562
Disposal of debt instruments	<u>248,840</u>	<u>(80,305)</u>
Other comprehensive income for the year	3,930,809	(7,792,376)
Accumulated gain (loss) transferred to retained earnings from disposal of equity instruments at FVTOCI	<u>(573,140)</u>	<u>380,520</u>
Balance at year-end	<u>\$ 3,228,847</u>	<u>\$ (128,822)</u>

g. Non-controlling interests

	<u>For the Year Ended December 31</u>	
	2023	2022
Balance at January 1	\$ 2,046,500	\$ 729,758
Attributed to non-controlling interests		
Share of profit for the year	3,394	2,464
Unrealized gains (losses) on investments in equity instruments at fair value through gains or losses	4	4
Subsidiaries' cash dividends	(7,434)	(133)
Preferential shares (redeemed) issued by subsidiaries	(227,500)	1,314,000
Acquisition of part of subsidiaries' equities (Note 56)	<u>393,539</u>	<u>407</u>
Balance at December 31	<u>\$ 2,208,503</u>	<u>\$ 2,046,500</u>

In 2021, the shareholders of Ting Jie Electric Power resolved in their meeting to amend the issuance conditions of preferential shares A in the Articles of Incorporation. There was a total of 40,000 thousand shares with a face value of NT\$10 per share, for a total of \$400,000 thousand.

On April 11, 2022, the board of Ting Jie Electric Power approved to issue 120,000 thousand shares of preferential shares B with a face value of NT\$10, for a total of \$1,200,000 thousand. The main terms and conditions of preferential shares are the following:

- 1) Maturity: Perpetual for the preferential shares B.
- 2) Dividend: The annual interest rate is 6% per annum for the preferential shares B, based on the price per share.
- 3) Dividend payment: Whereas Ting Jie Electric Power makes a profit in a fiscal year, apart from paying income tax, the earning shall first be used to offset the deficits in previous years, appropriated as legal reserve, appropriated or reversed from the special reserve with respect to these Articles of Incorporation before distributing dividends to holders of preferential shares of the year. Ting Jie Electric Power has the sole discretion on the distribution of dividends of preferential shares, which includes but is not limited to the their discretion to resolve not to distribute dividends to the preferential shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferential shares, the preferential shareholders shall raise no objection if the resolution is not to distribute dividends of preferential shares; the dividends resolved not to be distributed or not paid in full amount may be accumulated and payment will be deferred to the years with profits. Distribution of dividends of preferential shares will be in cash and made in one payment in a year. After the financial statements have been ratified in the annual general meeting of shareholders, the board of directors shall determine the base date to distribute the dividends for the previous year. The year of issuance and the recovery of the number of dividends issued of the year shall be calculated based on the actual number of days of issuance in the year. The amount of dividends distributed should be recognized on the dividend statements.
- 4) Distribution of dividends in excess: Preferential shares B, other than the dividends received based on the dividend rate prescribed in the preceding paragraph, under no circumstances shall holders of preference shares be entitled to receive the dividends distributed for common shares from the Bank's earnings and legal reserves in cash or capital reserves.

- 5) Redemption of preferential shares B: After 3 years from the issue date, Ting Jie Electric Power may redeem a portion or all of the outstanding shares of preferential shares at any time at the issue price. The rights and obligations of all types of issuance conditions of unrecovered preferential shares will continue. Should the issue of dividends for preferential shares B be resolved in the board meeting of Ting Jie Electric Power in the recovery year, the dividends to be distributed shall be calculated by the day of recovery based on the actual number of days issued in the year.
- 6) Repurchase of preferential shares: Preferential shares cannot be sold by the holders of preferential shares.
- 7) Liquidation priority: Holders of preferential shares B are entitled to a higher priority than holders of common shares in the distribution of Ting Jie Electric power's residual property and to the same priority in the right to claim of holders of all types of preferential shares issued by Ting Jie Electric power, but the right to claim shall be limited to the issuance amount only.
- 8) Voting and election rights: Holders of preferential shares B are not entitled to vote or elect, except for the meeting of holders of preferential shares or meeting of shareholders involving the rights and obligations of holders of preferential shares, both of which shall be entitled to the voting rights.
- 9) Convertibility to common shares: Under no circumstances shall the conversion from preferential shares A into common shares be allowed, nor shall holders of preferential shares be entitled to request Ting Jie Electric power to recover their preference shares held.
- 10) When Ting Jie Electric Power issues new shares in cash, the shareholders of preferred stock and the common stock shall be entitled to equivalent preemptive rights on the new shares.

The board of Na He Yi Hau approved to revised the main term and conditions of preferential share. Na He Yi Hau issue 12,400 thousand shares of preferential shares B with a face value of NT\$10, for a total of \$124,000 thousand. The main terms and conditions of preferential shares are the following:

- 1) Maturity: Perpetual for the preferential shares A.
- 2) Dividend: The annual interest rate is 6.5% per annum for the preferential shares A, based on the price per share.
- 3) Dividend payment: Whereas Na He Yi Hau makes a profit in a fiscal year, apart from paying income tax, the earning shall first be used to offset the deficits in previous years, appropriated as legal reserve, appropriated or reversed from the special reserve with respect to these Articles of Incorporation before distributing dividends to holders of preferential shares of the year. Na He Yi Hau has the sole discretion on the distribution of dividends of preferential shares, which includes but is not limited to the their discretion to resolve not to distribute dividends to the preferential shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferential shares, the preferential shareholders shall raise no objection if the resolution is not to distribute dividends of preferential shares; the dividends resolved not to be distributed or not paid in full amount may be accumulated and payment will be deferred to the years with profits. Distribution of dividends of preferential shares will be in cash and made in one payment in a year. After the financial statements have been ratified in the annual general meeting of shareholders, the board of directors shall determine the base date to distribute the dividends for the previous year. The year of issuance and the recovery of the number of dividends issued of the year shall be calculated based on the actual number of days of issuance in the year. The amount of dividends distributed should be recognized on the dividend statements.

- 4) Distribution of dividends in excess: Preferential shares A, other than the dividends received based on the dividend rate prescribed in the preceding paragraph, under no circumstances shall holders of preference shares be entitled to receive the dividends distributed for common shares from the Bank's earnings and legal reserves in cash or capital reserves.
- 5) Redemption of preferential shares A: After 5 years from the issue date, Na He Yi Hau may redeem a portion or all of the outstanding shares of preferential shares at any time at the issue price. The rights and obligations of all types of issuance conditions of unrecovered preferential shares will continue. Should the issue of dividends for preferential shares A be resolved in the board meeting of Na He Yi Hau in the recovery year, the dividends to be distributed shall be calculated by the day of recovery based on the actual number of days issued in the year.
- 6) Repurchase of preferential shares: Preferential shares cannot be sold by the holders of preferential shares.
- 7) Liquidation priority: Holders of preferential shares A are entitled to a higher priority than holders of common shares in the distribution of Na He Yi Hau's residual property and to the same priority in the right to claim of holders of all types of preferential shares issued by Na He Yi Hau, but the right to claim shall be limited to the issuance amount only.
- 8) Voting and election rights: Holders of preferential shares A are not entitled to vote or elect, except for the meeting of holders of preferential shares or meeting of shareholders involving the rights and obligations of holders of preferential shares, both of which shall be entitled to the voting rights.
- 9) Convertibility to common shares: Under no circumstances shall the conversion from preferential shares A into common shares be allowed, nor shall holders of preferential shares be entitled to request Na He Yi Hau to recover their preference shares held.
- 10) When Na He Yi Hau issues new shares in cash, the shareholders of preferred stock and the common stock shall be entitled to equivalent preemptive rights on the new shares.

Union Green Energy I Private Equity Limited Partnership acquired all of the preferential shares issued by Ting Jie Electric Power and Na He Yi Hau.

For business needs, after approval from the directors in December 2021, Tianji Smart Energy issued preferential shares at a premium of \$50 per share. The actual number of shares for the capital increase is 5,280 thousand, for a total of \$264,000 thousand. The board of Tian Ji Smart approved to redeem 3,000 thousand preferential shares at the original issuance price plus compensation for \$159,349 thousand in March 2023. The issuance conditions of the preferential shares are as follows:

- 1) Maturity: Perpetual for the preferential shares A.
- 2) Dividend: The annual interest rate is 5% per annum for the preferential shares A, based on the price per share.

- 3) Dividend payment: Where Tianji Smart Energy makes a profit in a fiscal year, apart from paying income tax, the earnings shall first be used to offset the deficit in previous years, appropriated as legal reserve, appropriated or reversed from the special reserve with respect to the Articles of Incorporation before distributing dividends to holders of preferential shares of the year. Tian Ji Smart has the sole discretion on the distribution of dividends of preferential shares, including but not limited to the distribution of dividends to the preferential shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferential shares, the preferential shareholders shall raise no objection if the resolution is not to distribute dividends of preferential shares; the dividends resolved not to be distributed or not paid in full may be accumulated, and payment will be deferred to the years with profits. Distribution of dividends of preferential shares will be in cash and made in one payment in a year. After the financial statements have been ratified in the annual general meeting of shareholders, the board of directors shall determine the base date to distribute the dividends for the previous year. The year of issuance and the recovery of the number of dividends issued in the year shall be calculated based on the actual number of days of issuance in the year. The amount of dividends distributed should be recognized on the dividend statements.
- 4) Distribution of dividends in excess: Preferential shares A, other than the dividends received based on the dividend rate prescribed in the preceding paragraph, under no circumstances shall holders of preference shares be entitled to receive the dividends distributed for common shares from the Bank's earnings and legal reserves in cash or capital reserves.
- 5) Redemption of preferential shares A: After 6 months from the issue date, Tianji Smart Energy may redeem a portion or all of the outstanding shares of preferential shares at any time at the issue price. The rights and obligations of all types of issuance conditions of unrecovered preferential shares will continue. Should the issue of dividends for preferential shares A be resolved in the board meeting of Tianji Smart Energy in the recovery year, the dividends to be distributed shall be calculated by the day of recovery based on the actual number of days issued in the year.
- 6) Repurchase of preferential shares: Preferential shares cannot be sold by the holders during the issuance period.
- 7) Liquidation priority: Holders of preferential shares A are entitled to a higher priority than holders of common shares in the distribution of Tianji Smart Energy's residual property and to the same priority in the right to claim of holders of all types of preferential shares issued by Tianji Smart Energy, but the right to claim shall be limited to the issuance amount only.
- 8) Voting and election rights: Holders of preferential shares A are not entitled to vote or elect, except for the meeting of holders of preferential shares or the meeting of shareholders involving the rights and obligations of holders of preferential shares, both of which shall be entitled to voting rights.
- 9) Convertibility to common shares: Under no circumstances shall the conversion from preferential shares A into common shares be allowed, nor shall holders of preferential shares be entitled to request Tianji Smart Energy to recover their preference shares held.

In May 2023, the Company participated in the cash capital increase of Bei Chen Yi Hau and obtained 99.08% equity. In 2022, the shareholders of Bei Chen Yi Hau held a meeting and approved the issuance conditions of the preferential shares A in the articles of association, with a total of 18,750 thousand shares, with a par value of NT\$10, and a total amount of \$187,500 thousand. Due to business needs, on April 28, 2023, with the approval of the directors, Bei Chen Yi Hau redeemed 7,750 thousand shares of preferential shares A at the original issue price plus compensation of \$4,612 thousand. The issuance conditions of the preferential shares are as follows:

- 1) Maturity: Perpetual for the preferential shares A.

- 2) Dividend: The annual interest rate is 6% per annum for the preferential shares A, based on the price per share.
- 3) Dividend payment: Where Bei Chen Yi Hau makes a profit in a fiscal year, apart from paying income tax, the earnings shall first be used to offset the deficit in previous years, appropriated as legal reserve, appropriated or reversed from the special reserve with respect to the Articles of Incorporation before distributing dividends to holders of preferential shares of the year. Bei Chen Yi Hau has the sole discretion on the distribution of dividends of preferential shares, including but not limited to the distribution of dividends to the preferential shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferential shares, the preferential shareholders shall raise no objection if the resolution is not to distribute dividends of preferential shares; the dividends resolved not to be distributed or not paid in full may be accumulated, and payment will be deferred to the years with profits. Distribution of dividends of preferential shares will be in cash and made in one payment in a year. After the financial statements have been ratified in the annual general meeting of shareholders, the board of directors shall determine the base date to distribute the dividends for the previous year. The year of issuance and the recovery of the number of dividends issued in the year shall be calculated based on the actual number of days of issuance in the year. The amount of dividends distributed should be recognized on the dividend statements.
- 4) Distribution of dividends in excess: Preferential shares A, other than the dividends received based on the dividend rate prescribed in the preceding paragraph, under no circumstances shall holders of preference shares be entitled to receive the dividends distributed for common shares from the Bank's earnings and legal reserves in cash or capital reserves.
- 5) Redemption of preferential shares A: After 3 years from the issue date, Bei Chen Yi Hau may redeem a portion or all of the outstanding shares of preferential shares at any time at the issue price. The rights and obligations of all types of issuance conditions of unrecovered preferential shares will continue. Should the issue of dividends for preferential shares A be resolved in the board meeting of Bei Chen Yi Hau in the recovery year, the dividends to be distributed shall be calculated by the day of recovery based on the actual number of days issued in the year. Or if Bei Chen Yi Hau wants to recover all or part of the special shares due to business adjustments, although the issuance has not expired for three years, it shall obtain the consent of more than half of the shareholders of the special shares, and pay compensation at an annual interest rate of 6% according to the original actual issue price plus the actual number of issuance days from the date of issuance.
- 6) Repurchase of preferential shares: Preferential shares cannot be sold by the holders.
- 7) Liquidation priority: Holders of preferential shares A are entitled to a higher priority than holders of common shares in the distribution of Bei Chen Yi Hau's residual property and to the same priority in the right to claim of holders of all types of preferential shares issued by Bei Chen Yi Hau, but the right to claim shall be limited to the issuance amount only.
- 8) Voting and election rights: Holders of preferential shares A are not entitled to vote or elect, except for the meeting of holders of preferential shares or the meeting of shareholders involving the rights and obligations of holders of preferential shares, both of which shall be entitled to voting rights.
- 9) Convertibility to common shares: Under no circumstances shall the conversion from preferential shares A into common shares be allowed, nor shall holders of preferential shares be entitled to request Bei Chen Yi Hau to recover their preference shares held.
- 10) When Bei Chen Yi Hau issues new shares in cash, the shareholders of preferred stock and common stock shall be entitled to equivalent preemptive rights on the new shares.

Union Green Energy I Private Equity Limited Partnership acquired all of the preferential shares issued by Bei Chen Yi Hau.

In July 2023, the Company participated in the cash capital increase of Hao Tian Electric Power and obtained 99.08% equity. In 2022, the shareholders' meeting of Hao Tian Electric Power passed the issuance conditions of preferential shares A in the articles of association of the company, with a total of 10,150 thousand shares, with a par value of \$10, and a total amount of \$101,500 thousand.

- 1) Maturity: Perpetual for the preferential shares A.
- 2) Dividend: The annual interest rate is 6% per annum for the preferential shares A, based on the price per share.
- 3) Dividend payment: Where Hao Tian Electric Power makes a profit in a fiscal year, apart from paying income tax, the earnings shall first be used to offset the deficit in previous years, appropriated as legal reserve, appropriated or reversed from the special reserve with respect to the Articles of Incorporation before distributing dividends to holders of preferential shares of the year. Hao Tian Electric Power has the sole discretion on the distribution of dividends of preferential shares, including but not limited the distribution of dividends to the preferential shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferential shares, the preferential shareholders shall raise no objection if the resolution is not to distribute dividends of preferential shares; the dividends resolved not to be distributed or not paid in full may be accumulated, and payment will be deferred to the years with profits. Distribution of dividends of preferential shares will be in cash and made in one payment in a year. After the financial statements have been ratified in the annual general meeting of shareholders, the board of directors shall determine the base date to distribute the dividends for the previous year. The year of issuance and the recovery of the number of dividends issued in the year shall be calculated based on the actual number of days of issuance in the year. The amount of dividends distributed should be recognized on the dividend statements.
- 4) Distribution of dividends in excess: Preferential shares A, other than the dividends received based on the dividend rate prescribed in the preceding paragraph, under no circumstances shall holders of preference shares be entitled to receive the dividends distributed for common shares from the Bank's earnings and legal reserves in cash or capital reserves.
- 5) Redemption of preferential shares A: After 3 years from the issue date, Hao Tian Electric Power may redeem a portion or all of the outstanding shares of preferential shares at any time at the issue price. The rights and obligations of all types of issuance conditions of unrecovered preferential shares will continue. Should the issue of dividends for preferential shares A be resolved in the board meeting of Hao Tian Electric Power in the recovery year, the dividends to be distributed shall be calculated by the day of recovery based on the actual number of days issued in the year. Or if Hao Tian Electric Power wants to recover all or part of the special shares due to business adjustments, although the issuance has not expired for three years, it shall obtain the consent of more than half of the shareholders of the special shares, and pay compensation at an annual interest rate of 6% according to the original actual issue price plus the actual number of issuance days from the date of issuance.
- 6) Repurchase of preferential shares: Preferential shares cannot be sold by the holders.
- 7) Liquidation priority: Holders of preferential shares A are entitled to a higher priority than holders of common shares in the distribution of Hao Tian Electric Power's residual property and to the same priority in the right to claim of holders of all types of preferential shares issued by Hao Tian Electric Power, but the right to claim shall be limited to the issuance amount only.
- 8) Voting and election rights: Holders of preferential shares A are not entitled to vote or elect, except for the meeting of holders of preferential shares or the meeting of shareholders involving the rights and obligations of holders of preferential shares, both of which shall be entitled to voting rights.

- 9) Convertibility to common shares: Under no circumstances shall the conversion from preferential shares A into common shares be allowed, nor shall holders of preferential shares be entitled to request Hao Tian Electric Power to recover their preference shares held.
- 10) When Hao Tian Electric Power issues new shares in cash, the shareholders of preferred stock and common stock shall be entitled to equivalent preemptive rights on the new shares.

Union Green Energy I Private Equity Limited Partnership acquired all of the preferential shares issued by Hao Tian Electric Power.

In July 2023, the Company participated in the cash capital increase of Feng Tai Electric Power and obtained 99.08% equity. In 2022, the shareholders' meeting of Feng Tai Electric Power passed the issuance conditions of preferential shares A in the articles of association of the company, with a total of 10,150 thousand shares, with a par value of \$10 per share, and a total amount of \$101,500 thousand.

- 1) Maturity: Perpetual for the preferential shares A.
- 2) Dividend: The annual interest rate is 6% per annum for the preferential shares A, based on the price per share.
- 3) Dividend payment: Where Feng Tai Electric Power makes a profit in a fiscal year, apart from paying income tax, the earnings shall first be used to offset the deficit in previous years, appropriated as legal reserve, appropriated or reversed from the special reserve with respect to the Articles of Incorporation before distributing dividends to holders of preferential shares of the year. Feng Tai Electric Power has the sole discretion on the distribution of dividends of preferential shares, including but not limited to the distribution of dividends to the preferential shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferential shares, the preferential shareholders shall raise no objection if the resolution is not to distribute dividends of preferential shares; the dividends resolved not to be distributed or not paid in full may be accumulated and payment will be deferred to the years with profits. Distribution of dividends of preferential shares will be in cash and made in one payment in a year. After the financial statements have been ratified in the annual general meeting of shareholders, the board of directors shall determine the base date to distribute the dividends for the previous year. The year of issuance and the recovery of the number of dividends issued in the year shall be calculated based on the actual number of days of issuance in the year. The amount of dividends distributed should be recognized on the dividend statements.
- 4) Distribution of dividends in excess: Preferential shares A, other than the dividends received based on the dividend rate prescribed in the preceding paragraph, under no circumstances shall holders of preference shares be entitled to receive the dividends distributed for common shares from the Bank's earnings and legal reserves in cash or capital reserves.
- 5) Redemption of preferential shares A: After 3 years from the issue date, Feng Tai Electric Power may redeem a portion or all of the outstanding shares of preferential shares at any time at the issue price. The rights and obligations of all types of issuance conditions of unrecovered preferential shares will continue. Should the issue of dividends for preferential shares A be resolved in the board meeting of Feng Tai Electric Power in the recovery year, the dividends to be distributed shall be calculated by the day of recovery based on the actual number of days issued in the year. Or if Feng Tai Electric Power wants to recover all or part of the special shares due to business adjustments, although the issuance has not expired for three years, it shall obtain the consent of more than half of the shareholders of the special shares, and pay compensation at an annual interest rate of 6% according to the original actual issue price plus the actual number of issuance days from the date of issuance.

- 6) Repurchase of preferential shares: Preferential shares cannot be sold by the holders.
- 7) Liquidation priority: Holders of preferential shares A are entitled to a higher priority than holders of common shares in the distribution of Feng Tai Electric Power's residual property and to the same priority in the right to claim of holders of all types of preferential shares issued by Feng Tai Electric Power, but the right to claim shall be limited to the issuance amount only.
- 8) Voting and election rights: Holders of preferential shares A are not entitled to vote or elect, except for the meeting of holders of preferential shares or the meeting of shareholders involving the rights and obligations of holders of preferential shares, both of which shall be entitled to voting rights.
- 9) Convertibility to common shares: Under no circumstances shall the conversion from preferential shares A into common shares be allowed, nor shall holders of preferential shares be entitled to request Feng Tai Electric Power to recover their preference shares held.
- 10) When Feng Tai Electric Power issues new shares in cash, the shareholders of preferred stock and common stock shall be entitled to equivalent preemptive rights on the new shares.

Union Green Energy I Private Equity Limited Partnership acquired all of the preferential shares issued by Feng Tai Electric Power.

37. NET INTEREST

	For the Year Ended December 31	
	2023	2022
<u>Interest revenue</u>		
Discounts and loans	\$ 15,008,525	\$ 11,125,615
Financial assets at fair value through other comprehensive income	1,341,220	1,310,949
Investments in debt instruments at amortized cost	1,618,761	1,284,053
Credit card	864,984	799,974
Securities purchased under resell agreements	596,263	201,623
Due from the Central Bank and call loans to other banks	263,905	109,649
Others	<u>276,384</u>	<u>130,727</u>
	<u>19,970,042</u>	<u>14,962,590</u>
<u>Interest expense</u>		
Deposits	9,107,560	3,987,461
Bank debentures	1,983,583	771,818
Securities sold under repurchase agreements	81,550	100,924
Due to Chunghwa Post Co., Ltd.	59,884	42,039
Others	<u>385,478</u>	<u>218,613</u>
	<u>11,618,055</u>	<u>5,120,855</u>
	<u>\$ 8,351,987</u>	<u>\$ 9,841,735</u>

38. COMMISSION AND FEE REVENUE, NET

	For the Year Ended December 31	
	2023	2022
Commission and fee revenue		
Credit cards and debit cards	\$ 3,131,484	\$ 2,704,559
Insurance commission	984,300	930,726
Trust business	673,848	521,096
Loan business	511,208	482,787
Underwriting business	175,374	147,113
Guarantee business	145,554	132,856
Interbank service fee	66,614	68,368
Others	<u>364,867</u>	<u>419,593</u>
	<u>6,053,249</u>	<u>5,407,098</u>
Commission and fee expense		
Acquiring liquidation deal	1,298,038	1,081,830
Credit card	1,211,303	797,456
Verification of credit	50,714	39,466
Interbank service fee	36,839	30,745
Others	<u>146,044</u>	<u>135,917</u>
	<u>2,742,938</u>	<u>2,085,414</u>
	<u>\$ 3,310,311</u>	<u>\$ 3,321,684</u>

39. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2023	2022
Realized gain or loss on financial assets at fair value through profit or loss		
Currency swap contracts	\$ 1,814,340	\$ 310,718
Foreign exchange forward contracts	(63,255)	(113,550)
Commercial papers	18,924	7,618
Beneficiary securities and shares	168,971	(751,059)
Option contracts	6,446	3,781
Government bonds	20,582	-
Dividend revenue	74,978	43,701
Interest revenue	715,878	344,395
Principal guaranteed notes	16,693	17,290
Futures exchange margins	<u>(947)</u>	<u>6,573</u>
	<u>2,772,610</u>	<u>(130,533)</u>
Unrealized gain or loss on financial assets at fair value through profit or loss		
Derivative financial assets and liabilities	(983,949)	(133,962)
Beneficiary securities and shares	280,292	61,747
Commercial paper	(9,906)	6,709
Government bonds and corporate bonds	18,421	(7,489)
Futures exchange margins	<u>(206)</u>	<u>206</u>
	<u>(695,348)</u>	<u>(72,789)</u>
	<u>\$ 2,077,262</u>	<u>\$ (203,322)</u>

40. REALIZED GAIN ON FINANCIAL ASSETS AT FVTOCI

	For the Year Ended December 31	
	2023	2022
Dividend revenue	\$ 467,911	\$ 708,173
Net income on disposal - debt instruments	<u>(248,840)</u>	<u>80,305</u>
	<u>\$ 219,071</u>	<u>\$ 788,478</u>

41. IMPAIRMENT LOSS (REVERSAL OF LOSS)

	For the Year Ended December 31	
	2023	2022
Debt instruments at FVTOCI	\$ (29,553)	\$ (1,279,572)
Financial assets at amortized cost	(45,939)	8,219
Foreclosed collateral	1,434	2,108
Investments accounted for using the equity method	<u>(3,081)</u>	<u>-</u>
	<u>\$ (77,139)</u>	<u>\$ (1,269,245)</u>

42. SALARY AND BENEFITS OF EMPLOYEES

	For the Year Ended December 31	
	2023	2022
Salaries and wages	\$ 2,717,033	\$ 2,609,948
Bonus	1,271,397	1,056,425
Pension		
Defined contribution plans	179,187	161,397
Defined benefit plans	6,448	9,414
Labor insurance and national health insurance	382,026	354,050
Others	<u>125,944</u>	<u>107,461</u>
	<u>\$ 4,682,035</u>	<u>\$ 4,298,695</u>

The Company accrued compensation of employees and remuneration of directors at the rates of between 1% and 5% and no higher than 0.1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	1.84%	1.84%
Remuneration of directors	0.09%	0.09%

Amount

	For the Year Ended December 31			
	2023		2022	
	Cash	Share	Cash	Share
Compensation of employees	\$ -	\$ 96,927	\$ -	\$ 84,308
Remuneration of directors and supervisors	4,741	-	4,124	-

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

The number of shares of the compensation of employees, which was determined by dividing the amount of the compensation of employees resolved for 2023 and 2022 by \$14.70 and \$16.20, respectively, which is the closing price per share on the day immediately preceding the meeting of the Company's board of directors was 6,594 thousand shares and 5,204 thousand shares for 2023 and 2022, respectively.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for 2023 and 2022.

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

43. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2023	2022
Assets leased	\$ 1,648,244	\$ 1,706,281
Right-of-use assets	495,062	484,907
Property and equipment	382,570	387,074
Intangible assets	96,861	92,883
Investment properties	<u>43,928</u>	<u>42,735</u>
	<u>\$ 2,666,665</u>	<u>\$ 2,713,880</u>

44. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2023	2022
Advertisement	\$ 1,184,321	\$ 910,902
Taxation and government fee	1,111,738	890,504
Outsourcing service	393,399	414,523
Postage/cable charge	283,453	258,932
Computer operating	247,153	198,379
Maintenance charge	199,667	176,064
Deposit insurance	180,639	168,972
Rental	190,663	167,498
Others	<u>931,104</u>	<u>737,839</u>
	<u>\$ 4,722,137</u>	<u>\$ 3,923,613</u>

45. INCOME TAX

a. Income tax recognized in profit or loss

The main components of income tax expense were as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
Current year	\$ 939,684	\$ 1,006,051
Income tax on unappropriated earnings	42	-
Prior year's adjustments	<u>(13,289)</u>	<u>(2,754)</u>
	<u>926,437</u>	<u>1,003,297</u>
Deferred tax		
Current year	<u>(11,720)</u>	<u>4,943</u>
Income tax expense recognized in profit or loss	<u>\$ 914,717</u>	<u>\$ 1,008,240</u>

A reconciliation of accounting profit and current income tax expense for the years ended December 31, 2023 and 2022 is as follows:

	For the Year Ended December 31	
	2023	2022
Income before tax	<u>\$ 5,235,397</u>	<u>\$ 4,549,774</u>
Income tax expense at the 20% statutory rate	\$ 1,051,407	\$ 919,405
Tax-exempt income	(207,769)	(48,593)
Nondeductible expenses in determining taxable income	34,367	44,116
Additional income tax under the Alternative Minimum Tax Act	14,059	-
Unrecognized deductible temporary differences	32,872	30,063
Other permanent differences	696	66,003
Income tax on unappropriated earnings	42	-
Income from controlled foreign enterprises recognized by profit-making enterprises	2,332	-
Adjustments for prior year's tax	<u>(13,289)</u>	<u>(2,754)</u>
Income tax expense recognized in profit or loss	<u>\$ 914,717</u>	<u>\$ 1,008,240</u>

For the subsidiaries, the income tax rate in Hong Kong is 16.5%; in Japan 30%, and in Singapore 17%.

UFLIC repatriates investment income in accordance with the "Repatriated off share funds Act". According to the rules, UFLIC should pay income tax.

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Deferred tax</u>		
Recognized in other comprehensive income:		
Translation of foreign operations	\$ 25,129	\$ (281,964)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	(303,282)	(65,376)
Remeasurement on defined benefit plans	<u>11,896</u>	<u>15,500</u>
Total income tax expenses recognized in other comprehensive income	<u>\$ (266,257)</u>	<u>\$ (331,840)</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Exchange difference on translation of foreign operations	\$ 127,299	\$ -	\$ 25,195	\$ -	\$ 152,494
Employee benefit plan	178,969	(1,157)	39	-	177,851
Allowance for possible losses and reserve for losses on guarantees	163,265	41,067	-	-	204,332
Investment properties	131,533	(1,928)	-	-	129,605
Others	<u>131,900</u>	<u>147,783</u>	<u>-</u>	<u>-</u>	<u>279,683</u>
	<u>\$ 732,966</u>	<u>\$ 185,765</u>	<u>\$ 25,234</u>	<u>\$ -</u>	<u>\$ 943,965</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Financial assets at fair value through other comprehensive income	\$ (1,134,076)	\$ -	\$ (303,282)	\$ -	\$ (1,437,358)
Amortization of goodwill impairment loss	(397,061)	-	-	-	(397,061)
Others	<u>(288,124)</u>	<u>(174,045)</u>	<u>11,791</u>	<u>435</u>	<u>(449,943)</u>
	<u>\$ (1,819,261)</u>	<u>\$ (174,045)</u>	<u>\$ (291,491)</u>	<u>\$ 435</u>	<u>\$ (2,284,362)</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Exchange difference on translation of foreign operations	\$ 406,231	\$ -	\$ (278,932)	\$ -	\$ 127,299
Employee benefit plan	178,544	(60)	485	-	178,969
Allowance for possible losses and reserve for losses on guarantees	92,323	70,942	-	-	163,265
Investment properties	133,461	(1,928)	-	-	131,533
Others	<u>115,273</u>	<u>16,627</u>	<u>-</u>	<u>-</u>	<u>131,900</u>
	<u>\$ 925,832</u>	<u>\$ 85,581</u>	<u>\$ (278,447)</u>	<u>\$ -</u>	<u>\$ 732,966</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Financial assets at fair value through other comprehensive income	\$ (1,068,700)	\$ -	\$ (65,376)	\$ -	\$ (1,134,076)
Amortization of goodwill impairment loss	(397,061)	-	-	-	(397,061)
Others	<u>(209,665)</u>	<u>(90,524)</u>	<u>11,983</u>	<u>82</u>	<u>(288,124)</u>
	<u>\$ (1,675,426)</u>	<u>\$ (90,524)</u>	<u>\$ (53,393)</u>	<u>\$ 82</u>	<u>\$ (1,819,261)</u>

d. Information on loss carryforwards

Loss carryforwards as of December 31, 2023 comprised:

	Unused Amount	Expiry Year
Union Venture Capital Co., Ltd.	<u>\$ 6,731</u>	2033
Union Information Technology	<u>\$ 7,856</u>	2033
Na He Yi Hau Electric Power Inc.	<u>\$ 14,274</u>	2033
Tin Jie Electric Power	<u>\$ 53,274</u>	2033
Union Energy	<u>\$ 56,186</u>	2033
Bei Chen Yi Hau Electric Power Inc.	<u>\$ 5,095</u>	2033
Hao Tian Electric Power Inc.	<u>\$ 448</u>	2033
Feng Tai Electric Power Inc.	<u>\$ 259</u>	2033

e. Income tax assessments

	<u>Examined and Cleared</u>
Union Bank of Taiwan	Through 2020
Union Finance and Leasing International	Through 2021
Union Information Technology	Through 2021
Union Securities Investment Trust Corporation	Through 2021
Na He Yi Hau Electric Power Inc.	Through 2021
Tin Jie Electric Power Inc.	Through 2021
Union Securities Investment Trust Co., Ltd	Through 2021
Union Venture Capital Co., Ltd.	Through 2021

46. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic earnings per share	<u>\$ 1.02</u>	<u>\$ 0.81</u>
Diluted earnings per share	<u>\$ 1.01</u>	<u>\$ 0.81</u>

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

Net Profit for the Period

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Net profit	\$ 4,317,286	\$ 3,539,070
Less: Dividends on preference shares	<u>(480,000)</u>	<u>(480,000)</u>
Earnings used in the computation of basic earnings per share	<u>\$ 3,837,286</u>	<u>\$ 3,059,070</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 3,837,286</u>	<u>\$ 3,059,070</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	3,777,940	3,772,466
Effect of potentially dilutive ordinary shares		
Compensation or bonuses of employees	<u>7,743</u>	<u>6,551</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>3,785,683</u>	<u>3,779,017</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 26, 2023. The basic and diluted earnings per share were both adjusted from \$0.85 to \$0.81 for the year ended December 31, 2022.

47. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other footnotes, significant transactions between the Company and related parties are summarized as follows:

a. Related parties and their relationships with the Company

<u>Related Party</u>	<u>Relationship with the Company</u>
Union Real-Estate Management Corporation (Union Real-Estate Management)	Associates
LINE Pay Taiwan, Ltd. (LINE PAY)	Associates
iPASS Corporation	Associates
Blue Borders Medical and Health Management Consulting Co., Ltd. (Blue Borders)	Associates
Hong Gow Construction Inc., Ltd. (Hung-Gow)	Related party in substance
The Liberty Times Co., Ltd. (Liberty Times)	Related party in substance
Long Shan Lin Corporation (Long Shan Lin)	Related party in substance
Yung Hsuan Co., Ltd (Yung Hsuan)	Related party in substance
Union Enterprise Construction Co., Ltd. (UECC)	Related party in substance
Yu-Bon Limited Co. (Yu-Bon)	Related party in substance
Lianhe Investment Co., Ltd. (Lianhe Investment)	Related party in substance
Union Recreation Enterprise Corporation (Union Recreation Enterprise)	Related party in substance
Union Optronics Co., Ltd. (Union Optronics)	Related party in substance
Hi-Life International Co., Ltd. (Hi-Life International)	Issued by Union Securities Investment Trust
RFD Micro Electricity Co., Ltd. (RFD Micro Electricity)	Related party in substance (nonrelated party after June 28, 2023, and has no significant influence because the Company does not serve as a director)
Xinrong Energy Technology Co., Ltd. (Xinrong Energy)	Related party in substance
Hope Vision Co., Ltd. (Hope Vision)	Related party in substance
Securities Investment Trust Funds	Issued by Union Securities Investment Trust
Union Green Energy Private Equity Limited Partnership (Union Green Energy)	Union Private Equity Co., Ltd. and UFLIC are general partner and limited partner, respectively
Union Green Energy I Private Equity Limited Partnership (Union I)	Union Private Equity Co., Ltd. and UFLIC are general partner and limited partner, respectively
Union Green Energy II Private Equity Limited Partnership (Union II)	Union Private Equity Co., Ltd. and UFLIC are general partner and limited partner, respectively
Others	Directors, managers, and their relatives and affiliates

b. Significant transactions with related parties:

1) Loans

December 31, 2023

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2023	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	25	\$ 30,243	\$ 11,647	\$ 11,647	\$ -	Land, buildings and securities	None
Self-used housing mortgage loans	38	203,730	95,818	95,818	-	Real estate	None
Others	14	50,666	36,403	36,403	-	Land, buildings and securities	None
Others	Hope Vision	26,000	22,750	22,750	-	Small and medium enterprise credit guarantee fund of Taiwan	None

December 31, 2022

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2022	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	23	\$ 18,880	\$ 12,925	\$ 12,925	\$ -	Land, buildings and cars	None
Self-used housing mortgage loans	44	136,035	90,041	90,041	-	Real estate	None
Others	11	43,875	33,299	33,299	-	Land and buildings	None

	December 31		Rate	Interest Revenue	
	Amount	%		Amount	%
2023	\$ 166,618	0.03	1.44%-3.20%	\$ 4,142	0.02
2022	136,265	0.03	1.11%-2.99%	2,299	0.02

2) Deposits

	December 31		Rate (Note)	Interest Expense	
	Amount	%		Amount	%
2023	\$ 6,140,755	0.81	0%-5.00%	\$ 29,555	0.25
2022	7,421,618	1.05	0%-8.00%	33,363	0.65

3) Guarantees and letters of credit

December 31, 2023

Name	Highest Balance in the Year Ended December 31, 2023	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	\$ 7,265	\$ 7,265	\$ -	1%	Time deposits
The Liberty Times Co., Ltd.	2,766	-	-	0.05%	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.5%	Time deposits
Hi-Life International Co., Ltd.	26,022	26,022	-	0.4%	Time deposits
iPASS Corporation	25,378	25,378	-	0.50%	Time deposits

December 31, 2022

Name	Highest Balance in the Year Ended December 31, 2022	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	\$ 14,350	\$ 7,265	\$ -	1%	Time deposits
The Liberty Times Co., Ltd.	2,793	-	-	0.05%	Time deposits
Long Shan Lin Corporation	71,040	71,040	-	0.5%	Time deposits
Hi-Life International Co., Ltd.	19,830	19,830	-	0.4%	Time deposits

Note: Reserve for guarantee loss is provided on the basis of the estimated unrecoverable amount.

4) Leases arrangement

a) The Company is lessee

Under operating lease agreements with terms of one year to five years, the Company rents office spaces from related parties for use by the Company's Head Office, Trust, International Banking Department, Wealth Management, Information Technology Department, Consumer Banking Department, Insurance Agency Department, Credit Card Department, Northern Collaterals Appraisal Center, five branches, USITC, UFLIC and UIT. Rentals are paid quarterly or are taken from lease deposits. Rental expenses and lease deposits were as follows:

	Lease Deposit (Part of Other Assets)		Lease Liabilities	
	Amount	%	Amount	%
<u>2023</u>				
Yu-Pang	\$ 461,140	16.30	\$ 67,573	3.75
Horng Gow	219,464	7.76	154,090	8.56
Yong-Xuan	21,228	0.75	366,511	20.36
UECC	5,286	0.19	29,116	1.62
<u>2022</u>				
Yu-Pang	460,890	13.09	63,982	3.85
Horng Gow	219,464	6.23	236,514	14.23
Yong-Xuan	20,690	0.59	100,784	6.06
UECC	5,286	0.15	32,232	1.94

The Company rented space to install an ATM of Hi-life International Corporation, the rent expense was \$772 thousand in 2023 and \$60 thousand in 2022.

b) The Company is lessor

The Company has leased the properties at Zhongxiao Rd., Taichung City to Hi-Life from March 2020 to April 2030. For the years ended December 31, 2023 and 2022, the rental income was both \$914 thousand, and the rentals were received on a monthly basis. In addition, the deposits received for both years were \$80 thousand (accounted for as other liabilities - guarantee deposits received).

The Company has leased the properties at Dunhua S. Rd., Taipei City to Blue Border from January 2022 to January 2032. For the year ended December 31, 2023 and 2022, the rental income was both \$13,669 thousand, and the rentals were received on a monthly basis. In addition, the deposits received was both \$5,980 thousand (accounted for as other liabilities - guarantee deposits received).

The long-term car rental of the subsidiary, Union Finance and Leasing (Int'l) Corp was leased to Hi-Life from January 2022 to June 2026. The rental income from January 1 to December 31, 2023 and 2022 were \$953 thousand and NT\$1,171 thousand, respectively. The rent is collected on a monthly basis.

5) Financial assets at fair value through profit or loss

The Company wants to applied the fund more efficiency and participate in the investment of green energy development. Therefore, Union Private Equity Co., Ltd. has established Union Green Energy Private Equity Limited Partnership on December 2020, and invested \$20 thousand as a general partner and the other general partner is UFLIC. The total investment is \$556,334 thousand on December 31, 2023.

In June 2021, as general partner, Union Private Equity Co., Ltd. raised Union Green Energy I Private Equity Limited Partnership; the total investment was \$4,940 thousand as of December 31, 2023.

In October 2021, as general partner, Union Private Equity Co., Ltd. raised Union Green Energy II Private Equity Limited Partnership; the total investment was \$20 thousand as of December 31, 2023.

Union Private Equity Co., Ltd. charged management fee from Union Green Energy Private Equity Limited Partnership pursuant to the limited partnership agreement; during January 1 to December 31, 2023 and 2022, the amount was \$13,221 thousand and \$7,276 thousand, respectively.

Union Private Equity Co., Ltd. charged Union Green Energy I Private Equity Limited Partnership management fees pursuant to the limited partnership agreement; from January 1 to December 31, 2023 and 2022, the amount was \$3,037 thousand and \$1,288 thousand, respectively.

As of December 31, 2023 and 2022, the UFLIC had purchased 8,804 thousand and 8,082 thousand units of beneficiary certificates issued by USITC, which amounted to \$118,730 thousand and \$103,681 thousand, respectively.

6) Since July 2019, LINE PAY provided the use of its consumer platform to the Company. The maintenance fees of the platform were \$54,648 thousand and \$34,075 thousand, respectively in 2023 and 2022.

- 7) LINE PAY provided the credit card bonus points and cooperative marketing activities to the Company. The advertising fees were \$853,403 thousand and \$716,981 thousand, respectively in 2023 and 2022.
- 8) Hi-Life provided the commodity bonus exchange and marketing activities to the Company. The advertising fees were \$9,016 thousand and \$617 thousand in 2023 and 2022, respectively.
- 9) RFD Micro Electricity Co., Ltd. provided the Company with credit card marketing of sustainable development and eco-consumption; from January 1 to June 28, 2023 and as of December 31, 2022, the rebate income was \$7,977 thousand and \$38,095 thousand, respectively.
- 10) Ting Jie Electric Power and RFD Micro Electricity entered into a solar power generation system installation contract in the neighborhood of Madou District and Xuejia District in Tainan City. The total planned capacity was changed to 160 megawatts, and the expected total price before tax is NT\$8,936,000 thousand. The final total capacity shall comply with the total approved capacity of the permission letter for the construction. In March 2023, this project is in the stage of being connected to the grid of the Taipower system with about 32 million watts. The project is still in progress and has not yet been officially launched for power generation. In order to support the construction of the project, Ting Jie Electric Power signed a contract with a syndicate of 11 financial Institutions with the limit of NT\$7,500,000 thousand. The joint guarantors are the parent company UVC, Union Energy, and RFD Micro Electricity. Union Energy Co., Ltd. pledged 1,890 thousand shares to Ting Jie Electric Power Inc. as collateral for the loan.

In order to build the solar power plant, Na He Yi Hau Electric Power Inc. has signed commercial paper commitment agreement for recurring issuance with International Bills Finance Corporation as guarantor in December 2020. The total credit was \$1,130,000 thousand with endorsement and guarantee from UVC and Union Energy. As of December 31, 2023 and 2022, the commercial paper payables were both \$242,100 thousand, with interest rates of 1.6947% and 1.4114%, respectively.

RFD Micro Electricity Co., Ltd provided the Company with solar power plant construction and solar power plant maintenance services. As of December 31, 2022, the prepayments for the construction was \$2,400,044 thousand (accounted for property, equipment, and plant); as of December 31, 2022, the operation and maintenance expenses payable to the plant (accounted for as accounts payable) was \$17,919 thousand.

11) Installment payment

The subsidiary, Union Finance and Leasing (Int'l) Corp., undertakes the installment payment for Blue Frontier, with machinery and equipment as collateral. It is repaid in one instalment each month from July 2023 to July 2030, with the Chairman of Blue Frontier as the joint guarantor; for the year ended December 31, 2023, the interest income was \$720 thousand, and the lease receivables as of December 31, 2023 were \$74,007 thousand.

12) Financial leases

The subsidiary, Union Finance and Leasing (Int'l) Corp., has undertaken a financial lease with machinery and equipment as collateral for Hi-Life. From September 2020 to September 2028, the repayment is made in one installment each month, and the Chairman of Hi-Life serves as the joint guarantor. The interest income for the years ended December 31, 2023 and 2022, was \$538 thousand and \$633 thousand, respectively, and the lease receivables as of December 31, 2023 and 2022 were \$22,134 thousand and \$26,506 thousand, respectively.

Under Articles 32 and 33 of the Banking Act, no unsecured loan may be provided to the stakeholders except for within the consumer loan limits and government loans, credits extended by the Company to any related party should be fully secured, and the credit terms for related parties should not be favorable to those for unrelated parties.

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31	
	2023	2022
Short-term employment benefits		
Salaries	\$ 49,960	\$ 54,574
Transportation expenses	1,266	1,293
Other	<u>516</u>	<u>191</u>
	51,742	56,058
Post-employment benefits	<u>6,632</u>	<u>1,228</u>
	<u>\$ 58,374</u>	<u>\$ 57,286</u>

Compensation of directors and management personnel is determined by the remuneration committee on the basis of individual performance and market trends.

48. PLEDGED ASSETS

a. The Company

As of December 31, 2023 and 2022, government bonds and bank debentures, which amounted to \$394,005 thousand and \$349,305 thousand (accounted for other financial assets), respectively, had been provided to the courts and the Company of Taiwan as guarantee deposits on provisional seizures against the debtors' properties, as reserve for credit card receivables, as guarantee deposits on bills finance operations, brokering life insurance, property and casualty insurance, and as trust reserve.

As of December 31, 2023 and 2022, the Company pledged a time deposit of both \$1,100,000 thousand (accounted for other financial assets) to Mega International Commercial Bank and Mizuho Bank to be part of the latter's online bank-to-bank payment system.

- b. The following assets of the Company had been used as collaterals to apply for loans, issue commercial papers and apply for provisional seizure of certain assets:

	December 31	
	2023	2022
Other financial assets		
Pledge assets	<u>\$ 147,661</u>	<u>\$ 187,152</u>
Investment property	<u>\$ 2,240,077</u>	<u>\$ 2,342,251</u>

As of December 31, 2023 and 2022, notes receivable (not expired) amounting to \$628,474 thousand and \$564,418 thousand had been used as collaterals to apply for loans and issue commercial papers, respectively.

49. CONTINGENCIES AND COMMITMENTS

- a. As of December 31, 2023 and 2022, the Company's commitments consisted of the following:

	December 31	
	2023	2022
Irrevocable standby loan commitment	\$ 163,321,584	\$ 145,119,660
Unused credit card commitment	334,521,816	303,890,640
Unused letters of credit	1,386,725	2,769,934
Other guarantees	20,087,873	19,222,176
Collections for customers	17,362,381	20,173,503
Guarantee notes payable	1,359,800	1,363,300
Trust assets	105,006,846	99,416,079
Marketable securities under custody	3,996,782	3,907,911

- b. The duration of leasing cars (included in other assets) is about 1 to 3 years.

Minimum future annual rentals are as follows:

	December 31	
	2023	2022
Within 1 year	\$ 1,877,467	\$ 1,889,355
Over 1 year to 5 years	<u>1,996,747</u>	<u>1,924,965</u>
	<u>\$ 3,874,214</u>	<u>\$ 3,814,320</u>

- c. Computer equipment purchase contracts

As of December 31, 2023 and 2022, the Company had contracts to buy computer equipment and software for \$887,647 thousand and \$844,134 thousand, respectively, of which \$443,959 thousand and \$265,376 thousand had been paid as of December 31, 2023 and 2022, respectively.

d. Union Securities Investment Trust Corporation (USITC)

The private equity funds managed by USITC, a subsidiary of the Company, were mainly invested in the Fairfield Sentry Funds (F Funds) of the Madoff Investment Securities' (Madoff Company) Fairfield Company (Fairfield). On January 10, 2011, the liquidator of the F Funds sued USITC, the private equity funds managed by USITC and the beneficiaries who bought USITC's private equity funds to demand the return of the redemption proceeds of US\$17,206 thousand received by USITC's private equity funds from the F Funds. This case remained pending before the Bankruptcy Court for the Southern District of New York.

Madoff Company's liquidation trustee claimed that F Funds' redemption proceeds from Madoff Company constituted unjust enrichment and thus sued USITC and F Funds on March 23, 2012 to demand the return of the redemption proceeds of US\$17,206 thousand received by USITC's private equity funds from F Funds. This case remained pending before the Bankruptcy Court for the Southern District of New York.

The plaintiff has asked the US court to deliver the complaint to the Taiwan Taipei District Court through mutual legal assistance. In accordance with the provisions of Article 402, paragraph 1, paragraph 2 of the Code of Civil Procedure and the relevant practical opinions of the court, the legal documents have been legally delivered to USITC. In order to avoid the unfavorable judgment of the court, USITC appointed American lawyers to deal with the litigation. The defendant in the case (that is, the non-US foreign investor who was a party in the Fairfield series of funds) disputed the application of the US bankruptcy law and the jurisdiction of the US court. The US Court recognized the law does not apply to such defendants, therefore, rejected the plaintiff's request for the reason of international comity. The plaintiff has appealed to the Federal Second Circuit Court of Appeal. In August 2019, the plaintiff has appealed to the Supreme court of the US. The Supreme court of the US rejected the appeal and considered it as a protest; therefore, the case is back to Bankruptcy Court to hear the case. According to information reported by the U.S. attorneys engaged by the Company, there are legal deficiencies in the claim recorded in the plaintiff's complaint. The U.S. attorneys requested the court to reject the plaintiff's complaint on April 4, 2022. However, the US bankruptcy court rejected our claim on August 19 of the same year, and we have agreed to file our defense by November 1 of the same year. On February 22, 2023, the Company's lawyers and the plaintiff's attorneys completed the signing of the trial plan and submitted it to the US bankruptcy court. On April 10, 2023, both parties submitted the relevant information for the initial disclosure, and the Company has begun to collect and discover relevant evidence. The Company has served a response to the plaintiff's discovery briefs to the US bankruptcy court on November 27, 2023.

The private equity funds managed by USITC and mainly invested in the F Funds of Fairfield had become a loss for USITC. Thus, on June 26, 2013, USITC joined Fairfield Greenwich, Citco and PwC in a class action litigation on this investment loss. Regarding the class action suit against Fairfield Greenwich, United States District Court of the Southern District of New York approved the settlement of the two parties on December 19, 2014. The settlement fee was distributed among the settling parties in February 2015. Regarding the class action suit against Citco, the two parties had already come to a settlement on August 12, 2015; the court also approved the settlement of Citco on November 20, 2015. The settlement fee is going to be distributed among the settling parties. Regarding the class action suit against PwC, the court gave a preliminary verdict of settlement to the two parties and opened a court session on May 6, 2016, for a hearing on the fairness of the settlement and the granting of permission; there has been no further appeals since then. The settlement fee would be distributed to the settling parties after deducting the approved amount of counselor fees and disbursement fees. The private equity funds managed by USITC received the check of settlement fee from Rust Consulting Inc. on January 3, 2017 and redeemed for cash on February 6, 2017.

50. OTHER

Since the start of the Russia-Ukraine War in February 2022, the credit rating agencies lowered the sovereign rating of Russia, and thus the credit risks of the financial instruments of the Company in investment positions in Russia increased. The Company has considered the related impact, please refer to Notes 11 and 41.

51. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts December 31, 2023

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	\$ 16,642,391	Management fee payable	\$ -
Investments		Income tax payable	3,472
Mutual funds	62,632,574	Marketable securities payable	15,105,961
Bond	9,216	Trust capital	89,643,432
Common stock	427,477	Reserve and deficit	<u>253,981</u>
Accounts receivable	36,940		
Stock in custody	15,105,961		
Real estate - land and building	<u>10,152,287</u>		
Total	<u>\$ 105,006,846</u>	Total	<u>\$ 105,006,846</u>

Balance Sheet of Trust Accounts December 31, 2022

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	\$ 12,828,231	Management fee payable	\$ 89
Investments		Income tax payable	951
Mutual funds	58,256,451	Marketable securities payable	15,470,010
Bond	8,948	Trust capital	83,740,302
Common stock	388,917	Reserve and deficit	<u>204,727</u>
Accounts receivable	12,145		
Stock in custody	15,470,010		
Real estate - land and building	<u>12,451,377</u>		
Total	<u>\$ 99,416,079</u>	Total	<u>\$ 99,416,079</u>

**Income Statement of Trust Accounts
Year Ended December 31, 2023**

	Amount
Trust income	
Interest revenue - demand accounts	\$ 25,156
Interest revenue - time deposits	61,083
Interest revenue - bond	470
Income from beneficiary certificates	586
Cash dividends - common stock	3,418
Realized capital gain - fund	18
Unrealized capital gain - fund	75
Unrealized capital gain - bond	4
Unrealized capital gain - common stock at stock exchange market	<u>120,250</u>
Total trust income	<u>211,060</u>
Trust expense	
Management expense	13,721
Unrealized capital loss - common stock at stock exchange market	524
Unrealized capital loss - bond	2,704
Realized capital loss - fund	1,248
Unrealized capital loss - fund	501
Others	<u>901</u>
Total trust expense	<u>19,599</u>
Gain before tax	191,461
Income tax expense	<u>(7,813)</u>
Net gain	<u>\$ 183,648</u>

Note: The above trust income statements were not included in the Company's income statements.

**Income Statement of Trust Accounts
Year Ended December 31, 2022**

	Amount
Trust income	
Interest revenue - demand accounts	\$ 4,870
Interest revenue - time deposits	28,985
Interest revenue - bond	424
Income from beneficiary certificates	1,285
Cash dividends - common stock	3,951
Realized capital gain - fund	1
Unrealized capital gain - fund	9
Unrealized capital gain - common stock at stock exchange market	<u>129,789</u>
Total trust income	<u>169,314</u>
Trust expense	
Management expense	15,486
Unrealized capital loss - common stock at stock exchange market	530
Unrealized capital loss - bond	2,957
Realized capital loss - fund	203
Unrealized capital loss - fund	4,496
Others	<u>790</u>
Total trust expense	<u>24,462</u>
Gain before tax	144,852
Income tax expense	<u>(2,706)</u>
Net gain	<u>\$ 142,146</u>

Note: The above trust income statements were not included in the Company's income statements.

**Trust Property and Equipment Accounts
December 31, 2023**

Investment Portfolio	Amount
Bank deposits	\$ 16,642,391
Investments	
Mutual funds	62,632,574
Bond	9,216
Common stock	427,477
Accounts receivable	36,940
Stock in custody	15,105,961
Real estate - land and buildings	<u>10,152,287</u>
	<u>\$ 105,006,846</u>

**Trust Property and Equipment Accounts
December 31, 2022**

Investment Portfolio	Amount
Bank deposits	\$ 12,828,231
Investments	
Mutual funds	58,256,451
Bond	8,948
Common stock	388,917
Accounts receivable	12,145
Stock in custody	15,470,010
Real estate - land and buildings	<u>12,451,377</u>
	<u>\$ 99,416,079</u>

52. FINANCIAL INSTRUMENTS

a. Fair value information

1) Overview

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

When initially recognizing a financial instrument, its fair value is accounted for; in many cases, it usually refers to the transaction price. Other than some financial instruments that are measured at amortized cost, the subsequent measurements are at fair values. The best estimations of fair values are the public quotations in active markets. Where the market of a financial instrument is not active, the Company applies the valuation models, or the quotations from Bloomberg, Reuters, or transaction counterparties when measuring the fair values of the financial instruments.

2) The definitions of each level of the fair value hierarchy are shown below:

a) Level 1

Level 1 financial instruments are traded in an active market in which there are quoted prices for identical assets and liabilities. An active market has the following characteristics:

- i. All financial instruments in the market are homogeneous.
- ii. There are willing buyers and sellers in the market all the time.
- iii. The public can access the price information easily.

The products in this level, such as listed stocks and beneficiary securities, usually have high liquidity or are traded in futures market or exchanges.

b) Level 2

The products in this level have fair values that can be inferred from either directly or indirectly observable inputs other than quoted prices in an active market. Examples of these inputs are:

- i. Quoted prices from the similar products in an active market. This means the fair value can be derived from the current trading prices of similar products, and whether they are similar products should be judged on the characteristics and trading rules. The fair price valuation in this circumstance may be adjusted due to time differences, trading rule's differences, interested parties' prices, and the correlation of price between itself and the similar goods;
- ii. Quoted prices for identical or similar financial instruments in inactive markets;
- iii. For the marking-to-model method, the inputs to this model should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be obtained from the market and can reflect the expectation of market participants;
- iv. Inputs that are derived from observable market data through correlation or other means.

The fair values of products categorized in this level are usually calculated using a valuation model generally accepted by the market. Examples are forward contracts, cross-currency swap, simple interest bearing bonds, convertible bonds and commercial paper.

c) Level 3

The fair values of the products in this level are typically based on management assumptions or expectations other than the direct market data. For example, historical volatility used in valuing options is an unobservable input because it cannot represent the entire market participants' expectation on future volatility.

The products in this level are complex derivate financial instruments or products with prices that are provided by brokers. Examples are complex foreign exchange options.

3) Measured at fair value on a recurring basis

a) Information of the fair value hierarchies

The Company's financial instruments measured at fair value are all measured at fair value on a recurring basis. The fair value hierarchies of the Company's financial instruments are as follows:

(In Thousands of New Taiwan Dollars)				
December 31, 2023				
<u>Measured at fair value on a recurring basis</u>	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Financial assets mandatorily classified as at FVTPL				
Stock	\$ 2,513,748	\$ 1,887,638	\$ -	\$ 626,110
Beneficiary certificates and fund	1,221,325	635,609	-	585,716
Commercial paper	47,158,569	-	47,158,569	-
Asset-based securities	20,258	-	20,258	-
Futures exchange margins	61,390	61,390	-	-
Debt instruments	1,369,226	-	1,369,226	-
Financial assets at fair value through other comprehensive income				
Stock	15,517,752	12,796,127	-	2,721,625
Debt instruments	42,941,330	-	42,941,330	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	511,050	-	389,784	121,266
Liabilities				
Financial liabilities at FVTPL	1,824,034	-	1,702,464	121,570
December 31, 2022				
<u>Measured at fair value on a recurring basis</u>	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Financial assets mandatorily classified as at FVTPL				
Stock	\$ 972,895	\$ 94,377	\$ -	\$ 878,518
Beneficiary certificates and fund	824,895	258,006	-	566,889
Commercial paper	26,558,195	-	26,558,195	-
Asset-based securities	26,637	-	26,637	-
Futures exchange margins	62,175	62,175	-	-
Financial assets at fair value through other comprehensive income				
Stock	11,021,381	8,545,651	-	2,475,730
Debt instruments	48,491,788	-	48,491,788	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	602,545	-	440,271	162,274
Liabilities				
Financial liabilities at FVTPL	931,500	-	769,235	162,265

b) The financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants with full understanding of the sale or transfer transaction. The fair values of financial instruments at fair value, financial assets at fair value through other comprehensive income, available-for-sale financial assets and hedging derivative financial instruments with quoted price in an active market are based on their market prices; financial instruments with no quoted prices in an active market are estimated by valuation methods.

i. Marking to market

This method should be used first to determine fair value. Following are the principles to follow in marking to market:

- i) Ensure the consistency and integrity of market data.
- ii) The source of market data should be transparent and easy to access and can be referred to by independent resources.
- iii) Listed securities with tradable prices should be valued at closing prices.
- iv) Evaluating unlisted securities that lack tradable closing prices should use quoted prices from independent brokers.

ii. Marking to model

The use of marking to model is suggested if marking to market is infeasible. This valuation methodology is based upon model inputs that are used to derive the value of the trading positions. The Company uses the same estimations and assumptions as those used by market participants to determine the fair value.

The Company uses the forward rates provided by Reuters to estimate the fair values of forward contracts, foreign exchange swap contracts, interest rate swap and cross-currency swap contracts and the discounted cash flow method to calculate the fair values of each contract. For foreign exchange option transactions, the Company uses the option pricing models which are generally used by other market participants (e.g., the Black-Scholes model) to calculate the fair value of the contracts.

For debt instruments with no active market, the Company estimates fair values based on prices quoted by counterparties and adjusted in accordance with the results of the evaluation of a debtor's credit.

c) Fair value adjustment

Credit risk assessment adjustment refers to the fair value of the Over the counter (OTC) derivative financial commodity contracts, which also reflects the credit risk of both parties. It can be mainly divided into “credit evaluation adjustment” and “debit evaluation adjustment”:

- i. Credit value adjustments (CVA): A transaction in a non-concentrated trading market, that is, the adjustment of the derivatives contract evaluation in the OTC transaction, which reflects the possibility of the Company may not be able to collect the full market value or the counterparty may default on the repayment on the fair value.
- ii. Debit value adjustments (DVA): It refers to the transactions of the non-concentrated trading market, that is, the adjustment of the derivatives contract evaluation in the OTC transaction, which reflects the possibility that the Company may not be able to collect the full market value or the counterparty may default on the repayment of the fair value.

Both CVA and DVA are concepts of estimated loss, calculated as the probability of default (PD) multiplied by the loss given default (LGD) and multiplied by the exposure at default (EAD).

For customers with external credit ratings, the default probability is based on the default probability corresponding to the external rating; for customers without external credit ratings, the impairment rate calculated according to the Company’s loan and receivable impairment assessment and the average incidence of impairment is taken as the default probability.

The Company uses the fair value of OTC derivatives to calculate the amount of default risk (EAD).

The Company uses 60% as the default loss rate based on the recommendation of “IFRS 13 CVA and DVA Related Disclosure Guidelines” of the Stock Exchange.

The Company incorporates the credit risk assessment adjustment into the fair value calculation of financial instruments to reflect the counterparty’s credit risk and the Company’s credit quality.

d) Transfers between Level 1 and Level 2

There was no material transfer between Level 1 and Level 2 for 2023 and 2022.

e) Reconciliation of Level 3 items of financial instruments

i. Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial assets at fair value through profit or loss								
Derivative financial assets	\$ 162,274	\$ (15,329)	\$ -	\$ 94,957	\$ -	\$ (120,636)	\$ -	\$ 121,266
Beneficiary certificates	566,889	18,827	-	-	-	-	-	585,716
Equity instruments	878,518	41,592	-	-	-	(294,000)	-	626,110
Financial assets at fair value through other comprehensive income								
Equity instruments	2,475,730	-	234,849	14,676	-	(3,630)	-	2,721,625

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial assets at fair value through profit or loss								
Derivative financial assets	\$ 94,064	\$ 39,931	\$ -	\$ 118,529	\$ -	\$ (90,250)	\$ -	\$ 162,274
Beneficiary certificates	546,950	2,563	-	17,436	-	(60)	-	566,889
Equity instruments	35,022	125,821	-	750,000	-	(32,325)	-	878,518
Financial assets at fair value through other comprehensive income								
Equity instruments	2,369,241	-	(268,702)	375,191	-	-	-	2,475,730

The valuation profit and loss above are listed under current profit and loss, and attributed to the amount of profit and loss of the assets held in the accounts as of December 31, 2023 and 2022; the profits are \$45,090 thousand and \$168,315 thousand, respectively.

ii. Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	\$ 162,265	\$ (60,550)	\$ -	\$ 121,532	\$ -	\$ (101,677)	\$ -	\$ 121,570

For the year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	\$ 94,042	\$ 98,618	\$ -	\$ 92,486	\$ -	\$ (122,881)	\$ -	\$ 162,265

The valuation profit and loss above are listed under current profit and loss, and attributed to the amount of profit and loss of the assets held in the accounts as of December 31, 2023 and 2022; the profits are \$60,550 thousand and losses \$98,618 thousand, respectively.

f) Quantitative information of significant unobservable inputs - Level 3 fair value measurement

Item	Product	2023/12/31 Fair Value	Valuation Technique	Significant Unobservable Inputs	Interval (Weighted-average)	Relation Between Input and Fair Value
Financial assets at fair value through profit or loss						
Derivative financial instruments	Foreign exchange options	\$ 121,266	Option pricing model	Ratio	GBP/AUD 7.17%-7.67% AUD/USD 9.51%-9.60% USD/TWD 7.42%-8.36% USD/ZAR 14.71%-15.26% USD/JPY 10.51% EUR/GBP 4.95%-5.79%	The higher the ratio is, the higher the fair value
Non-derivative financial instruments	Stock	626,110	Assets value model	Allowance of minority interest	5%-10%	The higher the equity dispersion is, the lower the fair value
	Beneficiary certificates	585,716	Assets value model	Allowance of minority interest	5%-20%	The higher the equity dispersion is, the lower the fair value
Financial assets at fair value through other comprehensive income						
Non-derivative financial instruments	Stock	2,194,187	Assets value model	Allowance of minority interest	5%-20%	The higher the equity dispersion is, the lower the fair value
	Stock	527,438	Market method	Allowance of minority interest	20%	The higher the equity dispersion is, the lower the fair value
Financial liabilities at fair value through profit or loss						
Derivative financial instruments	Foreign exchange options	121,570	Option pricing model	Ratio	GBP/AUD 7.17%-7.67% AUD/USD 9.51%-9.60% USD/TWD 7.42%-8.36% USD/ZAR 14.71%-15.26% USD/JPY 10.51% EUR/GBP 4.95%-5.79%	The higher the ratio is, the higher the fair value

Item	Product	2022/12/31 Fair Value	Valuation Technique	Significant Unobservable Inputs	Interval (Weighted-average)	Relation Between Input and Fair Value
Financial assets at fair value through profit or loss						
Derivative financial instruments	Foreign exchange options	\$ 162,274	Option pricing model	Ratio	AUD/JPY 14.36%-14.85% AUD/USD 12.21%-12.47% EUR/GBP 7.81%-7.82% EUR/USD 8.53% USD/TWD 5.98%-7.09% USD/ZAR 15.67%-15.68%	The higher the ratio is, the higher the fair value
Non-derivative financial instruments	Stock	878,518	Assets value model	Allowance of minority interest	5%-10%	The higher the equity dispersion is, the lower the fair value
	Beneficiary certificates	566,889	Assets value model	Allowance of minority interest	5%-20%	The higher the equity dispersion is, the lower the fair value
Financial assets at fair value through other comprehensive income						
Non-derivative financial instruments	Stock	2,214,298	Assets value model	Allowance of minority interest	5%-20%	The higher the equity dispersion is, the lower the fair value
	Stock	261,432	Market method	Allowance of minority interest	10%	The higher the equity dispersion is, the lower the fair value
Financial liabilities at fair value through profit or loss						
Derivative financial instruments	Foreign exchange options	162,265	Option pricing model	Ratio	AUD/JPY 14.36%-14.85% AUD/USD 12.21%-12.47% EUR/GBP 7.81%-7.82% EUR/USD 8.53% USD/TWD 5.98%-7.09% USD/ZAR 15.67%-15.68%	The higher the ratio is, the higher the fair value

g) The assessment process of Level 3 fair value measurement

To ensure that the product assessment results can be close to the market, the risk management department of the Company is responsible for the verification of the independent fair value. For products assessed by the model, before daily assessment, the information required for the assessment will be verified as correct and consistent with each other and the department will calibrate the model to the market quotation and update the input value required for the assessment model. In addition to regular checking of the accuracy of the assessment model, the reasonableness of the prices provided by third parties will also be checked.

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

The Company's Level 3 financial instruments are foreign exchange options. When engaging in foreign exchange option transactions, the Company makes a match for other banks and customers. Thus, the Company does not hold positions, and its source of profit and loss is from receiving and paying premiums. The sensitivity analysis has no effect on profit and loss since the Company does back-to-back transactions and the assets offset the liabilities.

The fair value measurement of financial instrument is reasonable although the use of different valuation models or parameters may lead to different results. For financial instruments classified in Level 3, if the parameter changes by 10%, the effects on profit or loss or other comprehensive income for the current periods are as follows:

December 31, 2023

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Unfavorable Changes
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	\$ 272,163	\$ (272,163)

December 31, 2022

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Unfavorable Changes
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	\$ 247,573	\$ (247,573)

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

1) Information of fair value

For the Company's financial assets not measured at fair values, other than the items listed in the following table, the carrying amounts of cash and cash equivalents, dues from the Central Bank and other banks, investments of notes under reverse repurchase agreements and bonds, accounts receivable, discounts and loans, some of other financial assets, deposits from the Central Bank and other banks, dues to the Central Bank and other banks, liabilities of notes under repurchase agreement and bonds, accounts payable, deposits and remittances, corporate bonds payable, and other financial liabilities are reasonable approximations of their fair values, so their fair values are not disclosed.

	December 31			
	2023		2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Financial assets measured at amortized cost	\$ 81,648,341	\$ 77,918,378	\$ 82,519,002	\$ 78,524,889
<u>Financial liabilities</u>				
Bank debentures	5,000,000	4,948,379	5,000,000	4,922,683

2) Fair value hierarchy

Items	December 31, 2023			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Financial assets measured at amortized cost	\$ 77,918,378	\$ -	\$ 77,918,378	\$ -
<u>Financial liabilities</u>				
Bank debentures	4,948,379	-	4,948,379	-

Items	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Financial assets measured at amortized cost	\$ 78,524,889	\$ -	\$ 78,524,889	\$ -
<u>Financial liabilities</u>				
Bank debentures	4,922,683	-	4,922,683	-

53. FINANCIAL RISK MANAGEMENT

a. Overview

To deal with any expected or unexpected business risk, the Company has established a comprehensive risk management system to allocate resources effectively and efficiently, strengthen business competitiveness, mitigate operational risk to a tolerable or acceptable level, and maintain the capital adequacy ratio to meet the minimum requirements of the authorities and the Basel Accord framework.

b. Risk management framework

The board of directors, which occupies the highest level in the Company's risk management framework, reviews risk management policies, the overall risk management framework and organization structure for carrying out responsibilities and exercising accountability. The Asset/Liability Management Committee inspects management reports or information provided by business units and the Risk Management Division. The Risk Management Division is an independent unit that is in charge of reviewing the risk management system designed by business units and the compliance with risk management requirements; this division also submits risk management reports to the authorities and develops a series of risk management tools to assess the risks identified. Business units establish risk control procedures, manage and monitor the implementation of those controls in operation units. Operation units perform daily risk management work and internal controls to ensure the accuracy and completeness of the risk management information generated.

c. Credit risk

1) Credit risk definitions and sources

Credit risk refers to the risk of losses caused by borrowers, debtors, or counterparties' failure to fulfill their contractual obligations due to deteriorating financial position or other factors. It arises principally from transactions involving discounts, loans, credit cards, due from or call loans to banks, debt investments and derivatives etc., and also from off-balance sheet products such as guarantees, acceptance, letters of credit and commitments.

2) Strategy/objectives/policies and processes

- a) Credit risk management strategy: The Company has established the "Credit Risk Management Standards of Union Bank of Taiwan" as the basis of planning, implementing, and managing credit risk management system.
- b) Credit risk management objective: The objectives are to establish and implement an effective credit risk management mechanism to mitigate credit risk, archive operational and management goals, and balance business development and risk control.
- c) Credit risk management policy: The policies are meant to ensure that credit risk falls within an acceptable range and that adequate capital is maintained to meet credit risk management objectives and create maximum risk-adjusted returns.
- d) Credit risk management process: The Company carries out credit risk identification, credit risk measurement, credit risk mitigation, credit risk monitoring and control and credit risk reporting process as part of its credit risk management mechanism.

3) Credit risk management framework

- a) The board of directors: The board of directors, the top risk supervisor of the Company, reviews risk management policies, operational risk limits and the design and change of credit risk management framework.
- b) Asset/Liability Management Committee: This committee inspects management reports or information provided by business units and the Risk Management Division.
- c) Risk Management Division: The Risk Management Division is an independent unit that is in charge of the work related to three pillars of Basel and reviews the risk management system designed by business units and the compliance with risk management requirements; the division also submits risk management reports to the authorities and develops risk management tools to assess the risk identified.
- d) Business units: Business units are responsible for establishing risk management regulations and risk control procedures and managing and monitoring the implementation of those controls in operation units.
- e) Operation units: Under the risk management regulations and procedures set by business units, operation units perform daily risk management work and internal controls and prepares reports on these tasks.

4) Credit risk measurement, control and reporting

- a) The range of credit risk reporting:
 - i. Each business unit will regularly report the promotion of the business and the allocation of risk assets to the Assets/Liability Management Committee (ALMC).
 - ii. The Company's risk management department regularly monitors the credit limit control situations and reports to the ALMC the credit concentration and the status of each business' achieving BIS (Bank for International Settlements) goals. The department also presents the volume of business NPL situation, credit concentration and the execution of credit risk control to the board of directors.

b) Measurement system:

The Company's credit risk management adopts the use of the standardized approach to calculate capital charge and regularly submits related reports to the government. The risk management division and business units implement the Company's management system and monitors the credit exposure of the business, industry, and countries as well as the concentration of credit and collateral to effectively measure and manage investment portfolio.

5) Mitigation of risks or hedging of credit risk

The Company is exposed to loss on each credit risk faced by its business. Thus, depending on the nature of the business and the cost considerations, the Company will take appropriate measures to control risk. The Company's information systems provide information that can be used in managing risk control procedures, and the risk management division reports to the board every six months the business risk management status.

6) Maximum exposure to credit risk

The maximum credit exposures of assets in the consolidated balance sheets are almost equivalent to their carrying values. These off-balance sheet maximum credit exposures (excluding collaterals and other credit enhancement instruments) are shown as follows:

Off-Balance Sheet Items	The Maximum Credit Exposure	
	December 31, 2023	December 31, 2022
Irrevocable standby loan commitment	\$ 9,083,323	\$ 5,839,357
Unused letters of credit	1,386,725	2,769,934
Other guarantees	20,087,873	19,222,176
Unused credit card commitments	334,521,816	303,890,640

December 31, 2023	Collateral	Netting Arrangements	Other Credit Enhancement	Total
<u>In-balance sheet items</u>				
Discount and loans	\$ 524,288,591	\$ -	\$ -	\$ 524,288,591

December 31, 2022	Collateral	Netting Arrangements	Other Credit Enhancement	Total
<u>In-balance sheet items</u>				
Discount and loans	\$ 475,720,356	\$ -	\$ -	\$ 475,720,356

7) Concentrations of credit risk exposure

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

There can be credit risk concentrations in a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. These exposures can cover credits, loans and deposits, call loans to banks, investments, receivables and derivatives. To minimize its credit risk, the Company maintains a diversified portfolio; limits its exposure to any one geographic region, country or individual creditor; and closely monitors its exposures. The Company's most significant concentrations of credit risk are summarized as follows:

a) By industry

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Private enterprises	\$ 182,848,424	30.93	\$ 168,018,996	30.30
Public enterprises	313,497	0.05	417,628	0.08
Government organizations	4,620,881	0.78	16,154,967	2.91
Nonprofit organizations	654,493	0.11	642,258	0.12
Private organizations	400,688,946	67.79	367,101,004	66.20
Financial institutions	757,510	0.12	250,307	0.05
Foreign enterprises	1,324,012	0.22	1,890,825	0.34
Total	\$ 591,207,763	100.00	\$ 554,475,985	100.00

b) By geographical area

The Company's operations are mainly in Taiwan.

c) By collaterals

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Unsecured	\$ 55,205,544	9.34	\$ 68,053,401	12.27
Secured				
Financial instruments	14,544,341	2.46	11,799,400	2.13
Stocks	19,409,196	3.28	18,308,121	3.30
Properties	459,054,811	77.65	418,523,058	75.78
Movables	24,823,293	4.20	21,999,813	3.97
Guarantees	15,185,214	2.57	12,535,616	2.26
Others	2,985,364	0.50	3,256,576	0.29
Total	\$ 591,207,763	100.00	\$ 554,475,985	100.00

8) Analysis of impairment for financial assets

On the basis of the result of a credit evaluation, the Company may require collaterals before the credit facilities are granted. To minimize credit risk, appropriate collaterals are required on the basis of the borrowers' financials and debt service capabilities. All guarantees and appraisal procedures follow the authorities' relevant regulations and the Company's internal rules. The Company's internal rules describe the acceptable types of collaterals, appraisal methods, appraisal process, and post-approval collateral management, which require close monitoring of the value of collaterals to ensure repayment. The main collateral types are summarized as follows:

- a) Real estate
- b) Other property
- c) Securities/stock
- d) Deposits/certificates of deposits
- e) Credit guarantee fund or government guarantee

The Company observes the value of collateral for financial instruments and takes into consideration the impairment loss that should be recognized for financial assets that are credit-impaired. The values of the credit-impaired financial assets and the values of collateral to mitigate potential losses are as follows:

December 31, 2023

Credit-impaired Financial Assets	Carrying Amount	Allowance for Impairment Loss	Exposure Amount (Amortized Cost)	Fair Value of Collateral
Receivables				
Credit cards	\$ 800,018	\$ 96,329	\$ 703,689	\$ -
Other	14,935	4,470	10,465	23,105
Discounts and loans	<u>2,236,465</u>	<u>265,770</u>	<u>1,970,695</u>	<u>3,351,341</u>
	<u>\$ 3,051,418</u>	<u>\$ 366,569</u>	<u>\$ 2,684,849</u>	<u>\$ 3,374,446</u>

December 31, 2022

Credit-impaired Financial Assets	Carrying Amount	Allowance for Impairment Loss	Exposure Amount (Amortized Cost)	Fair Value of Collateral
Receivables				
Credit cards	\$ 844,187	\$ 32,797	\$ 811,390	\$ -
Other	40,318	14,346	25,972	34,826
Discounts and loans	<u>1,941,707</u>	<u>351,831</u>	<u>1,589,876</u>	<u>5,260,897</u>
	<u>\$ 2,826,212</u>	<u>\$ 398,974</u>	<u>\$ 2,427,238</u>	<u>\$ 5,295,723</u>

9) Judgment that credit risk has increased significantly since the initial recognition

On each reporting date, the Company assesses the change in the default risk of financial assets, as well as considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, to determine whether the credit risk has increased significantly. The main considerations include:

Quantitative indicators

- a) The borrower pays the amount for contracts overdue for at least one month (more than or equal to 30 days for the credit card business), or the amounts for other contracts that are overdue for at least one month (more than or equal to 30 days for the credit card business).
- b) Debt instruments whose prices on the reporting date have fallen more than 40% from the original price since the acquisition date.
- c) Debt instruments that have non-investment grades based on the debt (priority), issuer, and guarantor's credit rating and that have fallen by more than two grades and whose prices have fallen by more than 15% on the reporting date.

Qualitative indicators

- a) The borrower's check bounced due to insufficient funds in the Company's checking account, or announced as a rejected account.
- b) The borrower's collateral was seized.
- c) The borrower's debt has been recognized as a non-accrual loan or transferred to bad debt by other financial institutions.
- d) The borrower has been reorganized.
- e) An auditors' report on the borrower has been released where it was stated that a material uncertainty exists that may cast significant doubt on the borrower's ability to continue as a going concern.
- f) The borrower has other bad debts that indicate that the borrower's ability to perform its debt obligations is weak or has signs of impairment, which has been assessed to affect its operations or repayment ability.

10) Definition of default and credit impaired financial assets

The Company uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions below are met, the Company determines that the financial assets have defaulted and are credit impaired. The main considerations include:

- a) The borrower pays the amount for contracts overdue for at least 3 months (90 days and above for the credit card business).
- b) The debtor has significant financial difficulties (e.g., the debtor has ceased operations, is bankrupt, or has liquidated).
- c) Economic or legal considerations, concessions to borrowers with financial difficulties (such as debt negotiations).

If the financial assets no longer meet the definition of default and credit impairment, they are judged as regaining their status of meeting performance obligations and are no longer regarded as financial assets that have defaulted and are credit impaired.

11) Reversal policy

When the Company is not reasonably expected to recover all or part of the financial assets, the indicators that all or part of the financial assets that cannot be reasonably expected to be recovered include the following:

- a) Recourse activities have stopped.
- b) The borrower is assessed to have insufficient assets or sources of income to pay the outstanding amount.

The financial assets that have been written off by the Company may still have ongoing recourse activities in accordance with the relevant policies.

12) Contractual cash flow modification of financial assets

The Company may modify the contractual cash flow of financial assets due to the borrower's financial difficulties, increase in the recovery rate of the doubtful borrowers, or to maintain customer relationships. The modification of the contractual terms of the financial assets may include extending the contract period, modifying the interest payment time, and modifying the agreed interest rate or the exemption of some of the outstanding debts. The modification of contractual cash flows of financial assets may result in the delisting of existing financial assets in accordance with the Company's financial assets delisting policy and recognition of new financial assets at fair value.

If the contractual cash flow modification of a financial asset does not result in a derecognition, the Company assesses whether the credit risk of the financial asset has increased significantly by comparing the following:

- a) Risk of default on the reporting date (based on modified contract terms).
- b) The risk of default at the time of original recognition (based on the original unmodified contract terms).

The Company considers the borrower’s subsequent payment in accordance with the revised terms and several relevant behavioral indicators to assess the probability of default of the revised financial assets and confirm whether the contract modification improves or restores the ability of the Company to recover the relevant contract payments. If the borrower pays the contract amount according to the revised terms and shows good payment behavior, it can be determined that the credit risk is reduced and the loss allowance will be measured by the 12-month expected credit loss.

The Company regularly reviews the changes in credit risk of the revised financial assets in accordance with relevant policies, and evaluates whether there is a significant increase in credit risk following the revised financial assets based on a specific model.

13) Measurement of expected credit losses

For the purpose of assessing expected credit losses, credit assets are classified into the following groups based on the credit risk characteristics of the borrower’s industry, credit risk rating, collateral type and remaining maturity period:

Business	Group	Definition
Corporate banking	Corporate banking	Corporate banking business
Consumer banking	Mortgages	Mortgage business
	Financial loans	Financial loan business
	Credit card	Credit card business
	Others	Other business

The Company adopts the 12-month ECL model to evaluate the loss allowance of financial instruments whose credit risk have not increased significantly since initial recognition, and adopt the lifetime ECL model to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Company considers both the 12-month and lifetime probability of default (“PD”) of the borrower with the loss given default (“LGD”), multiplied by the exposure at default (“EAD”), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

“PD” refers to the borrower’s probability to default and “LGD” refers to losses caused by the default. The Company calculates the “PD” and “LGD” used in the impairment assessment of the credit business according to each group’s historical information (such as credit loss experience) from internal statistical data, and after adjustment of the historical data based on current observable and forward-looking macroeconomic information.

	Account Receivable				Total
	December 31, 2023				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	
Gross carrying amount	\$ 37,097,858	\$ 177,426	\$ 814,953	\$ -	\$ 38,090,237
Less: Allowance for impairment loss	124,800	16,986	100,799	-	242,585
Less: Additional impairment loss required under regulations	-	-	-	39,263	39,263
	<u>\$ 36,973,058</u>	<u>\$ 160,440</u>	<u>\$ 714,154</u>	<u>\$ 39,263</u>	<u>\$ 37,808,389</u>

Account Receivable					
December 31, 2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	\$ 28,366,326	\$ 142,768	\$ 884,505	\$ -	\$ 29,393,599
Less: Allowance for impairment loss	129,372	12,241	47,143	-	188,756
Less: Additional impairment loss required under regulations	-	-	-	<u>23,860</u>	<u>23,860</u>
	<u>\$ 28,236,954</u>	<u>\$ 130,527</u>	<u>\$ 837,362</u>	<u>\$ 23,860</u>	<u>\$ 29,180,983</u>

Discounts and Loans					
December 31, 2023					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	\$ 566,033,237	\$ 2,711,467	\$ 2,236,465	\$ -	\$ 570,981,169
Less: Allowance for impairment loss	697,689	158,499	265,770	-	1,121,958
Less: Additional impairment loss required under regulations	-	-	-	<u>5,751,587</u>	<u>5,751,587</u>
	<u>\$ 565,335,548</u>	<u>\$ 2,552,968</u>	<u>\$ 1,970,695</u>	<u>\$ 5,751,587</u>	<u>\$ 564,107,624</u>

Discounts and Loans					
December 31, 2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	\$ 529,977,755	\$ 2,423,258	\$ 1,941,707	\$ -	\$ 534,342,720
Less: Allowance for impairment loss	690,741	202,615	351,831	-	1,245,187
Less: Additional impairment loss required under regulations	-	-	-	<u>4,978,932</u>	<u>4,978,932</u>
	<u>\$ 529,287,014</u>	<u>\$ 2,220,643</u>	<u>\$ 1,589,876</u>	<u>\$ 4,978,932</u>	<u>\$ 528,118,601</u>

When the Company estimates the 12-month and lifetime expected credit losses for its loan commitments, it will give different credit conversion factors according to the characteristics of each product. The Company will also take into consideration the amount that is expected to be utilized within 12 months from the reporting date and the expected lifetime of each commitment in determining the default risk amount that is used to calculate the expected credit loss.

The estimation techniques or material assumptions used to assess expected credit losses have not changed significantly during the current period.

14) Consideration of forward-looking information

The Company's credit (including credit card) segments are based on different loan properties, such as corporate banking, consumer finance, credit, car loans and credit cards, and forward-looking model estimates are carried out, based on actual default rates and overall economic variables of each segment in the past quarters. The default rate for the next year is estimated using the credit risk chain model, by estimating the relationship between the default rate and the overall economic variables. The investment function makes reference to external credit ratings in their consideration of forward-looking information.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity risk means banks cannot provide sufficient funding for asset size growth and for meeting obligations on matured liabilities or have to make late payments to counterparties or raise emergency funding to cover funding gaps.

2) Liquidity risk management strategy and principles

- a) The board of directors, the top risk supervisor of the Company, regularly reviews liquidity risk management policies. The Asset/Liability Management Committee, the top liquidity risk executive of the Company, supervises the implementation of liquidity risk monitoring and control procedures and is responsible for taking any needed remedial measures.
 - b) In making internal transfer pricing, performance evaluation and new product development decisions, the operation units take liquidity cost and product effectiveness and risks into consideration and align their decisions with the Company's overall liquidity risk management policies.
 - c) The fund procurement department implements funding strategies in accordance with the conservatism principle to diversify the funding sources and negotiate reasonable repayment periods to ensure continuing participation in the lending market, and maintains a close relationship with fund providers to strengthen financing channels and ensure the stability and reliability of fund sources.
 - d) To strengthen liquidity risk management, the Company has regulations requiring the daily execution of risk management procedures and the monitoring of implementation to maintain sufficient liquidity.
 - e) The risk management units report the Company's liquidity position to the Asset/Liability Management Committee monthly and report the Company's liquidity risk management to the board of directors regularly.
- 3) The liquidity risk analysis of the cash inflow and outflow of assets and liabilities held for liquidity risk refers to the amounts of the obligations for the remaining maturity periods, i.e., from the reporting date to the contract maturity dates. The maturity analysis of financial assets and financial liabilities:
- a) For maintaining solvency and meeting the needs of emergency assistance arrangements, the Company holds cash and high-quality, liquid interest-bearing assets. The assets held for liquidity risk management include cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investments in debt instruments at amortized cost, and discounts and loans, etc.

b) The Company disclosed the analysis of cash outflows from nonderivative financial liabilities by the residual maturities as of the balance sheet dates. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those that shown in the consolidated balance sheets.

i. The maturity analysis of financial liabilities

December 31, 2023						
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Deposits from the Central Bank and other banks	\$ 7,473,747	\$ 780,303	\$ 1,520,000	\$ 2,655,000	\$ 415,179	\$ 12,844,229
Due to the Central Bank and other banks	1,403,184	-	-	-	-	1,403,184
Securities sold under agreements to repurchase	42,104,182	19,399,594	-	-	-	61,503,776
Accounts payables	6,090,266	1,210,449	1,498,217	293,611	74,387	9,166,930
Deposits and remittance	53,777,514	87,099,936	118,238,216	223,763,868	273,283,125	756,162,659
Bank debentures	-	-	-	-	5,000,000	5,000,000
Preferred stock liabilities	-	-	-	-	375,000	375,000
Bonds payable	-	-	-	-	927,202	927,202
Other liabilities	11,545,876	114,275	180,435	334,195	1,701,257	13,876,038

December 31, 2022						
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Deposits from the Central Bank and other banks	\$ 292,806	\$ 435,984	\$ 2,093,430	\$ 2,608,430	\$ 386,549	\$ 5,817,199
Due to the Central Bank and other banks	904,865	-	-	-	-	904,865
Securities sold under agreements to repurchase	28,232,346	6,066,261	-	-	-	34,298,607
Accounts payables	4,672,265	996,471	1,349,913	195,648	42,576	7,256,873
Deposits and remittance	56,263,885	90,647,028	93,245,487	202,878,439	264,879,495	707,914,334
Preferred stock liabilities	-	-	-	-	375,000	375,000
Bank debentures	-	-	-	-	5,000,000	5,000,000
Bonds payable	-	1,001,523	-	-	-	1,001,523
Other liabilities	6,567,041	4,138,548	191,147	499,955	1,568,985	12,965,676

Further information on the maturity analysis of lease liabilities is as follows:

December 31, 2023							
	Due in One Year	Due Between after One Year and Five Years	Due Between after Five Years and Ten Years	Due Between after Ten Years and Fifteen Years	Due Between after Fifteen Years and Twenty Years	Due after Twenty Years	Total
Lease liability	<u>\$ 482,004</u>	<u>\$ 1,002,563</u>	<u>\$ 249,330</u>	<u>\$ 103,443</u>	<u>\$ 19,206</u>	<u>\$ -</u>	<u>\$ 1,856,546</u>

December 31, 2022							
	Due in One Year	Due Between after One Year and Five Years	Due Between after Five Years and Ten Years	Due Between after Ten Years and Fifteen Years	Due Between after Fifteen Years and Twenty Years	Due after Twenty Years	Total
Lease liability	<u>\$ 444,377</u>	<u>\$ 827,160</u>	<u>\$ 263,486</u>	<u>\$ 141,129</u>	<u>\$ 50,481</u>	<u>\$ -</u>	<u>\$ 1,726,633</u>

ii. The maturity analysis of derivatives financial liabilities - forward exchange contracts and currency swap contracts

December 31, 2023						
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	\$ 17,918,857	\$ 41,067,318	\$ 5,598,382	\$ 3,409,953	\$ 30,735	\$ 68,025,245
Cash inflow	<u>17,437,895</u>	<u>39,944,906</u>	<u>5,520,076</u>	<u>3,389,211</u>	<u>30,693</u>	<u>66,322,781</u>
	480,962	1,122,412	78,306	20,742	42	1,702,464
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	<u>\$ 480,962</u>	<u>\$ 1,122,412</u>	<u>\$ 78,306</u>	<u>\$ 20,742</u>	<u>\$ 42</u>	<u>\$ 1,702,464</u>

	December 31, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	\$ 9,735,191	\$ 29,818,552	\$ 1,033,696	\$ 977,209	\$ -	\$ 41,564,648
Cash inflow	<u>9,544,469</u>	<u>29,297,427</u>	<u>990,960</u>	<u>959,277</u>	<u>-</u>	<u>40,792,133</u>
	190,722	521,125	42,736	17,932	-	772,515
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 190,722</u>	<u>\$ 521,125</u>	<u>\$ 42,736</u>	<u>\$ 17,932</u>	<u>\$ -</u>	<u>\$ 772,515</u>

iii. The maturity analysis of derivatives financial liabilities-option contracts

	December 31, 2023					
	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	<u>\$ 7,621</u>	<u>\$ 12,584</u>	<u>\$ 11,079</u>	<u>\$ 17,500</u>	<u>\$ -</u>	<u>\$ 48,784</u>

	December 31, 2022					
	0-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	<u>\$ 7,030</u>	<u>\$ 13,257</u>	<u>\$ 27,728</u>	<u>\$ 16,879</u>	<u>\$ -</u>	<u>\$ 64,894</u>

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices), which may cause financial instruments classified in the trading book to give rise to a potential loss on or off the balance sheet items.

2) Market risk management strategy and processes

The Company implements the “Market Risk Management Standards of Union Bank of Taiwan”, which had been approved by the board of directors, as the basis of market risk management.

The market risk management processes are risk identification, risk measurement, risk monitoring and control, risk reporting and risk mitigation.

- a) Risk identification: For balance sheet and off-balance sheet items, the Company identifies and assesses market risk factors of products and the investment business and subjects them to risk management, monitoring and control procedures.
- b) Risk measurement: In principle, each investment or transaction has at least one risk measurement tool - such as sensitivity analysis, value at risk and stress testing, which can be applied to variables, such as fair market value and notional amounts, to quantify market risk.
- c) Risk monitoring and control: Each operation unit observes the risk limit regulation stated in its operating manual and regularly monitors risk control. The department of risk management is responsible for summarizing and reporting the Company’s overall market risk monitoring.

- d) Risk reporting: The risk management reports are classified as regular report, over-limit report and exception report. Regular reports are the management statements sent to the appropriate level in accordance with certain requirements. Over-limit reports are about situations in which risk limits are exceeded. Exception reports contain operation units' recommendations on how to meet temporary business needs.
- e) Risk mitigation: An operation unit may take certain action to reduce risk, such as hedging, investment combination adjustment, position adjustment, setting a break-even point, halting new transactions, etc.

3) Market risk management framework

- a) The board of directors: The board of directors, the Company's top market risk supervisor, reviews risk management policies, operational risk limits and the design and change of the credit risk management framework.
- b) Asset/Liability Management Committee: The Asset/Liability Management Committee inspects management reports or information provided by business units and the Risk Management Division.
- c) Risk Management Division: The Risk Management Division is an independent unit in charge of the work related to three pillars of Basel and of the development of market risk management tools to assess and control the risk identified through setting risk limits.
- d) Operation units: Operation units perform daily market risk management work and report the market risk of investment positions and related information to the authorities.

4) Market risk measurement, control and reporting

- a) The market risk of the trading book financial instruments is measured in accordance with the fair market value or evaluation model and the profit and loss situation is evaluated regularly.
- b) The business units and the risk management division prepares management reports periodically and report to the appropriate level.
- c) The market risk management system combines the evaluation of the front and middle offices to generate information that will assist management in risk monitoring. Moreover, the system supports the capital accrual method being used by the Company through generating internal and external reports for management's decision, making.

5) Market risk measurement of trading book

The Company assesses the market risk exposure of the trading book in conformity with an assessment model using publicly quoted market prices or other measurement methods, including interest rate sensitivity analysis (DV01 value) and stress tests. The interest rate sensitivity analysis (DV01 value) refers to changes in market interest by 1 basis point (0.01%); the abnormal stress test system deals with market volatility and involves the regular estimation of possible losses (stress loss) and of the impact of stress test scenarios on major asset portfolios and the Company's profit and loss.

6) Banking book market risk

a) Interest rate risk

The loans and deposits and other interest rate-related items in the Company's balance sheet, including interest rate sensitive assets and interest rate sensitive liabilities, are measured from the viewpoint of earnings because there is a risk of decrease in earnings due to adverse changes in interest rates for loans and deposits.

The loans and deposits and other interest rate-related items in the Company's balance sheet, including interest rate sensitive assets and interest rate sensitive liabilities, are assessed as a result of interest rate changes on the Company's earnings assuming that other factors of change remain unchanged. For 2023 and 2022, assuming all market risk indicators, except interest rates, remained constant, an interest rate increase or decrease by 100bps would result in an increase or decrease in profit before tax by \$557,251 thousand and \$450,642 thousand, respectively.

b) Exchange rate risk

The exchange rate risk of the banking book refers to the business operation of the International Banking Department of the Company's Head Office and the operating funds in foreign currencies required by the ROC or local regulations; if there are adverse exchange rate changes, the income statement or cumulative translation adjustments in equity would be negatively affected.

The International Banking Department (IBD) of the Company's Head Office is a going concern, and its operating funds are foreign currencies for business needs. However, the exchange rate risk on these funds is not significant because the percentage of the operating funds to the Company's total assets is small, as shown by the immaterial ratio of the IBD's cumulative translation adjustment to the Companies' net worth.

7) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Each Foreign Currency (In Thousands)/NT\$ (In Thousands)

	December 31, 2023		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 4,023,190	30.7350	\$ 123,468,792
JPY	36,443,602	0.2173	7,920,864
GBP	7,308	39.1779	286,318
AUD	79,117	21.0043	1,663,065
HKD	100,994	3.9339	397,298
CAD	12,473	23.2155	289,561
CNY	609,334	4.3310	2,639,032
SGD	4,690	23.3088	109,313
ZAR	904,451	1.6594	1,500,826
CHF	616	36.5327	22,511
NZD	17,110	19.4952	333,558
EUR	35,899	34.0083	1,220,852

(Continued)

	December 31, 2023		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
USD	\$ 3,704,062	30.7350	\$ 113,844,358
JPY	36,483,733	0.2173	7,919,849
GBP	7,307	39.1779	286,278
AUD	79,123	21.0043	1,661,933
HKD	101,172	3.9339	397,999
CAD	12,441	23.2155	288,815
CNY	609,347	4.3310	2,639,088
SGD	4,755	23.3088	110,829
ZAR	904,908	1.6594	1,501,584
CHF	644	36.5327	23,513
NZD	17,088	19.4952	333,143
EUR	35,937	34.0083	1,222,150
			(Concluded)

	December 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 3,535,696	30.7080	\$ 108,574,147
JPY	24,281,404	0.2324	5,642,318
GBP	12,282	37.0553	455,110
AUD	104,672	20.8292	2,180,239
HKD	158,807	3.9383	625,426
CAD	15,962	22.6611	361,714
CNY	621,067	4.4079	2,737,594
SGD	4,743	22.8686	108,458
ZAR	885,860	1.8118	1,605,019
CHF	874	33.2086	29,038
NZD	18,767	19.4351	364,745
EUR	47,451	32.7132	1,552,288

<u>Financial liabilities</u>			
USD	3,176,744	30.7080	97,551,454
JPY	28,777,059	0.2324	6,686,983
GBP	12,264	37.0553	454,464
AUD	104,688	20.8292	2,180,577
HKD	118,551	3.9383	466,888
CAD	15,961	22.6611	361,689
CNY	621,431	4.4079	2,739,197
SGD	4,696	22.8686	107,380
ZAR	886,269	1.8118	1,605,760
CHF	900	33.2086	29,879
NZD	18,778	19.4351	364,952
EUR	47,815	32.7132	1,564,196

8) Effect of interest rate benchmark reform

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

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Company’s counterparties are not successfully concluded before the cessation of USD LIBOR, the case will bring significant uncertainties to the future interest rate basis applied to financial instruments, and give rise to additional interest rate risk that was not anticipated when the contracts were entered into. If a hedged financial instrument and the related hedging derivative instruments are transitioned to alternative benchmark rates at different times, it could result in hedge ineffectiveness.

The following table contains details of non-derivative financial instruments held by the Company as of December 31, 2023 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
<u>Non-derivative financial assets which are subject to the reform</u>	
Financial assets linked to USD LIBOR	
Financial assets at FVTPL	\$ 4,133
Financial assets at FVTOCI	537,863
Discounts and loans	<u>134,260</u>
	<u>\$ 676,256</u>

f. Transfers of financial assets

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

December 31, 2023					
Category of Financial Assets	Carrying Amount of Transferred Financial Asset	Carrying Amount of Associated Financial Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Financial Liability	Fair Value of Net Position
Financial instruments at fair value through profit or loss Securities sold under repurchase agreements	\$ 28,966,602	\$ 28,993,136	\$ 28,966,602	\$ 28,993,136	\$ (26,534)
Financial assets at fair value through other comprehensive income Securities sold under repurchase agreements	19,314,950	17,764,816	19,314,950	17,764,815	1,550,134
Financial assets at amortized cost Securities sold under repurchase agreements	28,481,320	14,321,243	24,788,398	14,321,243	10,467,155

December 31, 2022					
Category of Financial Assets	Carrying Amount of Transferred Financial Asset	Carrying Amount of Associated Financial Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Financial Liability	Fair Value of Net Position
Financial instruments at fair value through profit or loss Securities sold under repurchase agreements	\$ 9,700,254	\$ 9,701,184	\$ 9,700,254	\$ 9,701,184	\$ (930)
Financial assets at fair value through other comprehensive income Securities sold under repurchase agreements	8,999,616	9,150,340	8,999,616	9,150,340	(150,724)
Financial assets at amortized cost Securities sold under repurchase agreements	27,540,026	15,447,083	23,735,845	15,447,083	8,288,762

g. Offsetting financial assets and financial liabilities.

The Company is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheets since the offsetting criteria are met. Cash collateral has also been paid by part of counterparties for the net amount of the derivative assets and derivative liabilities. The cash collateral does not meet the offsetting criteria, but it can be set off against the net amount of the derivative assets and derivative liabilities in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheets or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2023						
Financial Assets	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Net Amount of Financial Assets Presented in the Balance Sheets (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instrument	Cash Collateral Pledged	
Derivatives	\$ 511,050	\$ -	\$ 511,050	\$ 745	\$ -	\$ 510,305

Note: Including the master netting arrangements and non-cash financial collaterals.

December 31, 2023						
Financial Liabilities	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)	Net Amount of Financial Liabilities Presented in the Balance Sheets (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial instrument	Cash Collateral Pledged	
Derivatives	\$ 1,824,034	\$ -	\$ 1,824,034	\$ 745	\$ -	\$ 1,823,289

Note: Including the master netting arrangements and non-cash financial collaterals.

December 31, 2022						
Financial Assets	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Net Amount of Financial Assets Presented in the Balance Sheets (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instrument	Cash Collateral Pledged	
Derivatives	\$ 602,545	\$ -	\$ 602,545	\$ 11,431	\$ -	\$ 591,114

Note: Including the master netting arrangements and non-cash financial collaterals.

December 31, 2022						
Financial Liabilities	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)	Net Amount of Financial Liabilities Presented in the Balance Sheets (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial instrument	Cash Collateral Pledged	
Derivatives	\$ 931,500	\$ -	\$ 931,500	\$ 11,431	\$ -	\$ 920,069

Note: Including the master netting arrangements and non-cash financial collaterals.

54. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

Under the regulations set by the authorities, the Company complies with the requirements set each year for the minimum consolidated capital adequacy ratios, including the common equity Tier I capital ratio; the Company's leverage ratio is also in accordance with the requirements of the relevant authorities. These ratios are applied in accordance with the regulations announced by the authorities.

b. Capital assessment program

The capital ratios and leverage ratios are applied, analyzed, monitored and reported regularly, and are assigned to each business unit as the target capital adequacy ratios. The business units' compliance with the ratio requirements is tracked regularly, and remedial action is taken if the capital and leverage ratio requirements are not met.

c. Capital adequacy

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

Items (Note 2)		Year	December 31, 2023	
			Own Capital Adequacy Ratio	Capital Adequacy Ratio
Eligible capital	Common equity Tier 1 Ratio		\$ 50,089,913	\$ 48,657,138
	Other Tier 1 capital		13,000,000	13,000,000
	Tier 2 capital		10,138,005	11,563,209
	Eligible capital		73,227,918	73,220,347
Risk-weighted assets	Credit risk	Standard	438,463,100	443,214,728
		Internal rating-based approach	-	-
		Asset securitization	290,776	290,776
	Operational risk	Basic indicator approach	27,562,984	32,615,448
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	30,773,144	32,740,790
		Internal model approach	-	-
Total risk-weighted assets			497,090,004	508,861,742
Capital adequacy rate			14.73%	14.39%
Ratio of common stockholders' equity to risk-weighted assets			10.08%	9.56%
Ratio of Tier 1 capital to risk-weighted assets			12.69%	12.12%
Leverage ratio			6.32%	6.05%

Items (Note 2)		Year	December 31, 2022	
			Own Capital Adequacy Ratio	Capital Adequacy Ratio
Eligible capital	Common equity Tier 1 Ratio		\$ 44,397,652	\$ 43,005,283
	Other Tier 1 capital		13,000,000	13,000,000
	Tier 2 capital		8,973,856	10,370,633
	Eligible capital		66,371,508	66,375,916
Risk-weighted assets	Credit risk	Standard	403,074,632	407,119,232
		Internal rating-based approach	-	-
		Asset securitization	288,276	288,276
	Operational risk	Basic indicator approach	25,243,857	30,213,797
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	15,438,120	17,445,241
		Internal model approach	-	-
Total risk-weighted assets			444,044,885	455,066,546
Capital adequacy rate			14.95%	14.59%
Ratio of common stockholders' equity to risk-weighted assets			10.00%	9.45%
Ratio of Tier 1 capital to risk-weighted assets			12.93%	12.31%
Leverage ratio			6.38%	6.11%

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity Tier 1 capital + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of Common equity Tier 1 capital to risk-weighted assets = Common equity Tier 1 capital ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity Tier 1 capital + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure Measurement.

The Banking Law and related regulations require that the Company maintains its unconsolidated and consolidated CARs at a minimum of 10.5%, the Tier 1 Capital Ratio at a minimum of 8.5% and the Common Equity Tier 1 Ratio at a minimum of 7.0%. In addition, if the Company's CAR falls below the minimum requirement, the authorities may impose certain restrictions on the amount of cash dividends that the Company can declare or, in certain conditions, totally prohibit the Company from declaring cash dividends.

55. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Union Bank of Taiwan

a. Credit risk

1) Asset quality

See Note 53 and Table 7.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2023			
Rank (Note 1)	Company Name	Credit Extension Balance	% to Net Asset Value
1	Company H - retail sale of other food, beverages and tobacco in specialized stores	\$ 4,723,000	6.89
2	Group G - other financial service activities	3,348,000	4.89
3	Company I - manufacture of man-made fibers	2,702,000	3.94
4	Company A - real estate development	1,810,347	2.64
5	Company L - metal building materials wholesale industry	1,627,581	2.38
6	Company T - manufacture of grain mill products	1,470,000	2.15
7	Company P - smelting and refining of iron and steel	1,340,166	1.96
8	Company B - financial leasing industry	1,275,179	1.86
9	Company M - real estate development	1,158,600	1.69
10	Company Z - Printing	1,034,215	1.51

(In Thousands of New Taiwan Dollars, %)

December 31, 2022			
Rank (Note 1)	Company Name	Credit Extension Balance	% to Net Asset Value
1	Company H - retail sale of other food, beverages and tobacco in specialized stores	\$ 5,323,000	8.72
2	Group G - other financial service activities	3,299,000	5.40
3	Company J - real estate development	2,681,000	4.39
4	Company I - manufacture of man-made fibers	2,152,000	3.52
5	Company L - metal building materials wholesale industry	1,596,572	2.61
6	Company T - manufacture of grain mill products	1,535,000	2.51
7	Company P - smelting and refining of iron and steel	1,514,983	2.48
8	Company Q - telecommunications	1,499,996	2.46
9	Company A - real estate development	1,452,244	2.38
10	Company S - automotive manufacturing	1,189,935	1.95

b. Market risk

**Interest Rate Sensitivity
December 31, 2023**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 688,763,184	\$ 12,053,357	\$ 12,270,931	\$ 68,811,480	\$ 781,898,952
Interest rate-sensitive liabilities	404,024,791	272,511,306	73,508,133	16,181,980	766,226,210
Interest rate-sensitive gap	284,738,393	(260,457,949)	(61,237,202)	52,629,500	15,672,742
Net worth					67,421,055
Ratio of interest rate-sensitive assets to liabilities					102.05%
Ratio of interest rate sensitivity gap to net worth					23.25%

December 31, 2022

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 613,183,639	\$ 11,169,784	\$ 12,065,406	\$ 67,775,779	\$ 704,194,608
Interest rate-sensitive liabilities	371,747,777	243,243,317	53,617,925	18,557,763	687,166,782
Interest rate-sensitive gap	241,435,862	(232,073,533)	(41,552,519)	49,218,016	17,027,826
Net worth					61,308,681
Ratio of interest rate-sensitive assets to liabilities					102.48%
Ratio of interest rate sensitivity gap to net worth					27.77%

Note 1: The above amounts included only the New Taiwan dollar held by the Company's head office and branches (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

**Interest Rate Sensitivity
December 31, 2023**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,924,617	\$ 316,216	\$ 140,726	\$ 2,161,765	\$ 4,543,324
Interest rate-sensitive liabilities	1,943,217	643,377	592,760	415,450	3,594,804
Interest rate-sensitive gap	(18,600)	(327,161)	(452,034)	1,746,315	948,520
Net worth					70,265
Ratio of interest rate-sensitive assets to liabilities					126.39%
Ratio of interest rate sensitivity gap to net worth					1,349.92%

December 31, 2022

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,794,924	\$ 24,716	\$ 44,901	\$ 2,268,658	\$ 4,133,199
Interest rate-sensitive liabilities	1,645,426	280,881	676,768	555,003	3,158,078
Interest rate-sensitive gap	149,498	(256,165)	(631,867)	1,713,655	975,121
Net worth					34,890
Ratio of interest rate-sensitive assets to liabilities					130.88%
Ratio of interest rate sensitivity gap to net worth					2,794.84%

Note 1: The above amounts included only U.S. dollar amounts held by the Company's head office, domestic branches, OBU and overseas branches and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars).

c. Liquidity risk

1) Profitability

(%)

Items		Year Ended December 31, 2023	Year Ended December 31, 2022
Return on total assets	Before income tax	0.57	0.54
	After income tax	0.47	0.42
Return on common equity	Before income tax	8.36	7.47
	After income tax	6.75	5.62
Net income ratio		24.09	22.15

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

Note 2: Return on equity = [Income before (after) income tax - Preferred stock dividend] ÷ Average equity.

Note 3: Net income ratio = Income after income tax ÷ Total net revenues.

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

2) Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities
December 31, 2023**

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 858,746,536	\$ 207,587,239	\$ 44,854,960	\$ 68,863,110	\$ 114,052,180	\$ 423,389,047
Main capital outflow on maturity	1,002,749,566	112,987,732	132,689,955	140,151,712	270,378,110	346,542,057
Gap	(144,003,030)	94,599,507	(87,834,995)	(71,288,602)	(156,325,930)	76,846,990

December 31, 2022

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 770,357,952	\$ 159,256,515	\$ 44,770,724	\$ 55,928,310	\$ 112,283,998	\$ 398,118,405
Main capital outflow on maturity	897,396,073	76,643,872	139,164,174	120,152,690	237,103,483	324,331,854
Gap	(127,038,121)	82,612,643	(94,393,450)	(64,224,380)	(124,819,485)	73,786,551

Note: The above amounts are book value held by the onshore branches and offshore banking unit of the Company in U.S. dollars, without off-balance sheet amounts (for example, the issuance of negotiable certificate of deposits, bonds or stocks).

**Maturity Analysis of Assets and Liabilities
December 31, 2023**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 4,703,941	\$ 653,921	\$ 1,316,215	\$ 208,641	\$ 269,500	\$ 2,255,664
Main capital outflow on maturity	4,691,874	1,268,324	1,315,891	674,352	619,216	814,091
Gap	12,067	(614,403)	324	(465,711)	(349,716)	1,441,573

December 31, 2022

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 4,297,854	\$ 303,879	\$ 1,485,455	\$ 65,002	\$ 47,222	\$ 2,396,296
Main capital outflow on maturity	4,288,316	1,015,543	1,206,915	327,433	819,677	918,748
Gap	9,538	(711,664)	278,540	(262,431)	(772,455)	1,477,548

Note: The above amounts are book value of the assets and liabilities held by the onshore branches and offshore banking unit of the Company in U.S. dollars, without off-balance amounts (for example, the issuance of negotiable certificate of deposits, bonds or stocks).

56. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:

- a. Related information of significant transactions and investees and b. proportionate share in investees:
 - 1) Financing provided: The Company - not applicable; investee - Table 1 (attached)
 - 2) Endorsement/guarantee provided: Table 2 (attached)
 - 3) Marketable securities held: The Company - not applicable; other investee - Table 3 (attached)
 - 4) Marketable securities acquired or disposed of at costs or prices of at least \$300 million or 10% of the paid-in capital: Table 4 (attached)
 - 5) Acquisition of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: Table 5 (attached)
 - 6) Disposal of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least \$5 million: None
 - 8) Receivables from related parties amounting to at least \$300 million or 10% of the paid-in capital: Table 6 (attached)
 - 9) Sale of nonperforming loans: None
 - 10) Asset securitization under the "Regulations for Financial Asset Securitization": None
 - 11) Other significant transactions which may affect the decisions of users of financial reports: Table 7 (attached)
 - 12) Names, locations and other information of investees on which the Company exercises significant influence: Table 8 (attached)
 - 13) Derivative transactions: Note 8
- c. Investment in Mainland China: None
- d. Intercompany relationships and significant intercompany transactions.

The detailed information of intercompany relationships and significant intercompany transactions are referred to Table 9 (attached).
- e. Information of major shareholders which hold ownership of 5% or greater: Table 10 (attached)

57. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on operation and profitability. The Company's reportable segments are as follows:

- a. Corporate banking unit: Corporate banking, foreign exchange business, debt management and public treasury business, etc.
- b. Consumer banking unit: Consumer banking, financial management and loan business, credit card business and car-loan business, etc.
- c. Wealth management and trust unit: Wealth management and trust business, etc.
- d. Investing unit: Investing business in the financial market, etc.
- e. Leasing unit: Leasing of vehicles, buildings, etc.

The analysis of the Company's operating revenue and results by reportable segment was as follows:

	For the Year Ended December 31, 2023						Total
	Corporate Banking	Consumer Banking	Wealth Management	Investing	Leasing	Others	
Net interest (Note)	\$ 2,635,544	\$ 4,923,575	\$ (527)	(\$ 1,001,646)	\$ (65,939)	\$ 2,576,858	\$ 9,067,865
Net commissions and fees revenues	284,067	1,012,955	1,428,522	239,837	40,031	304,899	3,310,311
Net revenues other than interest	<u>339,042</u>	<u>(5,290)</u>	<u>2,343</u>	<u>925,438</u>	<u>2,423,319</u>	<u>1,871,599</u>	<u>5,556,451</u>
Total net revenues	3,258,653	5,931,240	1,430,338	163,629	2,397,411	4,753,356	17,934,627
Provisions (reversal)	93,830	154,705	-	65,325	21,995	292,538	628,393
Operating expenses	<u>1,065,251</u>	<u>3,890,223</u>	<u>727,799</u>	<u>201,863</u>	<u>2,267,723</u>	<u>3,917,978</u>	<u>12,070,837</u>
Income before income tax	<u>\$ 2,099,572</u>	<u>\$ 1,886,312</u>	<u>\$ 702,539</u>	<u>\$ (103,559)</u>	<u>\$ 107,693</u>	<u>\$ 542,840</u>	<u>\$ 5,235,397</u>
	For the Year Ended December 31, 2022						
	Corporate Banking	Consumer Banking	Wealth Management	Investing	Leasing	Others	Total
Net interest (Note)	\$ 2,146,374	\$ 4,432,508	\$ (342)	\$ 667,774	\$ (26,351)	\$ 2,966,167	\$ 10,186,130
Net commissions and fees revenues	274,673	1,240,822	1,151,758	209,042	3,898	441,491	3,321,684
Net revenues other than interest	<u>365,519</u>	<u>(4,429)</u>	<u>5,220</u>	<u>(811,223)</u>	<u>2,476,258</u>	<u>446,180</u>	<u>2,477,525</u>
Total net revenues	2,786,566	5,668,901	1,156,636	65,593	2,453,805	3,853,838	15,985,339
Provisions (reversal)	(33,960)	15,638	-	22,764	17,623	477,312	499,377
Operating expenses	<u>994,782</u>	<u>3,251,273</u>	<u>718,910</u>	<u>200,706</u>	<u>2,282,582</u>	<u>3,487,935</u>	<u>10,936,188</u>
Income before income tax	<u>\$ 1,825,744</u>	<u>\$ 2,401,990</u>	<u>\$ 437,726</u>	<u>\$ (157,877)</u>	<u>\$ 153,600</u>	<u>\$ (111,409)</u>	<u>\$ 4,549,774</u>

Note: Include interest revenue of financial assets at fair value through profit or loss.

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

No.	Lender	Borrower	Financial Statement Account	Highest Balance for the Period (Note 1)	Ending Balance (Note 2)	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount (Note 3)	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 4)	Aggregate Financing Limit (Note 5)
												Item	Value		
1	Union Finance and Leasing International Corporation	Union Capital (Singapore) Holding PTE. Ltd.	Receivables of affiliates	\$ 804,184 (JPY 3,700,000)	\$ 804,184 (JPY 3,700,000)	\$ 571,019 (JPY 2,627,225)	1.97-2.06	Business transaction	\$ 804,184 (JPY 3,700,000)	-	\$ -	-	\$ -	\$ 3,289,158	\$ 3,289,158
		Uflc Capital (Singapore) Holding PTE. Ltd.	Receivables of affiliates	1,412,756 (JPY 6,500,000)	1,412,756 (JPY 6,500,000)	1,200,583 (JPY 5,523,808)	1.97-2.06	Business transaction	1,412,756 (JPY 6,500,000)	-	-	-	-	3,289,158	3,289,158
		Junwei Development and Construction Co., Ltd.	Account receivable	9,578	9,269	9,269	5-8	Short-term financing	-	Business financing	93	Real estate	12,447	328,915	1,315,663
		Lihua Interior Decoration Ltd.	Account receivable	47,840	44,458	44,458	5-8	Short-term financing	-	Borrowing repayment and business financing	445	Real estate	165,218	328,915	1,315,663
		JOTTA ENTERPRISE CO., LTD.	Account receivable	149,178	139,109	139,109	3-6	Short-term financing	-	Equity of investment relationship enterprises	1,391	Real estate	150,380	328,915	1,315,663
		Sing Hong Yang Construction Co., Ltd.	Account receivable	26,000	24,435	24,435	3-6	Short-term financing	-	Business financing	244	Real estate	29,593	328,915	1,315,663
		Shanyue Development Co., Ltd.	Account receivable	100,000	98,004	98,004	5-8	Short-term financing	-	Purchase of real estate	980	Real estate	366,933	328,915	1,315,663
		NFC I Renewable Power Co., Ltd.	Account receivable	100,000	100,000	100,000	3-6	Short-term financing	-	Business financing	1,000	-	-	328,915	1,315,663
		NFC II Renewable Power Co., Ltd.	Account receivable	100,000	100,000	-	3-6	Short-term financing	-	Business financing	-	-	-	328,915	1,315,663
2	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	412,959 (JPY 1,900,000)	412,959 (JPY 1,900,000)	318,601 (JPY 1,465,865)	2.75	Business transaction	412,959 (JPY 1,900,000)	-	-	-	-	3,289,158	3,289,158
3	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	717,245 (JPY 3,300,000)	717,245 (JPY 3,300,000)	620,635 (JPY 2,855,504)	2.75	Business transaction	717,245 (JPY 3,300,000)	-	-	-	-	3,289,158	3,289,158
4	Union Energy Co., Ltd.	Union Green Energy I Private Equity Limited Partnership	Account receivable	8,000	8,000	-	3	Short-term financing	-	Business financing	-	-	-	138,650	346,626
5	Union Venture Capital Co., Ltd.	Bei Chen Yi Hau Electric Power Inc.	Account receivable	150,000	150,000	109,000	3	Short-term financing	-	Business financing	-	-	-	747,260	1,868,040
		Hao Tian Electric Power Inc.	Account receivable	150,000	150,000	136,000	3	Short-term financing	-	Business financing	-	-	-	747,260	1,868,040
		Feng Tai Electric Power Inc.	Account receivable	150,000	150,000	134,000	3	Short-term financing	-	Business financing	-	-	-	747,260	1,868,040

Note 1: Highest balance of loans provided to others in the current year.

Note 2: Where the public companies submit the loaning of funds individually to the board of directors for resolution pursuant to Paragraph 1, Article 14 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," even though the fund is not disbursed, the amount resolved by the board shall be listed in the announced balance to disclose the risk assumed; provided, when the fund is repaid, the balance after the repayment shall be disclosed to reflect the risk adjustment. Where the public companies have the board of directors to resolve a limit to be loaned for several times or drafted on the revolving basis within the limit during the period of one year pursuant to Paragraph 2, Article 14 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies," the resolved limit of loans shall still be announced as the reported balance. Although repayments may be made later, such limit may be used again, and thus the limit approved by the board shall be the announced and reported balance.

Note 3: Where loaning of funds is in the nature of business transactions, the amount of such transaction shall be disclosed; the business transaction amounts within a year between the lender and the borrower.

Note 4: For the transactions with the subsidiaries where 100% of the voting rights are held directly and indirectly by the lender, and the loaning of funds for short-term financing, the limit is the net worth of UFLIC, UVC and Union Energy; in terms of loaning of funds for short-term financing to the non-subsidiaries, the limit is 10% of the net worth of UFLIC. For the loan with business transactions are limited to 100% of the net worth of Union Venture Capital Co., Ltd and Union Energy Co., Ltd., respectively; For the loans with short-term financing were limited to 40% of the net worth of Union Venture Capital Co., Ltd and Union Energy Co., Ltd., respectively.

Note 5: For the transactions with the subsidiaries where 100% of the voting rights are held directly and indirectly by the lender, and the loaning of funds for short-term financing, the limit is the net worth of UFLIC, UVC and Union Energy; in terms of loaning of funds for short-term financing to the non-subsidiaries, the limit is 40% of the net worth of UFLIC. For intercompany transactions with firms and short-term financing needs, the amount is limited to 100% of the net worth of Union Venture Capital Co., Ltd and Union Energy Co., Ltd., respectively.

Note 6: All the "balance" and "amount" mentioned in the statement, other than the actual amount borrowed, business transaction amount, and amount of allowance for doubtful accounts provided, are the limits or amounts loaned to others on the date of occurrence (the earliest of the date of the Board's resolution, date of contract execution, date of payment, or date sufficient to ensure the counterparty and transaction amount) pursuant to Article 7 of the handling standards.

UNION BANK OF TAIWAN AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023

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

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 5)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 4)	Actual Amount Borrowed (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 7)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
1	Union Venture Capital Co., Ltd.	Na He Yi Hau Electric Power Inc. Ting Jie Electric Power Inc.	d d	\$ 18,680,400 18,680,400	\$ 1,113,000 7,500,000	\$ 1,113,000 7,500,000	\$ 242,100 1,837,500	\$ - -	1.60 11.00	\$ 56,044,535 56,044,535	Yes Yes	No No	No No	
2	Union Energy Co., Ltd.	Ting Jie Electric Power Inc.	d	8,665,638	7,500,000	7,500,000	1,837,500	-	11.00	17,331,276	Yes	No	No	

Note 1: The number column indicates the following:

- Issuer: 0.
- The investees are numbered starting from 1.

Note 2: There are seven relationships between the endorser/guarantor and endorsee/guarantee, only the type needs to be indicated:

- Companies with business relationships with each other.
- Companies in which the Company holds more than 50% of the voting rights, directly or indirectly.
- Companies that hold more than 50% of the voting rights, directly or indirectly.
- Group of companies in which the Company holds more than 90% of the voting rights, directly or indirectly.
- Companies guarantee each other as peers or joint constructors under contracts based on the requirements of construction contracts.
- All the shareholders to the companies they endorse and guarantee due to the joint investment in proportion to their shareholdings.

Note 3: The maximum balance of the endorsement/guarantee provided to others in the current year.

Note 4: The endorsement/guarantee limit was approved by the board of directors.

Note 5: The total amount of endorsement or guarantee provided by UVC and Union Energy to a single company shall not exceed 10 and 25 times of UVC's and Union Energy's net worth, respectively.

Note 6: The actual amount drafted within the balance of endorsement/guarantee by the endorsee/guarantee.

Note 7: The total amount of endorsement or guarantee provided by UVC and Union Energy to others shall not exceed 30 times of UVC's net worth and 50 times of Union Energy's net worth.

Note 8: Ting Jie Electric Power signed a contract with a syndicate of 11 financial Institutions with the limit of NT\$7,500,000 thousand. The joint guarantors are the parent company, UVC and Union Energy.

UNION BANK OF TAIWAN AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Holding Company	Type and Issuer/Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Union Finance and Leasing International Corporation	<u>Stock</u> Hey-Song Corporation	-	Financial assets at fair value through other comprehensive income	4,551	\$ 184,316	1.13	\$ 184,316	
	<u>Beneficiary certificates</u> Union Golden Balanced Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	517	20,558	-	20,558	
	Union Taiwan Select Income Multi-asset Fund A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	3,893	41,499	-	41,499	
	Union APEC Balanced Fund A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,102	21,422	-	21,422	
	Union Low Carbon Target Multiple Asset Fund A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	2,000	20,539	-	20,539	
	Union Utilities and Infrastructure Equity Income Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,292	14,711	-	14,711	
	Union Green Energy Private Equity Limited Partnership	-	Financial assets at fair value through profit or loss	-	552,676	25.98	552,676	
	Union Information Technology Corporation	<u>Stock</u> ELTA Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,537	60,474	14.13	60,474
Union Securities Investment Trust (USITC)	<u>Stock</u> FundRich Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	566	7,697	0.94	7,697	
	<u>Beneficiary certificates</u> Union Advantage Global Fixed Income Portfolio Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,068	15,520	-	15,520	
	Union Money Market Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,378	18,712	-	18,712	
	Union Golden Balanced Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	172	6,841	-	6,841	
	Union China Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	189	10,158	-	10,158	
	Union Taiwan Select Income Multi-Asset Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	703	7,489	-	7,489	

(Continued)

Holding Company	Type and Issuer/Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Union Venture Capital Co., Ltd.	Union APEC Balanced A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	658	\$ 12,786	-	\$ 12,786	
	Union Asian High Yield Bond A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,983	13,126	-	13,126	
	Union Technology Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	347	10,428	-	10,428	
	<u>Stock</u> Greenway Environmental Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,100	1,054	2.39	1,054	
	RFD Micro Electricity Co., Ltd.	-	Financial assets at fair value through other comprehensive income	10,377	527,438	14.59	527,438	
	Hope Vision Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,132	3,569	2.44	3,569	
	Xinrong Energy Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	Preferred stock 42,368	603,197	-	603,197	
Corner Ventures DAG I-U, LLC (Delaware, US)	<u>Stock</u> Dantari Pharmaceuticals, LLC	-	Financial assets at fair value through other comprehensive income	385	US\$ 522	-	US\$ 522	
	Get Fabric Ltd.	-	Financial assets at fair value through other comprehensive income	1,536	US\$ 1,430	-	US\$ 1,430	
	Healthy.io Limited	-	Financial assets at fair value through other comprehensive income	11	US\$ 319	-	US\$ 319	
	Prismo Systems Inc.	-	Financial assets at fair value through profit or loss	26	US\$ 745	-	US\$ 745	
		-	Financial assets at fair value through other comprehensive income	39	US\$ 17	-	US\$ 17	
	Nexar Ltd.	-	Financial assets at fair value through other comprehensive income	73	US\$ 336	-	US\$ 336	
	Latigo Biotherapeutics, Inc.	-	Financial assets at fair value through other comprehensive income	202	US\$ 181	-	US\$ 181	
	Suvalent Therapeutics Inc.	-	Financial assets at fair value through other comprehensive income	80	US\$ 83	-	US\$ 83	
	Oncovalent Therapeutics Inc.	-	Financial assets at fair value through other comprehensive income	15	US\$ 15	-	US\$ 15	
	Twin Health, Inc.	-	Financial assets at fair value through other comprehensive income	158	US\$ 1,281	-	US\$ 1,281	
Meilo Ltd.	-	Financial assets at fair value through other comprehensive income	1,213	US\$ 948	-	US\$ 948		

(Continued)

Holding Company	Type and Issuer/Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	Pivalent Therapeutics Inc.	-	Financial assets at fair value through other comprehensive income	32	US\$ 16	-	US\$ 16	
	Boldend, Inc.	-	Financial assets at fair value through other comprehensive income	315	US\$ 397	-	US\$ 397	
	Bookaway Ltd.	-	Financial assets at fair value through other comprehensive income	53	US\$ 615	-	US\$ 615	
	Cargomatic, Inc.	-	Financial assets at fair value through other comprehensive income	19	US\$ 142	-	US\$ 142	
	Engageli, Inc.	-	Financial assets at fair value through other comprehensive income	170	US\$ 369	-	US\$ 369	
	Garuda Labs, Inc.	-	Financial assets at fair value through other comprehensive income	14	US\$ 343	-	US\$ 343	
	AnyRoad Inc.	-	Financial assets at fair value through other comprehensive income	7	US\$ 37	-	US\$ 37	
	Assemble Stream, Inc.	-	Financial assets at fair value through other comprehensive income	32	US\$ 89	-	US\$ 89	
	FINDEM, Inc.	-	Financial assets at fair value through other comprehensive income	4	US\$ 37	-	US\$ 37	
	Solv Health, Inc.	-	Financial assets at fair value through other comprehensive income	111	US\$ 483	-	US\$ 483	
	Underdog Sport	-	Financial assets at fair value through other comprehensive income	1	US\$ 40	-	US\$ 40	
	Halcyon Tech Inc.	-	Financial assets at fair value through other comprehensive income	5,209	US\$ 695	-	US\$ 695	
	ParaFi Digital Opportunities International LP	-	Financial assets at fair value through other comprehensive income	-	US\$ 30	-	US\$ 30	
	ParaFi Private Opportunities LLC	-	Financial assets at fair value through other comprehensive income	-	US\$ 36	-	US\$ 36	
	Sybil Capital Fund I-B Feeder LP	-	Financial assets at fair value through other comprehensive income	-	US\$ 218	-	US\$ 218	
	Folius Digital Opportunities Offshore, LTD.	-	Financial assets at fair value through other comprehensive income	-	US\$ 83	-	US\$ 83	
	Corner Ventures (Cayman) I LP	-	Financial assets at fair value through other comprehensive income	-	US\$ 82	-	US\$ 82	
Corner Union LLC (Delaware, US)	<u>Stock</u> Healthy.io Limited	-	Financial assets at fair value through other comprehensive income	30	US\$ 917	-	US\$ 917	
Union Private Equity Co., Ltd.	<u>Beneficiary certificates</u> Union Green Energy Private Equity Limited Partnership	-	Financial assets at fair value through profit or loss	-	26,858	1.07	26,858	
	Union Green Energy I Private Equity Limited Partnership	-	Financial assets at fair value through profit or loss	-	6,167	1.34	6,167	
	Union Green Energy II Private Equity Limited Partnership	-	Financial assets at fair value through profit or loss	-	15	16.67	15	

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF PROPORTION SHARE INVESTMENT OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
 FOR THE YEARS END DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Union Venture Capital Co., Ltd.	Stock Xinrong Energy Technology Co., Ltd.	Financial assets measured at fair value through profit or loss	Ark International Co., Ltd.	-	71,768	\$ 839,680	-	\$ -	29,400	\$ 421,723	\$ 294,000	\$ 127,723	42,368	\$ 603,197

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items.

Note 2: Investors who use the equity method in their securities accounts must fill in these two columns, the rest are not.

Note 3: The accumulated buying and selling amount should be calculated separately at market price whether it reaches \$300 million or 10% of the paid-in capital.

UNION BANK OF TAIWAN AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Union Bank of Taiwan	Lands and buildings	2023.1.12	\$ 354,019	Note 1	6 natural persons	Non-related party	Not applicable	Not applicable	Not applicable	Not applicable	Refer to the professional appraisal report	Used as self-owned property	None

Note 1: In January 2023, with the approval of the Board of Directors, the Bank purchased the land and buildings in Taoyuan District, Taoyuan City, out of considerations of business sustainability and to provide a good working environment for branches. The total transaction price for the land and buildings was \$354,019 thousand. Since January 2023, the Bank has successively signed contracts with landowners for payment, Payment was made as of December 31, 2023.

Note 2: If the transaction counterparty is a natural person who is not a related party of the Company, the name may be exempted.

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

DECEMBER 31, 2023

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Union Finance and Leasing International Corporation	Union Capital (Singapore) Holding Pte. Ltd.	Subsidiary	\$ 571,019 (JPY 2,627,225)	-	\$ -	-	\$ -	\$ -
	Uflc Capital (Singapore) Holding Pte. Ltd.	Subsidiary	1,200,583 (JPY 5,523,808)	-	-	-	-	-
	Tianji Smart Energy Co., Ltd.	Subsidiary	1,582,185	-	-	-	19,529	15,822
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	318,601 (JPY 1,465,865)	-	-	-	-	-
Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	620,635 (JPY 2,855,504)	-	-	-	-	-

TABLE 7

UNION BANK OF TAIWAN AND SUBSIDIARIES

ASSET QUALITY - NONPERFORMING LOANS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2023					December 31, 2022					
		Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 796,275	\$ 179,148,117	0.44%	\$ 2,648,696	271.31%	\$ 765,665	\$ 159,487,416	0.48%	\$ 2,360,635	297.75%	
	Unsecured	179,990	42,033,142	0.43%			27,166	56,853,293	0.05%			
Consumer banking	Housing mortgage (Note 4)	368,916	255,524,530	0.14%	3,198,238	866.93%	337,436	237,428,540	0.14%	2,982,470	883.86%	
	Cash card	40	3,827	1.05%	79	197.50%	2	6,625	0.03%	166	8,300.00%	
	Small-scale credit loans (Note 5)	15,645	491,103	3.19%	60,300	385.42%	11,782	500,319	2.35%	55,067	467.38%	
	Other (Note 6)	Secured	133,843	73,872,243	0.18%	966,232	479.78%	87,362	61,755,767	0.14%	825,781	547.36%
		Unsecured	67,548	21,183,386	0.32%			63,504	18,953,879	0.34%		
Loan		1,562,257	572,256,348	0.27%	6,873,545	439.98%	1,292,917	534,985,839	0.24%	6,224,119	481.40%	
		Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	
Credit cards		\$ 35,251	\$ 25,216,533	0.14%	\$ 165,651	469.92%	\$ 23,337	\$ 19,330,615	0.12%	\$ 117,993	505.60%	
Accounts receivable factored without recourse		-	-	-	-	-	-	799,996	-	8,000	-	

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: 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 3: 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 4: 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 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, in small amounts and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), accounts receivable factored without recourse 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)

Not reported as nonperforming loans or nonperforming receivables

Types \ Items	December 31, 2023		December 31, 2022	
	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 4,083	\$ 21,673	\$ 6,648	\$ 33,395
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	247,359	580,815	249,489	644,006
Total	251,442	602,488	256,137	677,401

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEEES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Subsidiaries in Investees				Note	
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total			
									Shares (Thousands)	Percentage of Ownership (%)		
Union Bank of Taiwan	<u>Financial - related</u>											
	Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00	\$ 3,289,158	\$ 71,676	211,000	-	211,000	100.00		
	Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	100.00	164,418	3,730	30,000	-	30,000	100.00		
	Union Securities Investment Trust Corporation	Taipei	Securities investment trust	99.60	433,457	30,487	31,014	-	31,014	99.60		
	Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution, system programming development, system development outsourcing, website design, e-commerce, etc.	99.99	123,428	5,844	9,999	-	9,999	99.99		
	Union Venture Capital Corporation	Taipei	Venture investment	100.00	1,868,040	47,534	140,000	-	140,000	100.00		
	Ipass Corporation	Kaohsiung	IC card	33.94	224,384	(37,194)	38,697	-	38,697	33.94		
	Taiwan Asset Management Corporation	Taipei	Purchase, sale and management of nonperforming loans from financial institutions	0.57	82,005	-	6,000	-	6,000	0.57		
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	48,730	-	5,000	-	5,000	2.94		
	Sunshine Asset Management Corporation Limited	Taipei	Purchase, sell and manage nonperforming loans from financial institution	6.44	4,413	-	386	-	386	6.44		
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	7,485	-	160	-	160	0.81		
	Financial Information Service Co., Ltd.	Taipei	Information service	2.61	445,568	-	13,599	-	13,599	2.61		
	Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.25	90,591	-	1,628	-	1,628	0.25		
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04	582,305	-	11,118	-	11,118	2.04		
	Taiwan Mobile Payment Corporation	Taipei	International trade, data processing service	1.00	3,315	-	600	-	600	1.00		
	LINE Pay Taiwan., Ltd.	Taipei	Data processing, digital information supply and third party payment services	9.76	1,550,935	38,642	5,857	-	5,857	9.76	Note 3	
	LINE Bank Taiwan Limited	Taipei	Banking	5.00	550,511	-	75,000	-	75,000	5.00		
	Li Yu Venture Corporation	Taipei	Venture investment	4.76	3,866	-	558	-	558	4.76		
		<u>Nonfinancial - related</u>										
		Union Construction Management Corporation	Taipei	Construction plan review and consulting	40.00	51,902	(64)	2,000	-	2,000	40.00	
		Lan An Co., Ltd.	Taipei	Security service	5.00	1,558	-	125	-	125	5.00	
		Taiwan Power Corporation	Taipei	Electricity - related business	0.0008	994	-	395	-	395	0.0008	
	Union Finance and Leasing International Corporation	<u>Nonfinancial - related</u>										
Union Capital (Cayman) Corp.		Cayman	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	60,213	4,650	50	-	50	100.00		
Union Capital (Singapore) Holding PTE. Ltd.		Singapore	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	(JPY 277,037)	(JPY 21,072)	-	-	-	100.00	Note 4	
	Uflc Capital (Singapore) Holding PTE. Ltd.	Singapore	Investments, overseas financing, equipment leasing, installment selling, acquisition of account receivable	100.00	(JPY 445,376)	(JPY 22,340)	-	-	-	100.00	Note 4	
Union Capital (Singapore) Holding PTE. Ltd.	<u>Nonfinancial - related</u>											
	Kabushiki Kaisha UCJ1	Japan	Buy, sell and lease real estate	30.55	99,735	(6,787)	9	-	9	30.55	Note 4	
	Tokutei Mokuteki Kaisha SSG15	Japan	Real estate securitization	49.00	(JPY 458,875)	(JPY -30,755)	Note 6	-	Note 6	49.00	Note 4	

(Continued)

Investor Company	Investee Company	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Subsidiaries in Investees				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership (%)	
Kabushiki Kaisha UCJ1	<u>Nonfinancial - related</u> Tokutei Mokuteki Kaisha SSG15	Japan	Real estate securitization	51.00	\$ 174,338 (JPY 802,120)	\$ 16,071 (JPY 72,820)	Preferred stock 15	-	Preferred stock 15	51.00	Note 4
	Tokutei Mokuteki Kaisha SSG12	Japan	Real estate securitization	51.00	226,394 (JPY 1,041,624)	12,651 (JPY 57,324)	Preferred stock 20	-	Preferred stock 20	51.00	Note 4
	Tokutei Mokuteki Kaisha SSG16	Japan	Real estate securitization	51.00	131,321 (JPY 604,200)	(12,977) (JPY -58,800)	Preferred stock 13	-	Preferred stock 13	51.00	Note 4
Uflc Capital (Singapore) Holding Pte. Ltd.	<u>Nonfinancial - related</u> Kabushiki Kaisha UCJ1	Japan	Buy, sell and lease real estate	69.45	226,744 (JPY 1,043,235)	(15,431) (JPY -69,921)	21	-	21	69.45	Note 4
	Tokutei Mokuteki Kaisha SSG12	Japan	Real estate securitization	49.00	217,526 (JPY 1,000,826)	12,155 (JPY 55,076)	Note 7	-	Note 7	49.00	Note 4
	Tokutei Mokuteki Kaisha SSG16	Japan	Real estate securitization	49.00	126,182 (JPY 580,556)	(12,468) (JPY -56,494)	Note 5	-	Note 5	49.00	Note 4
Union Securities Investment Trust Co., Ltd.	<u>Financial - related</u> Union Private Equity Co., Ltd.	Taiwan	Investment services	100.00	51,950	14,526	3,586	-	3,586	100.00	
Union Venture Capital Co., Ltd.	<u>Nonfinancial - related</u> Na He Yi Hau Electric Power Inc.	Taiwan	Electricity - related business	89.70	136,118	(1,893)	148,900	-	148,900	89.70	
	Corner Union Venture Capital, LLC.	United States of America	Investment	100.00	339,672 (US\$ 11,052)	(24,077) (US\$ -773)	-	-	-	100.00	
	Union Energy Co., Ltd.	Taiwan	Investment advisory services and energy related business	100.00	(28,374)	(45,111)	1,673	-	1,673	100.00	
	Blue Borders Medical and Heal Management Consulting Co., Ltd.	Taiwan	Biotechnology Services	35.80	115,310	(17,255)	14,500	-	14,500	35.80	Note 3
	Ting Syu Energy Co., Ltd.	Taiwan	Electricity - related business	60.00	596	(198)	60	-	60	60.00	
	Bei Chen Yi Hau Electric Power Inc.	Taiwan	Electricity - related business	99.08	102,370	(5,630)	108,000	-	108,000	99.08	
	Hao Tian Electric Power Inc.	Taiwan	Electricity - related business	99.08	106,797	(1,203)	108,000	-	108,000	99.08	
	Feng Tai Electric Power Inc.	Taiwan	Electricity - related business	99.08	107,263	(737)	108,000	-	108,000	99.08	
Union Energy Co., Ltd.	<u>Nonfinancial - related</u> Ting Jie Electric Power Inc.	Taiwan	Electricity - related business	90.00	(29,047)	(34,843)	1,890	-	1,890	90.00	Note 8
	Na He Yi Hau Electric Power Inc.	Taiwan	Electricity - related business	0.30	457	(6)	50	-	50	0.30	
	Tianji Smart Energy Co., Ltd.	Taiwan	Electricity - related business	90.00	364,149	17,673	33,904	-	33,904	90.00	
Corner Union Venture Capital, LLC.	<u>Nonfinancial - related</u> Corner Ventures DAG I-U, LLC.	United States of America	Venture investment	100.00	316,555 (US\$ 10,300)	(23,528) (US\$ -729)	-	-	-	100.00	
	Corner Union, LLC.	United States of America	Venture investment	100.00	22,955 (US\$ 747)	(1,428) (US\$ -44)	-	-	-	100.00	

Note 1: Except for LINE BIZ+ Taiwan., Ltd., the investees' information shown above is based on audited financial reports as of December 31, 2023.

Note 2: Pro forma shares are considered if equity securities - convertible bonds, warrants, etc. - or derivative contracts such as stock options, are converted to shares.

Note 3: Management of the Bank considers that numbers quoted from the unaudited financial statements and other comprehensive income would not have material effect on the Bank's financial statements.

Note 4: Union Capital (Singapore) Holding Pte. Ltd., Uflc Capital (Singapore) Holding Pte. Ltd. and Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 - the audited statements of stockholders' equity as of September 30, 2023. Kabushiki Kaisha UCJ1 - unaudited statements of stockholders' equity as of September 30, 2023.

Note 5: Refers to 1 share of common stock and 13 thousand shares of preferred stock.

Note 6: Refers to 1 share of common stock and 14 thousand shares of preferred stock.

Note 7: Refers to 1 share of common stock and 19 thousand shares of preferred stock.

Note 8: UECL pledged 1,890 thousand shares of Ting Jie Electric Power Inc. as collateral for the syndicated loan.

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Corporation	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amount	Trading Terms	Percentage of Total Revenue or Total Assets (Note 3)
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - demand deposits	\$ 400,840	Note 4	0.04
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - checking deposits	19,511	Note 4	0.00
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - time deposits	695,115	Note 4	0.07
1	UFLIC and its subsidiaries	The Bank	b	Call loans and due to other banks - call loans from banks	1,115,466	Note 4	0.12
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - time deposits	51,158	Note 4	0.01
1	UFLIC and its subsidiaries	The Bank	b	Other financial assets	51,158	Note 4	0.01
0	The Bank	UFLIC and its subsidiaries	a	Discounts and loans	1,275,179	Note 4	0.14
1	UFLIC and its subsidiaries	The Bank	b	Due from banks	1,275,179	Note 4	0.14
0	The Bank	UFLIC and its subsidiaries	a	Other operating expenses	15,138	Note 4	0.08
1	UFLIC and its subsidiaries	The Bank	b	Rental revenue	15,138	Note 4	0.08
0	The Bank	UFLIC and its subsidiaries	a	Interest revenue	19,939	Note 4	0.11
1	UFLIC and its subsidiaries	The Bank	b	Interest expense	19,939	Note 4	0.11
0	The Bank	Union Finance International (HK) Limited	a	Deposits and remittances - demand deposits	127,900	Note 4	0.01
2	Union Finance International (HK) Limited	The Bank	b	Call loans and due to other banks - call loans from banks	127,900	Note 4	0.01
0	The Bank	UIT	a	Deposits and remittances - demand deposits	65,365	Note 4	0.01
3	UIT	The Bank	b	Call loans and due to other banks - call loans from banks	65,365	Note 4	0.01
0	The Bank	UIT	a	Deposits and remittances - time deposits	18,000	Note 4	0.00
3	UIT	The Bank	b	Other financial assets	18,000	Note 4	0.00
0	The Bank	UIT	a	Other assets	44,912	Note 4	0.00
3	UIT	The Bank	b	Other liabilities	44,912	Note 4	0.00
0	The Bank	UIT	a	Other operating expenses	231,496	Note 4	1.29
3	UIT	The Bank	b	Other non-interest net gains and losses	231,496	Note 4	1.29
0	The Bank	UIT	a	Deposits and remittances - time deposits	35,650	Note 4	0.00
3	UIT	The Bank	b	Other financial assets	35,650	Note 4	0.00
0	The Bank	UVC and its subsidiaries	a	Deposits and remittances - demand deposits	509,566	Note 4	0.05
0	The Bank	UVC and its subsidiaries	a	Deposits and remittances - checking deposits	721	Note 4	0.00
4	UVC and its subsidiaries	The Bank	b	Call loans and due to other banks - call loans from banks	510,287	Note 4	0.05
0	The Bank	UVC and its subsidiaries	a	Deposits and remittances - time deposits	18,624	Note 4	0.00
4	UVC and its subsidiaries	The Bank	b	Other financial assets	18,624	Note 4	0.00
0	The Bank	USITC and its subsidiaries	a	Deposits and remittances - demand deposits	83,876	Note 4	0.01
5	USITC and its subsidiaries	The Bank	b	Call loans and due to other banks - call loans from banks	83,876	Note 4	0.01
0	The Bank	USITC and its subsidiaries	a	Deposits and remittances - time deposits	187,780	Note 4	0.02
5	USITC and its subsidiaries	The Bank	b	Other financial assets	187,780	Note 4	0.02
0	The Bank	USITC and its subsidiaries	a	Handling fee revenue	27,494	Note 4	0.15
5	USITC and its subsidiaries	The Bank	b	Handling fee expense	27,494	Note 4	0.15

(Continued)

No. (Note 1)	Transacting Corporation	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amount	Trading Terms	Percentage of Total Revenue or Total Assets (Note 3)
1	UFLIC and its subsidiaries	UVC and its subsidiaries	c	Interest revenue	\$ 34,063	Note 4	0.19
4	UVC and its subsidiaries	UFLIC and its subsidiaries	c	Interest expense	34,063	Note 4	0.19
6	UFLIC	Tianji Smart Energy Co., Ltd.	c	Receivables - receivables from related parties	1,582,185	Note 4	0.17
7	Tianji Smart Energy Co., Ltd.	UFLIC	c	Payables - payables to related parties	1,582,185	Note 4	0.17
6	UFLIC	Tianji Smart Energy Co., Ltd.	c	Suspense accounts	27,801	Note 4	0.00
7	Tianji Smart Energy Co., Ltd.	UFLIC	c	Deposit of guarantee	27,801	Note 4	0.00
6	UFLIC	Uflc Capital (Singapore) Holding Pte. Ltd.	c	Interest revenue	9,843	Note 4	0.05
8	Uflc Capital (Singapore) Holding Pte. Ltd.	UFLIC	c	Interest expense	9,843	Note 4	0.05
9	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1	c	Receivables - receivables from related parties	318,889	Note 4	0.03
10	Kabushiki Kaisha UCJ1	Union Capital (Singapore) Holding Pte. Ltd.	c	Payables - payables to related parties	318,889	Note 4	0.03
8	Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1	c	Receivables - receivables from related parties	630,829	Note 4	0.07
10	Kabushiki Kaisha UCJ1	Uflc Capital (Singapore) Holding Pte. Ltd.	c	Payables - payables to related parties	630,829	Note 4	0.07
9	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1	c	Interest revenue	8,896	Note 4	0.05
10	Kabushiki Kaisha UCJ1	Union Capital (Singapore) Holding Pte. Ltd.	c	Interest expense	8,896	Note 4	0.05
8	Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1	c	Interest revenue	17,318	Note 4	0.10
10	Kabushiki Kaisha UCJ1	Uflc Capital (Singapore) Holding Pte. Ltd.	c	Interest expense	17,318	Note 4	0.10
11	UVC	Bei Chen Yi Hau	c	Receivables - accounts receivables	109,000	Note 4	0.01
12	Bei Chen Yi Hau	UVC	c	Payables - accounts payables	109,000	Note 4	0.01
11	UVC	Feng Tai Electric Power	c	Receivables - accounts receivables	134,000	Note 4	0.01
13	Feng Tai Electric Power	UVC	c	Payables - accounts payables	134,000	Note 4	0.01
11	UVC	Hao Tian Electric Power	c	Receivables - accounts receivables	136,000	Note 4	0.01
14	Hao Tian Electric Power	UVC	c	Payables - accounts payables	136,000	Note 4	0.01

Note 1: The transacting corporation is identified in the No. column as follows:

- a. 0 for parent company.
- b. Sequentially from 1 for subsidiaries.

Note 2: The flow of transactions is as follows:

- a. From parent company to subsidiary.
- b. From subsidiary to parent company.
- c. Between subsidiaries.

Note 3: The percentage is calculated as follows:

- a. Assets and liabilities: Ending balance divided by total consolidated assets.
- b. Income and expenses: The amount at the end of the year divided by consolidated net income

Note 4: The terms of the transactions between the Bank and related parties were similar to those for unrelated parties.

Note 5: Referring to transactions exceeding \$5,000 thousand.

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of Shares)**

Name of Major Shareholder	Shares			Percentage of Ownership (%)
	Number of Shares			
	Ordinary Shares	Preferred Shares	Total	
Tsong-Li Investment Co., Ltd.	299,087	-	299,087	7.51

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Bank as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.