

Bank SinoPac and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2024 and 2023 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, 2024 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 “Consolidated Financial Statements”. 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 do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

BANK SINOPAC

March 5, 2025

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Bank SinoPac

Opinion

We have audited the accompanying consolidated financial statements of Bank SinoPac and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2024 and 2023, and 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 Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 and the guidelines issued by the authorities.

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 Group 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, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2024 is stated as follows:

Estimated Impairment of Discounts and Loans

The management assesses, estimates and recognizes impairment of discounts and loans collectively at the higher amount determined according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans ("the Procedures") endorsed by the Financial Supervisory Commission (FSC) and according to International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). According to the Procedures, the management estimates the impairment of discounts and loans based on the overdue loans classified by loan term and the situation of pledged collateral. According to IFRS 9, impairment of discounts and loans is estimated based on assumptions of probability of default and loss given default based on historical experience, current market situation and forward-looking information. Assessment of evidence of probable default and credit impairment, whether the credit risk has increased significantly since the original recognition (including the adoption of forward-looking factors), and the assessment of the methodology and assumptions used for estimating impairment and the estimation of the amount and timing of future cash flows require critical judgments and estimates. The estimated provision for impairment of discounts and loans calculated according to either the Procedures or IFRS 9 has a significant impact on the consolidated financial statements. Therefore, the estimation of impairment of discounts and loans is identified as a key audit matter for the year ended December 31, 2024.

Refer to Notes 4, 5 and 44 of the accompanying consolidated financial statements for the relevant accounting policies, judgments for estimations, estimation uncertainty and other related disclosures of the estimated impairment of discounts and loans.

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

We understood and assessed management's impairment assessment practices, accounting policies and related internal control procedures for discounts and loans and evaluated whether the classification of loan assets complied with the Procedures. In addition, we evaluated whether overdue loans, situation of pledged collateral, and the provision for impairment of discounts and loans complied with the related regulations issued by the authorities. We also evaluated whether the methodology, assumptions and inputs used in the impairment assessment conform to the IFRS 9 impairment model and appropriately reflected the actual outcome. We tested samples of discounts and loans to verify their rationality.

Other Matter

We have also audited the parent company only financial statements of Bank SinoPac as of and for the years ended December 31, 2024 and 2023 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authorities, 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, 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 Group'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 Group 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 Group'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 Group'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 Group'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 Group 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 Group 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, 2024 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yi-Chun Wu and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2025

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.

BANK SINOPAC AND SUBSIDIARIES

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

	2024		2023	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS, NET (Notes 4, 6 and 40)	\$ 35,045,310	1	\$ 25,400,393	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET (Notes 7 and 40)	154,822,373	6	184,050,320	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)	81,595,772	3	80,541,922	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 40 and 41)	367,563,206	13	358,339,845	14
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 41)	309,768,426	11	303,546,679	12
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 11 and 40)	91,614,829	3	66,804,814	3
RECEIVABLES, NET (Notes 4, 12 and 40)	72,507,470	3	60,925,278	3
CURRENT INCOME TAX ASSETS (Notes 4, 29 and 40)	1,347,470	-	1,302,128	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 13, 40 and 41)	1,603,409,792	58	1,419,039,494	56
OTHER FINANCIAL ASSETS, NET (Notes 4 and 14)	24,353,874	1	4,657,337	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 15, 17 and 40)	10,430,179	-	9,929,849	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 40)	2,909,414	-	2,517,664	-
INVESTMENT PROPERTY, NET (Notes 4 and 17)	582,893	-	851,351	-
INTANGIBLE ASSETS, NET (Notes 4, 18 and 40)	1,776,945	-	1,910,050	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 29)	1,702,479	-	1,708,747	-
OTHER ASSETS, NET (Notes 19 and 40)	<u>11,628,294</u>	<u>1</u>	<u>9,856,615</u>	<u>-</u>
TOTAL	<u>\$ 2,771,058,726</u>	<u>100</u>	<u>\$ 2,531,382,486</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 20 and 40)	\$ 86,467,488	3	\$ 115,708,086	5
DUE TO THE CENTRAL BANK AND BANKS	-	-	2,760,676	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)	37,310,646	2	42,122,925	2
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 10, 11 and 21)	32,913,731	1	26,173,587	1
PAYABLES (Notes 4, 22, 27, 36 and 40)	27,853,227	1	28,082,264	1
CURRENT INCOME TAX LIABILITIES (Notes 4, 29 and 40)	1,351,971	-	1,519,235	-
DEPOSITS AND REMITTANCES (Notes 23 and 40)	2,276,481,825	82	2,023,385,269	80
BANK DEBENTURES (Notes 4, 24 and 40)	53,784,562	2	56,832,276	2
OTHER FINANCIAL LIABILITIES (Note 25)	55,084,085	2	47,853,878	2
PROVISIONS (Notes 4, 26 and 27)	2,374,225	-	2,826,644	-
LEASE LIABILITIES (Notes 4, 16 and 40)	3,022,352	-	2,600,806	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 29)	1,252,319	-	1,178,553	-
OTHER LIABILITIES (Notes 28 and 40)	<u>8,079,604</u>	<u>-</u>	<u>7,506,646</u>	<u>-</u>
Total liabilities	<u>2,585,976,035</u>	<u>93</u>	<u>2,358,550,845</u>	<u>93</u>
EQUITY				
Capital stock				
Common stock	<u>103,781,984</u>	<u>4</u>	<u>96,992,508</u>	<u>4</u>
Capital surplus	<u>15,581,418</u>	<u>-</u>	<u>15,581,418</u>	<u>-</u>
Retained earnings				
Legal reserve	43,184,385	2	38,042,985	2
Special reserve	6,289,589	-	11,031,085	-
Unappropriated earnings	<u>23,661,628</u>	<u>1</u>	<u>17,138,000</u>	<u>1</u>
Total retained earnings	<u>73,135,602</u>	<u>3</u>	<u>66,212,070</u>	<u>3</u>
Other equity	<u>(7,416,313)</u>	<u>-</u>	<u>(5,954,355)</u>	<u>-</u>
Total equity	<u>185,082,691</u>	<u>7</u>	<u>172,831,641</u>	<u>7</u>
TOTAL	<u>\$ 2,771,058,726</u>	<u>100</u>	<u>\$ 2,531,382,486</u>	<u>100</u>

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

BANK SINOPAC AND SUBSIDIARIES

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

	2024		2023		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME	\$ 78,057,744	169	\$ 70,851,480	176	10
INTEREST EXPENSES	<u>(54,062,424)</u>	<u>(117)</u>	<u>(48,021,895)</u>	<u>(119)</u>	13
NET INTEREST REVENUE (Notes 4, 31 and 40)	<u>23,995,320</u>	<u>52</u>	<u>22,829,585</u>	<u>57</u>	5
NET REVENUES OTHER THAN INTEREST (Note 4)					
Service fee income, net (Notes 32 and 40)	9,192,558	20	6,959,687	17	32
Gains on financial assets and liabilities at fair value through profit or loss, net (Notes 33 and 40)	11,766,957	26	7,417,928	18	59
Realized gains on financial assets at fair value through other comprehensive income (Notes 34 and 40)	1,225,872	3	1,155,998	3	6
Gains (losses) arising from derecognition of financial assets measured at amortized cost	39,081	-	51,591	-	(24)
Foreign exchange (losses) gains	(63,465)	-	1,759,129	4	(104)
Reversal of impairment loss (impairment loss) on assets (Notes 9, 10, 14, 18 and 19)	(253,600)	(1)	43,404	-	(684)
Net other revenue other than interest income (Notes 35 and 40)	<u>138,928</u>	<u>-</u>	<u>166,648</u>	<u>1</u>	(17)
Net revenues other than interest	<u>22,046,331</u>	<u>48</u>	<u>17,554,385</u>	<u>43</u>	26
NET REVENUE	<u>46,041,651</u>	<u>100</u>	<u>40,383,970</u>	<u>100</u>	14
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 6, 7, 12, 13, 14 and 26)	<u>(3,709,128)</u>	<u>(8)</u>	<u>(1,999,747)</u>	<u>(5)</u>	85

(Continued)

BANK SINOPAC AND SUBSIDIARIES

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

	2024		2023		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 27, 36 and 40)	\$ (12,661,008)	(28)	\$ (11,588,766)	(29)	9
Depreciation and amortization expense (Notes 4, 15, 16, 17, 18, and 37)	(1,785,119)	(4)	(1,697,359)	(4)	5
Other general and administrative expenses (Notes 38 and 40)	<u>(6,594,323)</u>	<u>(14)</u>	<u>(5,782,683)</u>	<u>(14)</u>	14
Total operating expenses	<u>(21,040,450)</u>	<u>(46)</u>	<u>(19,068,808)</u>	<u>(47)</u>	10
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	21,292,073	46	19,315,415	48	10
INCOME TAX EXPENSE (Notes 4 and 29)	<u>(3,875,568)</u>	<u>(8)</u>	<u>(3,249,912)</u>	<u>(8)</u>	19
NET INCOME	<u>17,416,505</u>	<u>38</u>	<u>16,065,503</u>	<u>40</u>	8
OTHER COMPREHENSIVE INCOME (Note 4)					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plans (Note 27)	363,260	1	(545,460)	(1)	167
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income (Note 30)	3,123,095	6	6,199,271	15	(50)
Change in fair value of financial liability attributable to change in credit risk of liability (Notes 8 and 30)	25,640	-	4,374	-	486
Income tax related to items that will not be reclassified to profit or loss (Notes 29 and 30)	<u>(72,652)</u>	<u>-</u>	<u>109,092</u>	<u>-</u>	(167)
Items that will not be reclassified to profit or loss	<u>3,439,343</u>	<u>7</u>	<u>5,767,277</u>	<u>14</u>	(40)

(Continued)

BANK SINOPAC AND SUBSIDIARIES

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

	2024		2023		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that will be reclassified to profit or loss:					
Exchange differences on translation of foreign operations (Note 30)	\$ 348,207	1	\$ (182,349)	-	291
(Losses) gains from investments in debt instruments measured at fair value through other comprehensive income (Note 30)	(806,890)	(2)	3,222,975	8	(125)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 29 and 30)	<u>(119,985)</u>	<u>-</u>	<u>(2,810)</u>	<u>-</u>	4,170
Items that will be reclassified to profit or loss	<u>(578,668)</u>	<u>(1)</u>	<u>3,037,816</u>	<u>8</u>	(119)
Other comprehensive income	<u>2,860,675</u>	<u>6</u>	<u>8,805,093</u>	<u>22</u>	(68)
TOTAL COMPREHENSIVE INCOME	<u>\$ 20,277,180</u>	<u>44</u>	<u>\$ 24,870,596</u>	<u>62</u>	(18)
EARNINGS PER SHARE (Note 39)					
Basic	<u>\$ 1.68</u>		<u>\$ 1.57</u>		

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

(Concluded)

BANK SINOPAC AND SUBSIDIARIES

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

	Capital Stock (Note 30) Common Stock	Capital Surplus (Notes 4 and 30)	Retained Earnings (Notes 9 and 30)				Exchange Differences on Translation of Foreign Operations	Other Equity (Notes 4, 9 and 30)		Total	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability		
BALANCE AT JANUARY 1, 2023	\$ 90,325,841	\$ 12,147,640	\$ 33,468,449	\$ 357,169	\$ 15,248,452	\$ 49,074,070	\$ (530,767)	\$ (13,109,539)	\$ (46,645)	\$ (13,686,951)	\$ 137,860,600
Appropriation and distribution of retained earnings generated in 2022											
Legal reserve	-	-	4,574,536	-	(4,574,536)	-	-	-	-	-	-
Special reserve	-	-	-	10,673,916	(10,673,916)	-	-	-	-	-	-
Net income for the year ended December 31, 2023	-	-	-	-	16,065,503	16,065,503	-	-	-	-	16,065,503
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	(436,368)	(436,368)	(145,879)	9,382,966	4,374	9,241,461	8,805,093
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	15,629,135	15,629,135	(145,879)	9,382,966	4,374	9,241,461	24,870,596
Issuance of common stock for cash	6,666,667	3,333,333	-	-	-	-	-	-	-	-	10,000,000
Share-based payments	-	100,445	-	-	-	-	-	-	-	-	100,445
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,508,865	1,508,865	-	(1,508,865)	-	(1,508,865)	-
BALANCE AT DECEMBER 31, 2023	96,992,508	15,581,418	38,042,985	11,031,085	17,138,000	66,212,070	(676,646)	(5,235,438)	(42,271)	(5,954,355)	172,831,641
Appropriation and distribution of retained earnings generated in 2023											
Legal reserve	-	-	5,141,400	-	(5,141,400)	-	-	-	-	-	-
Cash dividends - common stock	-	-	-	-	(8,026,130)	(8,026,130)	-	-	-	-	(8,026,130)
Stock dividends - common stock	6,789,476	-	-	-	(6,789,476)	(6,789,476)	-	-	-	-	-
Reversal of special reserve	-	-	-	(4,741,496)	4,741,496	-	-	-	-	-	-
Net income for the year ended December 31, 2024	-	-	-	-	17,416,505	17,416,505	-	-	-	-	17,416,505
Other comprehensive income for the year ended December 31, 2024, net of income tax	-	-	-	-	290,608	290,608	278,566	2,265,861	25,640	2,570,067	2,860,675
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	17,707,113	17,707,113	278,566	2,265,861	25,640	2,570,067	20,277,180
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	4,032,025	4,032,025	-	(4,032,025)	-	(4,032,025)	-
BALANCE AT DECEMBER 31, 2024	<u>\$ 103,781,984</u>	<u>\$ 15,581,418</u>	<u>\$ 43,184,385</u>	<u>\$ 6,289,589</u>	<u>\$ 23,661,628</u>	<u>\$ 73,135,602</u>	<u>\$ (398,080)</u>	<u>\$ (7,001,602)</u>	<u>\$ (16,631)</u>	<u>\$ (7,416,313)</u>	<u>\$ 185,082,691</u>

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

BANK SINOPAC AND SUBSIDIARIES

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

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 21,292,073	\$ 19,315,415
Adjustments to reconcile profit:		
Depreciation expenses	1,445,110	1,388,973
Amortization expenses	340,009	308,386
Provision for bad debt expense	4,329,044	2,595,180
Interest expenses	54,062,424	48,021,895
Net gain arising from derecognition of financial assets measured at amortized cost	(39,081)	(51,591)
Interest income	(78,057,744)	(70,851,480)
Dividend income	(555,382)	(1,268,173)
Net change in provisions for guarantee liabilities	30,403	(37,637)
Net change in other provisions	(23,823)	(60,237)
Share-based payments	-	100,445
Losses on disposal and retirement of property and equipment	10,018	10,191
Gains on disposal of investment properties	(14,000)	(50,096)
Losses on disposal of intangible assets	238	-
Impairment loss (reversal of impairment loss) on financial assets	71,689	(47,034)
Impairment loss on non-financial assets	181,911	3,630
Losses on sale of non-performing loans	-	5,382
Other adjustments	(1,076)	(869)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	(4,634,251)	11,922,286
Increase in financial assets at fair value through profit or loss	(1,053,850)	(27,254,728)
Increase in financial assets at fair value through other comprehensive income	(6,929,169)	(29,803,317)
Increase in investments in debt instruments at amortized cost	(6,163,322)	(78,035,218)
(Increase) decrease in securities purchased under resell agreements	(204,379)	1,163,804
Increase in receivables	(9,814,797)	(3,796,038)
Increase in discounts and loans	(188,583,569)	(99,379,838)
Increase in other financial assets	(19,754,774)	(260,148)
Increase in other assets	(1,783,055)	(746,668)
(Decrease) increase in deposits from the Central Bank and banks	(29,240,598)	43,230,869
(Decrease) increase in financial liabilities at fair value through profit or loss	(4,786,639)	11,251,652
Increase (decrease) in securities sold under repurchase agreements	6,740,144	(2,137,391)
Decrease in payables	(2,224,282)	(691,043)
Increase in deposits and remittances	253,096,556	18,159,211
Increase in other financial liabilities	7,230,207	11,581,225
Decrease in provisions for employee benefits	(55,313)	(89,795)
Increase in other liabilities	572,958	5,020,868
Net cash used in operations	(4,516,320)	(140,481,889)
Interest received	78,040,714	69,964,540
Dividends received	592,858	1,259,726

(Continued)

BANK SINOPAC AND SUBSIDIARIES

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

	2024	2023
Interest paid	\$ (54,245,008)	\$ (45,349,337)
Income tax paid	<u>(4,191,682)</u>	<u>(3,229,411)</u>
Net cash generated from (used in) operating activities	<u>15,680,562</u>	<u>(117,836,371)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,132,511)	(922,580)
Proceeds from disposal of property and equipment	1,004	218
Acquisition of intangible assets	(157,072)	(192,495)
Acquisition of right-of-use assets	(1,925)	(2,814)
Acquisition of investment properties	(6,184)	(3,484)
Disposal of investment properties	<u>28,799</u>	<u>160,080</u>
Net cash used in investing activities	<u>(1,267,889)</u>	<u>(961,075)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to the Central Bank and banks	(2,760,676)	2,760,676
Bank debentures issued	1,000,000	2,000,000
Repayments of bank debentures payable	(4,050,000)	(1,420,000)
Repayments of lease liabilities	(730,259)	(693,912)
Cash dividends paid	(8,026,130)	-
Issuance of common stock for cash	<u>-</u>	<u>10,000,000</u>
Net cash (used in) generated from financing activities	<u>(14,567,065)</u>	<u>12,646,764</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>543,660</u>	<u>(186,767)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	389,268	(106,337,449)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>201,723,139</u>	<u>308,060,588</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 202,112,407</u>	<u>\$ 201,723,139</u>

(Continued)

BANK SINOPAC AND SUBSIDIARIES

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

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2024 and 2023:

	2024	2023
Cash and cash equivalents in consolidated balance sheets	\$ 35,045,310	\$ 25,400,393
Due from the Central Bank and call loans to banks reclassified as cash and cash equivalents under the definition of IAS 7	75,669,139	109,530,424
Securities purchased under resell agreements reclassified as cash and cash equivalents under the definition of IAS 7	<u>91,397,958</u>	<u>66,792,322</u>
Cash and cash equivalents at the end of the year	<u>\$ 202,112,407</u>	<u>\$ 201,723,139</u>

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

(Concluded)

BANK SINOPAC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

August 8, 1991	Bank SinoPac (“the Bank”) obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (SPS) to establish SinoPac Financial Holdings Company Limited (SPH), a financial holding company, resulting in the Bank becoming an unlisted wholly owned subsidiary of SPH, the ultimate parent company of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The board of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. (SinoPac Card). The transaction has been approved by the authorities on June 22, 2006 and the assets have been transferred at the book value of \$5,171,080 on August 4, 2006.
November 13, 2006	The preliminary effective date of the share swap and merger. The Bank acquired the assets and liabilities of IBT through a share swap at ratio of 1.175 shares of the Bank to swap for 1 share of IBT.
June 1, 2009	The Bank’s cash merger with SinoPac Card took effect, with this merger amounting to \$3,873,675. Under this merger, the Bank was the surviving entity.
November 1, 2015	The Bank assumed all of the assets and liabilities of the Ho Chi Minh City Branch of Far East National Bank and renamed this branch Bank SinoPac, Ho Chi Minh City Branch. The transaction price was US\$28,540 thousand.
May 1, 2019	SinoPac Call Center Co., Ltd. (SinoPac Call Center) which is a wholly-owned subsidiary of SPH was cash merged by the Bank. Under this merger, SinoPac Call Center was the dissolved company and the Bank was the surviving entity, assuming all business, assets, liabilities and all rights and obligations.
August 1, 2019	Due to permission, the Bank may also operate within the insurance industry. Then the board of directors of the Bank applied for the qualification to operate as an insurance agency and for the rights to merge SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd., which are both 100% shareholding subsidiaries of the Bank. The Bank is the surviving company, and the two subsidiaries were liquidated.

The Bank’s ultimate parent and controller is SinoPac Holdings, which holds 100% common stock of the Bank.

The functional currency of the Bank is the New Taiwan dollar. The consolidated financial statements of the Bank and its subsidiaries (“the Group”) are presented in New Taiwan dollars.

For the information on consolidated entities, please refer to Note 4.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on March 5, 2024.

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

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 1)
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" - the amendments to the application guidance of classification of financial assets	January 1, 2026 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. It is permitted to apply these amendments for an earlier period beginning on January 1, 2025. An entity shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

1) Amendments to IAS 21 "Lack of Exchangeability"

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

- 2) Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of classification of financial assets

The amendments mainly amend the requirements for the classification of financial assets, including:

- a) If a financial asset contains a contingent feature that could change the timing or amount of contractual cash flows and the contingent event itself does not relate directly to changes in basic lending risks and costs (e.g., whether the debtor achieves a contractually specified reduction in carbon emissions), the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding if, and only if,
 - In all possible scenarios (before and after the occurrence of a contingent event), the contractual cash flows are solely payments of principal and interest on the principal amount outstanding; and
 - In all possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.
- b) To clarify that a financial asset has non-recourse features if an entity’s ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.
- c) To clarify that the characteristics of contractually linked instruments include a prioritization of payments to the holders of financial assets using multiple contractually linked instruments (tranches) established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of cash shortfalls from the underlying pool between the tranches.

The Group is continuously assessing whether to apply the amendments earlier.

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

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

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

- 1) Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of derecognition of financial liabilities

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

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

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

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

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

As of the date the financial statements were authorized for issue, the Group is continuously assessing the other impacts of the above amended standards and interpretations on the Group’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 Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authority and 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 value, liabilities for cash-settled share-based payment transaction and net defined benefit liability which is stated at the present value of defined benefit obligation less fair value of plan assets.

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

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

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the Banking industry cannot be reasonably identified, the accounts included in the Group's consolidated financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 44 for the maturity analysis of assets and liabilities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e., its subsidiaries). Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation; for related information please refer to Table 2.

The consolidated entities were as follows:

Investor	Investee	Main Business	% of Ownership		Remark
			December 31		
			2024	2023	
Bank SinoPac	Bank SinoPac (China) Ltd.	Commercial bank	100	100	
	SinoPac Insurance Brokers Ltd.	Insurance brokerage business	100	100	

Foreign Currencies

In preparing the financial statements of the Group, transactions in currencies other than the Group'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 arise from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on 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 case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

Cash and Cash Equivalents

Cash and cash equivalent in financial statements includes cash on hand, demand deposits and investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. For the purposes of presenting cash flows, the cash and cash equivalent include cash and cash equivalents in balance sheets, due from the Central Bank and call loans to banks and securities purchased under resell agreements under IAS 7.

Financial Instruments

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

Financial assets

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

a. Measurement category

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

1) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 43.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial 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, receivables and discount and loans, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

3) Investments in debt instruments at FVTOCI

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

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

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

4) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate equity instruments which are neither held for trading nor contingent consideration recognized by an acquirer in a business combination as at FVTOCI.

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, they will be transferred to retained earnings.

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

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime Expected Credit Loss (ECL) for receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

The Group 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 the financial asset.

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (the Regulations), the Bank evaluates credit losses on the basis of the estimated collectability of loans. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard credit quality, assets with doubtful collectability, and assets on which there is loss. The Bank evaluates the value of collaterals of specified loans and assesses recoverability of non-performing loans. These will be written off after approved by the board of directors when evaluated as unrecoverable.

Based on the above Regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against the ROC government agencies that require special mentioned, assets that are substandard, assets with doubtful collectability, and assets on which there is loss were 1%, 2%, 10%, 50% and 100%, respectively of outstanding. In addition, under the FSC Official Letter No. 10010006830, there should be a provision at more than 1% of the sum of the minimum allowance for credit losses and the provision for losses on guarantees.

For enhanced risk management of banks, the FSC issued Official Letter No. 10300329440, which requires domestic banks to allocate an allowance of at least 1.5% of repair loans and construction loans. In addition, under the FSC Official Letter No. 10410001840, Category 1 credits granted to enterprises in the China region should be covered by an allowance of at least 1.5% of the balance of these credits.

c. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt instrument at FVTOCI in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of an equity instrument at FVTOCI in its entirety, cumulative gain or loss is transferred directly to retained earnings instead of reclassifying as profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group 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 and debt instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 43.

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

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) 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 Group's documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or
- c) 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 dividend paid on the 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 liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit loss or the amount initially recognized less accumulated amortization.

b. Derecognition of financial liabilities

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

Modification of financial instruments

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

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

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 within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in hybrid contracts that contain hosts which are not assets (e.g. financial liabilities) within the scope of IFRS 9 shall be separated from the host and accounted for as a derivative under IFRS 9 if, and only if, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host. Alternatively, the entire hybrid instrument is designated as a derivative instrument included in financial liabilities at fair value through profit or loss upon initial recognition, and no separate accounting is required.

Repurchase and Reverse Repurchase Transactions

Securities purchased under resell (reverse repurchase) 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.

Except for freehold land which is not depreciated, depreciation on property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. 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.

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

Investment Properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

Leases

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

a. The Group 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.

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 the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus 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 Group'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.

When a lease includes both land and building elements, the Group separately assesses the classification of each element as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred and then classifies each element as a finance lease or an operating lease on the basis of the assessment. 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 Group as lessee

The Group 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, 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 Group 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 or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the 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.

Pursuant to the lease agreement, the Group has an obligation, at the end of the respective lease terms, to restore the leased buildings 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 stated on the lease contract.

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

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 Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is 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 whenever 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 for 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 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.

Collaterals Assumed

Collaterals assumed are recorded at cost and revalued at the lower of cost or net fair value as of the balance sheet date. If there is sufficient evidence indicating that the net fair value has fallen below the carrying amount, the difference after reassessment is accounted for as an impairment loss on assets. Gain or loss on disposal of collaterals assumed is recognized in current profit or loss as well.

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

Provisions

The amount recognized as a provision takes into account the risks and uncertainties of the obligation and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When part or all of the expenditures required to settle a provision are expected to be reimbursed from a third party, the reimbursement is almost certain to be received, and the amount can be measured reliably, the reimbursement is recognized as an asset.

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 and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which 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 Group's defined benefit plans. 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. Preferential interest on employees' deposits

The Bank offers preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential interest rate in excess of market interest rate is treated as employee benefits.

Under Article 28 of the Regulation Governing the Preparation of Financial Reports by Public Bank, if the Bank's preferential deposit interest rate for as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employee's retirement. The actuarial valuation assumptions and parameters are based on those announced by authority, if any.

d. Termination benefits

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

Share-based Payment Transaction

a. Equity-settled share-based payment transaction

The shares of the capital increased by cash of SPH in accordance with the Financial Holding Company Act was reserved for the Group's employees. The grant date was the date that the employees subscription and the fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense and capital surplus.

b. Cash-settled share-based payment transaction

For cash-settled share-based payments, a liability is recognized for the merchandise and services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

Revenue Recognition

a. Interest income and expense

Except for financial assets and liabilities at fair value through profit or loss, interest income and interest expense of all financial instruments are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable and recognized in the consolidated statements of comprehensive income.

Transaction costs and all other premium or discounts associated with the loans and receivables are adjusted to the carrying amount of the loans and receivables. The calculation of effective interest rate includes transaction costs and all other premium or discounts paid or received by the Group that is an integral part of the effective interest rate.

Interest should not be accrued for loans that are transferred to non-performing loans. The interest revenue on those loans/credits is recognized upon collection.

Under Ministry of Finance (MOF) regulations, the interest revenue on structured loans is recognized upon collection.

Interest income on revolving credit card receivables and cash advance is recognized on an accrual basis.

b. Commission revenue

Commission fee revenue and expenses are recognized when loans or other services are provided. Service fees on significant projects are recognized when the project has been completed such as arrangement fee received by lead arranger in syndicated loan. Any income or expense related to subsequent service of loans on materiality basis are recognized over the period during which the service is performed, or as an adjustment to the effective interest rate on the loan and receivables.

The Bank offers rewards to customers under loyalty program, which provide customers with specific rights. The Bank estimates these liabilities as deferred revenue on the basis of the additional fair value of the rewards through receivable consideration of the original sales for the current period. The Bank recognizes revenue only when rewards are redeemed or expired.

c. Dividend income

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

Income Tax Expense

Income tax expense represents the sum of the current tax 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 in each tax jurisdiction of the Bank and its subsidiaries.

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

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

b. Deferred tax

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

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

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

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

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

c. Current tax and deferred tax for the period

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

d. Linked-tax system

SPH and its qualified subsidiaries adopted the linked-tax system. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation and SPH with its qualified subsidiaries are adjusted on SPH; related amounts are recognized as current tax assets or current tax liabilities.

The accounting principle for the effect of tax rate amendment is the same as the principle for transactions with tax consequences. They are recognized in profit or loss, other comprehensive income or equity when they occurred.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, 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 relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of economic sentiment indicators, inflation and interest rate fluctuations on the cash flow projection, growth rates, discount rates and profit abilities, and the management will continue to review the estimates and underlying assumptions.

Estimated Impairment of Discounts and Loans

The estimate of impairment of discounts and loans is based on assumptions about probability of default and loss given default. In making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward-looking estimates. Details of the key assumptions and inputs used are disclosed in Note 44(c). Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, considering the regulations set forth by the relevant authorities, the Group ensures that the classification and allowance for impairment are compliance with the requirements of the regulations.

Impairment losses on discounts and loans are shown in Notes 13 and 44(c).

6. CASH AND CASH EQUIVALENTS, NET

	December 31	
	2024	2023
Cash on hand	\$ 11,135,306	\$ 6,594,067
Due from other banks	22,737,564	14,757,451
Notes and checks for clearing	900,273	3,788,256
Excess futures margin	<u>272,610</u>	<u>261,605</u>
	35,045,753	25,401,379
Less: Allowance for credit losses	<u>(443)</u>	<u>(986)</u>
Net amount	<u>\$ 35,045,310</u>	<u>\$ 25,400,393</u>

The Group assesses the allowance loss of cash and cash equivalents based on the expected credit loss model. As of December 31, 2024 and 2023, considering the historical experience and forward-looking information, the 12-month expected credit loss allowance were \$443 and \$986, respectively.

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

	December 31	
	2024	2023
Call loans to banks	\$ 61,192,229	\$ 76,415,595
Trade finance advance - interbank	10,026,676	11,698,728
Deposit reserve - checking accounts	14,472,163	33,670,211
Due from the Central Bank - interbank settlement funds	8,000,129	10,034,761
Deposit reserve - demand accounts	54,819,135	45,165,820
Deposit reserve - foreign currencies	655,813	615,049
Deposit - others	<u>5,657,190</u>	<u>6,450,205</u>
	154,823,335	184,050,369
Less: Allowance for credit losses	<u>(962)</u>	<u>(49)</u>
Net amount	<u>\$ 154,822,373</u>	<u>\$ 184,050,320</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserves are determined monthly at prescribed rates based on average balances of customers' NTD-denominated deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates based on the balances of foreign-currency deposits. These reserves can be withdrawn momentarily anytime and are paid at no interest.

Under the relevant provisions issued by the People's Bank of China, Bank SinoPac (China) showed deposit reserves in proportion on the basis of deposit account balances at the end of the months.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2024	2023
Financial assets mandatorily classified as at fair value through profit or loss		
Government bonds	\$ 11,060,842	\$ 19,256,385
Commercial paper	9,549,483	4,462,111
Corporate bonds	8,474,434	7,873,733
Bank debentures	5,701,155	4,236,182
Certificates of deposits	3,818,425	7,049,421
Stocks	49,078	352,132
Currency swap contracts	30,638,721	28,435,115
Interest rate swap contracts	10,663,600	6,749,690
Forward exchange contracts	1,046,250	450,633
Others	<u>593,784</u>	<u>416,684</u>
	<u>81,595,772</u>	<u>79,282,086</u>
Financial assets designated at fair value through profit or loss		
Corporate bonds	<u>-</u>	<u>1,259,836</u>
	<u>-</u>	<u>1,259,836</u>
Net amount	<u>\$ 81,595,772</u>	<u>\$ 80,541,922</u>

(Continued)

	December 31	
	2024	2023
Held-for-trading financial liabilities		
Currency swap contracts	\$ 23,860,904	\$ 31,668,246
Interest rate swap contracts	7,693,953	5,044,859
Option contracts	2,812,074	2,074,399
Forward exchange contracts	586,552	1,309,228
Others	<u>268,726</u>	<u>153,133</u>
	<u>35,222,209</u>	<u>40,249,865</u>
Financial liabilities designated at fair value through profit or loss		
Bank debentures	<u>2,088,437</u>	<u>1,873,060</u>
	<u>2,088,437</u>	<u>1,873,060</u>
Net amount	<u>\$ 37,310,646</u>	<u>\$ 42,122,925</u>
		(Concluded)

- a. The Group's financial assets at fair value through profit or loss originally maintained the business model by cash flows derived from contracts and the sales of financial assets and are designated to hedge against the interest rate risk; the financial liabilities at fair value through profit or loss are specified for eliminating inconsistencies in accounting recognition.
- b. As of December 31, 2024 the par value of financial assets at fair value through profit or loss under repurchase agreements were \$1,049,301. (December 31, 2023: None)
- c. Information on financial liabilities designated at fair value through profit or loss was as follows:

	December 31	
	2024	2023
Difference between carrying amount and the amount due on maturity		
Fair value	\$ 2,088,437	\$ 1,873,060
Amount due on maturity	<u>(2,098,422)</u>	<u>(1,883,244)</u>
	<u>\$ (9,985)</u>	<u>\$ (10,184)</u>

**Changes in Fair Value
Attributable to
Changes in
Credit Risk**

Change in amount during the year	
For the year ended December 31, 2024	<u>\$ 25,640</u>
For the year ended December 31, 2023	<u>\$ 4,374</u>
Accumulated amount of change	
As of December 31, 2024	<u>\$ (16,631)</u>
As of December 31, 2023	<u>\$ (42,271)</u>

The change in fair value attributable to changes in credit risk recognized as other comprehensive income was calculated as the difference between the total change in fair value of bank debentures and the change in fair value due to the change in market risk factors. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding the credit risk margin constant and interest rates swap volatility surface. The fair value of bank debentures was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period, interest rates swap volatility surface and credit risk margin is estimated by obtaining credit default swap spread of the company with similar credit rating.

On May 19, 2017, the Bank issued unsecured senior bank debentures amounting to US\$45,000 thousand with a 30-year maturity and zero coupon issued and an implicit internal of return of 4.5%. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date or make bond repayments on the maturity date.

- d. The Group engages in derivative transactions mainly to accommodate customers' needs and manage its own exposure positions. Outstanding derivative contracts (nominal) on December 31, 2024 and 2023 were as follows:

	December 31	
	2024	2023
Currency swap contracts	\$ 3,074,648,775	\$ 3,004,926,820
Interest rate swap contracts	583,001,296	710,705,622
Forward exchange contracts	88,156,710	123,855,782
Option contracts	74,698,140	62,095,386
Cross-currency swap contracts	15,028,836	7,154,519
Assets swap contracts	6,718,958	6,456,847
Futures contracts	6,145,262	733,714
Equity-linked swap contracts	2,139,243	1,213,518

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2024	2023
Equity instruments at fair value through other comprehensive income	\$ 9,996,079	\$ 19,208,219
Debt instruments at fair value through other comprehensive income	<u>357,567,127</u>	<u>339,131,626</u>
	<u>\$ 367,563,206</u>	<u>\$ 358,339,845</u>

- a. Equity instruments at fair value through other comprehensive income

	December 31	
	2024	2023
Stock	\$ 9,980,802	\$ 17,670,429
Real estate investment trust beneficiary securities	<u>15,277</u>	<u>1,537,790</u>
	<u>\$ 9,996,079</u>	<u>\$ 19,208,219</u>

The Group holds centralized securities exchange market stocks and real estate investment trust beneficiary securities as medium and long-term strategic investments, or based on the investment principles of improving the efficiency of medium and long-term capital utilization and pursuing stable investment performance, based on the disposal principles of acquiring dividend income while balancing profit and risk, and it is not held for trading purpose. Therefore, the equity instruments are designated as at fair value through other comprehensive income.

Due to management the risk of investment position, the Group sold the stocks at fair value of \$14,205,558 and \$12,735,499 and the disposal gain or loss were gain of \$4,032,025 and \$1,507,368 for the years ended December 31, 2024 and 2023, respectively. In addition, in the first quarter of 2023, due to the completion of liquidation by the investment company, a refund of \$5,292 was made and the disposal gain was \$1,497. The above gain was transferred from other equity to retained earnings.

b. Debt instrument at fair value through other comprehensive income

	December 31	
	2024	2023
Certificates of deposits	\$ 104,704,102	\$ 111,944,303
Bank debentures	97,201,071	86,187,464
Corporate bonds	54,676,015	44,705,470
Government bonds	44,138,307	32,039,499
Commercial paper	39,421,159	47,326,356
Asset-backed securities	13,878,723	14,489,325
Others	<u>3,547,750</u>	<u>2,439,209</u>
Net amount	<u>\$ 357,567,127</u>	<u>\$ 339,131,626</u>

- 1) Please refer to Note 41 for information relating to debt instrument at fair value through other comprehensive income pledged as security.
- 2) Loss allowance of debt instruments at fair value through other comprehensive income were \$63,784 and \$39,066 on December 31, 2024 and 2023, respectively. Credit risk management and information of impairment valuation of debt instruments at FVTOCI are shown in Note 44.
- 3) As of December 31, 2024 and 2023, the par value of debt instruments at FVTOCI under repurchase agreements were \$4,984,179 and \$3,842,936, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2024	2023
Certificates of deposits	\$ 106,128,953	\$ 101,567,426
Government bonds	70,968,115	69,502,131
Bank debentures	60,489,280	65,680,751
Asset-backed securities	40,270,964	40,512,006
Corporate bonds	28,771,159	23,796,228
Others	<u>3,165,899</u>	<u>2,511,944</u>
	309,794,370	303,570,486
Less: Loss allowance	<u>(25,944)</u>	<u>(23,807)</u>
Net amount	<u>\$ 309,768,426</u>	<u>\$ 303,546,679</u>

- a. Please refer to Note 41 for information relating to investments in debt instruments at amortized cost pledged as security.
- b. Credit risk management and information of impairment valuation of investments in debt instruments at amortized cost are shown in Note 44.
- c. As of December 31, 2024 and 2023, the par value of investments in debt instruments at amortized cost under repurchase agreements were \$2,164,183 and \$1,029,915, respectively.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2024	2023
Commercial papers	\$ 46,155,535	\$ 33,707,421
Government bonds	28,313,828	19,827,746
Negotiable certificates of deposits	10,953,459	11,210,863
Corporate bonds	3,878,402	1,657,002
Bank debentures	<u>2,313,605</u>	<u>401,782</u>
	<u>\$ 91,614,829</u>	<u>\$ 66,804,814</u>
Agreed-upon resell amount	\$ 91,877,937	\$ 67,023,429
Par value	\$ 95,431,206	\$ 70,717,329
Expiry	April 2025	May 2024

As of December 31, 2024 and 2023, the par value of securities purchased under resell agreements under repurchase agreements were \$27,886,382 and \$24,081,839, respectively.

12. RECEIVABLES, NET

	December 31	
	2024	2023
Credit card receivables	\$ 22,276,816	\$ 20,807,965
Accounts receivable - forfaiting	11,547,352	8,489,489
Accounts receivable - factoring	11,342,098	13,566,034
Interest and revenue receivables	9,917,767	9,520,385
Acceptances	8,025,709	5,904,300
Accounts and notes receivable	7,958,268	1,670,783
Trust administration fee revenue receivables	1,035,119	937,370
Others	<u>1,100,890</u>	<u>769,869</u>
	73,204,019	61,666,195
Less: Allowance for credit losses	(696,548)	(740,917)
Premium or discount on receivables	<u>(1)</u>	<u>-</u>
Net amount	<u>\$ 72,507,470</u>	<u>\$ 60,925,278</u>

The Group assessed the collectability of receivables to determine the allowance. Movements in the allowance of receivables were as follows:

	For the Year Ended December 31	
	2024	2023
Balance, January 1	\$ 740,917	\$ 696,546
Provision	317,317	232,025
Write-off	(377,937)	(184,418)
Effect of exchange rate changes	<u>16,251</u>	<u>(3,236)</u>
Balance, December 31	<u>\$ 696,548</u>	<u>\$ 740,917</u>

Please refer to Note 44 for the analysis of receivable impairment loss. The Group received payments for loans previously written-off in an amount of \$174,332 and \$149,549 for the years ended December 31, 2024 and 2023, respectively, which were recognized as deduction of provision expenses.

13. DISCOUNTS AND LOANS, NET

	December 31	
	2024	2023
Export negotiation	\$ 474,017	\$ 1,173,250
Discounts and overdrafts	37,590	44,084
Accounts receivable - financing	1,136,932	2,016,186
Short-term loans	147,000,449	133,567,859
Secured short-term loans	105,262,816	89,852,993
Medium-term loans	416,521,584	350,898,327
Secured medium-term loans	255,321,854	208,658,883
Long-term loans	26,729,787	17,874,875
Secured long-term loans	671,329,108	633,526,809
Non-performing loans transferred from loans	<u>2,101,369</u>	<u>941,044</u>
	1,625,915,506	1,438,554,310
Less: Allowance for credit losses	(22,292,318)	(19,256,161)
Premium or discount on discounts and loans	<u>(213,396)</u>	<u>(258,655)</u>
Net amount	<u>\$ 1,603,409,792</u>	<u>\$ 1,419,039,494</u>

- a. Please refer to Note 44 for the analysis of impairment loss on discounts and loans and Note 41 for information relating to discounts and loans pledged as security. Except the accounting policy on impairment of financial assets in Note 4, SinoPac (China) also follows the local authority, maintaining an allowance of at least 1.5% of loans and 120% of non-performing loans on April 30, 2022. The aforementioned bank loan provision ratio and non-performing loan provision coverage ratio were adjusted to 2.1% and 140% from April 30, 2024, respectively.

- b. The Group assessed the collectability of discounts and loans to determine the required allowance. Movements in the allowance of discounts and loans were as follows:

	For the Year Ended December 31	
	2024	2023
Balance, January 1	\$ 19,256,161	\$ 17,594,373
Provision	4,001,314	2,362,697
Write-off	(1,156,796)	(689,200)
Effect of exchange rate changes	<u>191,639</u>	<u>(11,709)</u>
Balance, December 31	<u>\$ 22,292,318</u>	<u>\$ 19,256,161</u>

The Group received payments for loans previously written-off in an amount of \$401,850 and \$341,923 for the years ended December 31, 2024 and 2023, respectively, which were recognized as deduction of provision expenses.

14. OTHER FINANCIAL ASSETS, NET

	December 31	
	2024	2023
Prepayments for investments accounted for using the equity method (Note 49)	\$ 14,052,589	\$ -
Bank deposits not belonging to cash and cash equivalents	8,955,160	2,815,059
Purchase of the PEM Group's instruments	3,895,904	4,187,286
Others	<u>50,573</u>	<u>43,371</u>
	26,954,226	7,045,716
Less: Allowance for credit losses	(5,994)	(1,998)
Accumulated impairment	<u>(2,594,358)</u>	<u>(2,386,381)</u>
Net amount	<u>\$ 24,353,874</u>	<u>\$ 4,657,337</u>

Bank deposits not belonging to cash and cash equivalent mentioned above included bank deposits over three months, no advance termination, pledged time deposits and restricted bank deposits.

The Bank was delegated by professional investors to sell the PEM Group's investment products amounting to US\$146,000 thousand through private placement. A U.S. Federal Court appointed a receiver for all assets that belonged to, were being managed by, or were in the possession of or control of the PEM Group. To protect the client's interests, the Bank bought back the products at the price of the initial payment net of the distribution and redemption costs. On December 24, 2010, the Bank's board of directors resolved to abide by a court's appointment of a PEM Group receiver to take the PEM Group's insurance policies at the price of approximately US\$40.4 million. On March 7, 2011, the receiver transferred the insurance policies to a trustee established jointly by certain banks to hold insurance policies. And the Bank had submitted to the authorities the results of this policy transfer. As of December 31, 2024, a recognized of US\$79,119 thousand (NT\$2,594,358) had been set aside to cover the accumulated impairment losses. The Bank has reserve of impairment loss of \$48,601 and reversal of impairment loss of \$47,115 for PEM Group for the years ended December 31, 2024 and 2023.

The Group assessed the collectability of other financial assets to determine the required allowance. Movements in the allowance of other financial assets were as follows:

	For the Year Ended December 31	
	2024	2023
Balance, January 1	\$ 1,998	\$ 1,577
Provision	9,507	4,741
Write-off	(5,539)	(4,314)
Effect of exchange rate changes	<u>28</u>	<u>(6)</u>
Balance, December 31	<u><u>\$ 5,994</u></u>	<u><u>\$ 1,998</u></u>

The Group received payments for loans previously written-off \$48,158 and \$4,954 for the years ended December 31, 2024 and 2023, respectively, which were recognized as deduction of provision expenses.

15. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the years ended December 31, 2024 and 2023 are summarized as follows:

For the Year Ended December 31, 2024								
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>								
Balance, January 1	\$ 5,639,933	\$ 6,204,293	\$ 2,827,456	\$ 1,180	\$ 1,669,397	\$ 1,502,043	\$ 305,481	\$ 18,149,783
Additions	-	72,725	243,299	-	139,380	34,286	642,821	1,132,511
Deductions	-	(250,667)	(127,090)	-	(34,204)	(15,818)	-	(427,779)
Reclassifications	187,501	219,503	15,766	-	46,202	38,858	(403,955)	103,875
Effects of exchange rate changes	-	12,898	17,083	86	2,783	5,857	953	39,660
Balance, December 31	<u>5,827,434</u>	<u>6,258,752</u>	<u>2,976,514</u>	<u>1,266</u>	<u>1,823,558</u>	<u>1,565,226</u>	<u>545,300</u>	<u>18,998,050</u>
<u>Accumulated depreciation</u>								
Balance, January 1	107	3,790,922	1,914,120	1,180	1,248,535	1,265,070	-	8,219,934
Depreciation	23	159,948	321,635	-	111,962	70,836	-	664,404
Deductions	-	(248,344)	(121,218)	-	(33,213)	(13,982)	-	(416,757)
Reclassifications	-	76,539	209	-	(39)	-	-	76,709
Effects of exchange rate changes	-	3,014	14,108	86	2,080	4,293	-	23,581
Balance, December 31	<u>130</u>	<u>3,782,079</u>	<u>2,128,854</u>	<u>1,266</u>	<u>1,329,325</u>	<u>1,326,217</u>	<u>-</u>	<u>8,567,871</u>
<u>Net amount</u>								
Balance, December 31	<u><u>\$ 5,827,304</u></u>	<u><u>\$ 2,476,673</u></u>	<u><u>\$ 847,660</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 494,233</u></u>	<u><u>\$ 239,009</u></u>	<u><u>\$ 545,300</u></u>	<u><u>\$ 10,430,179</u></u>
For the Year Ended December 31, 2023								
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>								
Balance, January 1	\$ 5,604,823	\$ 6,068,228	\$ 2,626,585	\$ 1,181	\$ 1,640,681	\$ 1,476,041	\$ 311,594	\$ 17,729,133
Additions	-	96,351	283,777	-	85,244	70,656	386,552	922,580
Deductions	-	(59,498)	(134,063)	-	(58,977)	(58,723)	-	(311,261)
Reclassifications	35,110	106,085	52,997	-	2,575	14,316	(392,183)	(181,100)
Effects of exchange rate changes	-	(6,873)	(1,840)	(1)	(126)	(247)	(482)	(9,569)
Balance, December 31	<u>5,639,933</u>	<u>6,204,293</u>	<u>2,827,456</u>	<u>1,180</u>	<u>1,669,397</u>	<u>1,502,043</u>	<u>305,481</u>	<u>18,149,783</u>
<u>Accumulated depreciation</u>								
Balance, January 1	84	3,653,641	1,723,320	1,181	1,201,978	1,261,843	-	7,842,047
Depreciation	23	162,844	317,679	-	104,049	61,761	-	646,356
Deductions	-	(59,248)	(125,616)	-	(57,371)	(58,617)	-	(300,852)
Reclassifications	-	35,209	-	-	-	-	-	35,209
Effects of exchange rate changes	-	(1,524)	(1,263)	(1)	(121)	83	-	(2,826)
Balance, December 31	<u>107</u>	<u>3,790,922</u>	<u>1,914,120</u>	<u>1,180</u>	<u>1,248,535</u>	<u>1,265,070</u>	<u>-</u>	<u>8,219,934</u>
<u>Net amount</u>								
Balance, December 31	<u><u>\$ 5,639,826</u></u>	<u><u>\$ 2,413,371</u></u>	<u><u>\$ 913,336</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 420,862</u></u>	<u><u>\$ 236,973</u></u>	<u><u>\$ 305,481</u></u>	<u><u>\$ 9,929,849</u></u>

The above property and equipment are depreciated at the following estimated useful lives:

<u>Items</u>	<u>Years</u>
Land improvements	8-30 years
Buildings	2-60 years
Machinery and computer equipment	2-15 years
Transportation equipment	5 years
Other equipment	3-15 years
Leasehold improvements	1.58-15 years

The amounts of other equipment rented out as of December 31, 2024 and 2023 were \$809 and \$969, respectively.

16. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Carrying amount</u>		
Land	\$ 267	\$ 144
Buildings	2,806,704	2,390,479
Machinery and computer equipment	42,805	76,387
Transportation equipment	30,189	24,841
Other equipment	1,769	1,552
Decommissioning restoration costs	<u>27,680</u>	<u>24,261</u>
	<u>\$ 2,909,414</u>	<u>\$ 2,517,664</u>
	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Additions to right-of-use assets	<u>\$ 1,160,182</u>	<u>\$ 643,359</u>
Depreciation charge for right-of-use assets		
Land	\$ 118	\$ 93
Buildings	715,337	675,403
Machinery and computer equipment	33,709	33,687
Transportation equipment	14,099	12,766
Other equipment	978	982
Decommissioning restoration costs	<u>8,561</u>	<u>8,580</u>
	<u>\$ 772,802</u>	<u>\$ 731,511</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Carrying amount	<u>\$ 3,022,352</u>	<u>\$ 2,600,806</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2024	2023
Land	2.1233%-4.7390%	1.6511%-2.1233%
Buildings	0.4376%-5.1952%	0.1848%-5.1952%
Machinery and computer equipment	0.5754%-2.3588%	0.5754%-2.3588%
Transportation equipment	1.0399%-5.6000%	0.3804%-5.5000%
Other equipment	0.5754%-4.3787%	0.4416%-4.3787%

c. Material lease-in activities and terms

The Group leases certain buildings for use as business locations, offices and employee's dormitories with lease terms of 1 year to 20.1 years. The lease contract for major buildings located in Taiwan for use as offices and branches specifies that lease payments will be adjusted 1% every three years. The lease contract for major buildings located in overseas branches stipulated fixed or regularly adjusted proportionally lease payments. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2024	2023
Expenses relating to short-term leases	\$ 15,280	\$ 15,374
Expenses relating to low-value asset leases	\$ 45,579	\$ 42,080
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 6,140	\$ 5,789
Total cash outflow for leases	\$ (872,373)	\$ (823,765)

Recognition exemption is applied to short-term leases of various types of assets such as other equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments with lease terms commencing after December 31, 2024 are \$91,332.

17. INVESTMENT PROPERTY, NET

The movements of investment property are summarized as follows:

	For the Year Ended December 31, 2024		
	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1	\$ 636,385	\$ 508,181	\$ 1,144,566
Additions	-	6,184	6,184
Deductions	(11,502)	(10,310)	(21,812)
Reclassifications	(187,502)	(140,976)	(328,478)
Balance, December 31	<u>437,381</u>	<u>363,079</u>	<u>800,460</u>

(Continued)

	For the Year Ended December 31, 2024		
	Land	Buildings	Total
<u>Accumulated depreciation</u>			
Balance, January 1	\$ -	\$ 293,215	\$ 293,215
Depreciation	-	7,904	7,904
Deductions	-	(7,013)	(7,013)
Reclassifications	-	(76,539)	(76,539)
Balance, December 31	<u>-</u>	<u>217,567</u>	<u>217,567</u>
<u>Net amount</u>			
Balance, December 31	<u>\$ 437,381</u>	<u>\$ 145,512</u>	<u>\$ 582,893</u>
			(Concluded)

	For the Year Ended December 31, 2023		
	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1	\$ 769,753	\$ 591,607	\$ 1,361,360
Additions	-	3,484	3,484
Deductions	(98,258)	(30,260)	(128,518)
Reclassifications	(35,110)	(56,650)	(91,760)
Balance, December 31	<u>636,385</u>	<u>508,181</u>	<u>1,144,566</u>
<u>Accumulated depreciation</u>			
Balance, January 1	-	335,852	335,852
Depreciation	-	11,106	11,106
Deductions	-	(18,534)	(18,534)
Reclassifications	-	(35,209)	(35,209)
Balance, December 31	<u>-</u>	<u>293,215</u>	<u>293,215</u>
<u>Net amount</u>			
Balance, December 31	<u>\$ 636,385</u>	<u>\$ 214,966</u>	<u>\$ 851,351</u>

The above investment properties are depreciated at the following estimated useful lives:

<u>Category</u>	<u>Useful Lives</u>
Buildings	30-60 years

The above investment property of the Group is for the purpose of earning rental income or capital appreciation or both. The fair values of the investment properties of the Group as of December 31, 2024 and 2023, calculated based on the abovementioned fully leased or rented ratio, were \$2,467,812 and \$3,171,145 respectively. The fair values, which were based on an internal valuation report instead of an assessment by an independent professional appraiser, were determined assuming unobservable inputs (Level 3).

Investment properties are leased out under operating leases with terms of 1 to 7 years. The lease contracts contain contingent rent clauses with annual rent adjustments based on a fixed ratio.

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

	December 31	
	2024	2023
Year 1	\$ 57,723	\$ 64,990
Year 2	48,118	48,007
Year 3	32,179	37,782
Year 4	26,869	18,166
Year 5	10,890	13,057
Year 6 onwards	<u>319</u>	<u>1,206</u>
	<u>\$ 176,098</u>	<u>\$ 183,208</u>

18. INTANGIBLE ASSETS, NET

	December 31	
	2024	2023
Goodwill	\$ 697,087	\$ 876,717
Computer software	1,073,031	1,026,481
Others	<u>6,827</u>	<u>6,852</u>
	<u>\$ 1,776,945</u>	<u>\$ 1,910,050</u>

Movements in the Group's intangible assets were as follows:

	Goodwill	Computer Software	Others	Total
<u>2024</u>				
Balance, January 1	\$ 876,717	\$ 1,026,481	\$ 6,852	\$ 1,910,050
Additions	-	157,072	-	157,072
Deductions	-	(238)	-	(238)
Amortization	-	(339,769)	(240)	(340,009)
Impairment loss	(179,630)	-	-	(179,630)
Reclassifications	-	224,773	-	224,773
Effects of exchange rate changes	<u>-</u>	<u>4,712</u>	<u>215</u>	<u>4,927</u>
Balance, December 31	<u>\$ 697,087</u>	<u>\$ 1,073,031</u>	<u>\$ 6,827</u>	<u>\$ 1,776,945</u>
<u>2023</u>				
Balance, January 1	\$ 876,717	\$ 871,778	\$ 6,732	\$ 1,755,227
Additions	-	192,001	494	192,495
Amortization	-	(308,128)	(258)	(308,386)
Reclassifications	-	272,860	-	272,860
Effects of exchange rate changes	<u>-</u>	<u>(2,030)</u>	<u>(116)</u>	<u>(2,146)</u>
Balance, December 31	<u>\$ 876,717</u>	<u>\$ 1,026,481</u>	<u>\$ 6,852</u>	<u>\$ 1,910,050</u>

The above intangible assets are amortized on a straight-line basis over the following estimated useful lives:

<u>Item</u>	<u>Years</u>
Computer software	1.33-10.58 years

Goodwill includes \$876,717, which resulted from the Bank's cash merger with SinoPac Card Services, and this merger was treated as a reorganization of SPH.

In assessing whether goodwill is impaired, the Bank considers the credit card department as a cash-generating unit and estimates the recoverable amount by its value in use. The Bank uses the department's actual profitability and business or business recycle in making key assumption to predict future cash flows and thus calculates its value in use. Under a going-concern assumption, the Bank predicted the net cash flows that would be generated from the investee's operating activities in the next 5 years. On the other hand, the Bank used the investee's growth rate in making key assumptions to predict the investee's future cash flows beyond 5 years and thus calculate the investee's value in use on the basis of cost of equity. Goodwill in each period will be tested for impairment annually, with the most recent testing conducted on October 31, 2024. The estimated profit growth rate of the credit card department is lower than expected. The recoverable amount of the cash-generating unit - credit card group, calculated at a discount rate of 8.2% on the test base date, is less than the book value of the assessed item. Therefore, an impairment loss of \$179,630 was recognized in 2024. No impairment loss occurred in 2023.

19. OTHER ASSETS, NET

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Guarantee deposits	\$ 10,580,458	\$ 9,381,782
Collaterals assumed	392,960	-
Prepayments	345,244	282,355
Temporary payments and suspense accounts	252,042	132,784
Others	<u>71,437</u>	<u>71,259</u>
	11,642,141	9,868,180
Less: Accumulated impairment	<u>(13,847)</u>	<u>(11,565)</u>
Net amount	<u>\$ 11,628,294</u>	<u>\$ 9,856,615</u>

20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Call loans from banks	\$ 73,832,450	\$ 104,086,286
Redeposits from Chunghwa Post	10,026,300	10,039,900
Due from Central Bank	1,639,533	1,537,624
Deposit from bank	<u>969,205</u>	<u>44,276</u>
	<u>\$ 86,467,488</u>	<u>\$ 115,708,086</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2024	2023
Government bonds	\$ 24,618,243	\$ 20,747,083
Corporate bonds	7,782,881	1,387,590
Bank debentures	<u>512,607</u>	<u>4,038,914</u>
	<u>\$ 32,913,731</u>	<u>\$ 26,173,587</u>
Agreed-upon repurchase price	\$ 33,121,387	\$ 26,375,371
Par value	\$ 36,084,045	\$ 28,954,690
Maturity date	February 2025	April 2024

22. PAYABLES

	December 31	
	2024	2023
Acceptances payable	\$ 8,025,709	\$ 5,904,300
Interest payable	6,836,003	7,020,873
Accrued expenses	5,189,099	4,507,408
Accounts payable - factoring	1,779,853	2,322,038
Dividends payable to SPH	1,435,025	1,435,025
Accounts payable	1,048,873	808,213
Notes and checks in clearing	900,273	3,788,256
Others	<u>2,638,392</u>	<u>2,296,151</u>
	<u>\$ 27,853,227</u>	<u>\$ 28,082,264</u>

23. DEPOSITS AND REMITTANCES

	December 31	
	2024	2023
Checking	\$ 13,703,662	\$ 12,937,748
Demand	555,603,991	449,339,565
Savings - demand	588,469,909	567,479,994
Time deposits	757,900,789	645,462,780
Negotiable certificates of deposits	5,778,003	15,837,760
Savings - time	354,239,638	331,469,385
Remittances outstanding	715,515	785,047
Remittances under custody	36,845	43,521
Others	<u>33,473</u>	<u>29,469</u>
	<u>\$ 2,276,481,825</u>	<u>\$ 2,023,385,269</u>

24. BANK DEBENTURES

To raise capital for its financial operation and increase its capital adequacy ratio, the Bank obtained approval from FSC to issue bank debentures, as follows:

	December 31		Issue Period	Rates
	2024	2023		
Third subordinated bank debentures issued in 2014 (B)	\$ -	\$ 699,958	2014.09.30-2024.09.30 Principal is repayable on maturity date.	Fixed interest rate of 2.05%, interest is paid annually.
First subordinated bank debentures issued in 2017 (A)	-	149,996	2017.02.24-2024.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.60%, interest is paid annually.
First subordinated bank debentures issued in 2017 (B)	2,099,737	2,099,619	2017.02.24-2027.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.90%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (A)	-	199,990	2017.06.28-2024.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.70%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (B)	539,905	539,868	2017.06.28-2027.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Fourth subordinated bank debentures issued in 2017	3,000,000	3,000,000	2017.06.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five and a half years.	Fixed interest rate of 4.00%, interest is paid annually.
First subordinated bank debentures issued in 2018 (A)	649,979	649,917	2018.04.30-2025.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
First subordinated bank debentures issued in 2018 (B)	499,887	499,855	2018.04.30-2028.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
First subordinated bank debentures issued in 2019	2,000,000	1,999,865	2019.01.25, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five and a half years.	Fixed interest rate of 2.40%, interest is paid annually.
Second subordinated bank debentures issued in 2019 (A)	1,199,894	1,199,796	2019.01.25-2026.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
Second subordinated bank debentures issued in 2019 (B)	1,799,576	1,799,476	2019.01.25-2029.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.55%, interest is paid annually.
Third senior bank debentures issued in 2019	-	2,999,959	2019.06.26-2024.06.26 Principal is repayable on maturity date.	Fixed interest rate of 0.76%, interest is paid annually.
Fourth subordinated bank debentures issued in 2019	1,500,000	1,499,864	2019.08.23, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 2.00%, interest is paid annually.
Fifth subordinated bank debentures issued in 2019 (A)	1,749,769	1,749,631	2019.08.23-2026.08.23 Principal is repayable on maturity date.	Fixed interest rate of 1.03%, interest is paid annually.
Fifth subordinated bank debentures issued in 2019 (B)	1,749,543	1,749,448	2019.08.23-2029.08.23 Principal is repayable on maturity date.	Fixed interest rate of 1.13%, interest is paid annually.
First subordinated bank debentures issued in 2020	2,999,893	2,999,720	2020.03.31, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and four months.	Fixed interest rate of 1.35%, interest is paid annually.
Second subordinated bank debentures issued in 2020	1,999,650	1,999,584	2020.03.31-2030.03.31 Principal is repayable on maturity date.	Fixed interest rate of 0.75%, interest is paid annually.
Third subordinated bank debentures issued in 2020	2,899,931	2,899,789	2020.06.30, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 1.85%, interest is paid annually.
Fourth subordinated bank debentures issued in 2020	2,599,632	2,599,567	2020.06.30-2030.06.30 Principal is repayable on maturity date.	Fixed interest rate of 1.00%, interest is paid annually.
Fifth subordinated bank debentures issued in 2020	2,099,921	2,099,828	2020.10.29, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 1.70%, interest is paid annually.
Sixth subordinated bank debentures issued in 2020	2,399,671	2,399,616	2020.10.29-2030.10.29 Principal is repayable on maturity date.	Fixed interest rate of 0.87%, interest is paid annually.
Seventh senior bank debentures issued in 2020	999,939	999,868	2020.11.06-2025.11.06 Principal is repayable on maturity date.	Fixed interest rate of 0.46%, interest is paid annually.
First senior bank debentures issued in 2021	999,915	999,854	2021.05.18-2026.05.18 Principal is repayable on maturity date.	Fixed interest rate of 0.45%, interest is paid annually.

(Continued)

	December 31		Issue Period	Rates
	2024	2023		
Second subordinated bank debentures issued in 2021	\$ 2,719,822	\$ 2,719,697	2021.05.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and two months.	Fixed interest rate of 1.70%, interest is paid annually.
Third subordinated bank debentures issued in 2021	2,299,704	2,299,659	2021.05.28-2031.05.28 Principal is repayable on maturity date.	Fixed interest rate of 0.82%, interest is paid annually.
Fourth subordinated bank debentures issued in 2021	3,279,820	3,279,719	2021.10.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and a month.	Fixed interest rate of 1.70%, interest is paid annually.
Fifth subordinated bank debentures issued in 2021	1,699,582	1,699,523	2021.10.28-2031.10.28 Principal is repayable on maturity date.	Fixed interest rate of 0.80%, interest is paid annually.
First subordinated bank debentures issued in 2022	4,999,570	4,999,394	2022.03.28, no maturity date and non-cumulative. The Bank has the right to call or buy back from the market after five years and four months.	Fixed interest rate of 2.00%, interest is paid annually.
Second senior bank debentures issued in 2022	1,999,813	1,999,733	2022.04.08-2027.04.08 Principal is repayable on maturity date.	Fixed interest rate of 0.78%, interest is paid annually.
First senior bank debentures issued in 2023	1,999,784	1,999,483	2023.09.14-2025.09.14 Principal is repayable on maturity date.	Fixed interest rate of 1.48%, interest is paid annually.
First senior bank debentures issued in 2024	<u>999,625</u>	<u>-</u>	2024.09.26-2026.09.26 Principal is repayable on maturity date.	Fixed interest rate of 1.73%, interest is paid annually.
	<u>\$ 53,784,562</u>	<u>\$ 56,832,276</u>		

(Concluded)

25. OTHER FINANCIAL LIABILITIES

	December 31	
	2024	2023
Principal of structured products	\$ 55,035,616	\$ 47,757,392
Cumulative earnings on appropriated loan fund	<u>48,469</u>	<u>96,486</u>
	<u>\$ 55,084,085</u>	<u>\$ 47,853,878</u>

26. PROVISIONS

	December 31	
	2024	2023
Provision for employee benefits	\$ 1,675,417	\$ 2,152,696
Provision for financing commitments	216,901	235,001
Provision for guarantee liabilities	332,656	302,018
Provision for decommissioning liabilities	139,303	126,094
Others	<u>9,948</u>	<u>10,835</u>
	<u>\$ 2,374,225</u>	<u>\$ 2,826,644</u>

The movements of provision for financing commitment, provision for guarantee liabilities and other provision were as follows:

	For the Year Ended December 31, 2024		
	Provision for Financing Commitments	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	\$ 235,001	\$ 302,018	\$ 10,835
(Reversal of provision) provision	(23,974)	30,403	(1,430)
Effects of exchange rate changes	<u>5,874</u>	<u>235</u>	<u>543</u>
Balance, December 31	<u>\$ 216,901</u>	<u>\$ 332,656</u>	<u>\$ 9,948</u>

	For the Year Ended December 31, 2023		
	Provision for Financing Commitments	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	\$ 287,776	\$ 339,536	\$ 16,187
(Reversal of provision) provision	(54,318)	(37,637)	(5,190)
Effects of exchange rate changes	<u>1,543</u>	<u>119</u>	<u>(162)</u>
Balance, December 31	<u>\$ 235,001</u>	<u>\$ 302,018</u>	<u>\$ 10,835</u>

27. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2024	2023
Recognized in consolidated balance sheets (payables and provisions)		
Defined contribution plans	\$ 58,476	\$ 49,841
Defined benefit plans	1,068,938	1,610,633
Preferential interest on employees' deposits	387,210	366,026
Others	<u>219,269</u>	<u>176,037</u>
	<u>\$ 1,733,893</u>	<u>\$ 2,202,537</u>

a. Defined contribution plans

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

Overseas branches and overseas subsidiaries' defined contribution plans are in accordance with local regulations.

The total expenses recognized for the years ended December 31, 2024 and 2023 of \$333,346 and \$299,282, respectively, represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

b. Defined benefit plans

For the Bank employees who adopt for defined benefit plans regulated by the Labor Standards Act, the retirement benefits are paid to employees as follow: (i) a lump sum payment equal to two base units for each year of service; (ii) that each year of service exceeding 15 years is entitled to only one base unit of wage; and (iii) that the maximum payment is for up to 45 base units. Any fraction of a year that is equal to six months or more is counted as one year of service, and any fraction of a year that is less than six months is counted as half a year of service.

Pension contributions are deposited in the Trust department of Bank of Taiwan and Bank SinoPac in the Organization of Supervisory Committee of Business Entities' Labor Retirement Reserve's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Trust department of Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2024	2023
Present value of defined benefit obligation	\$ 4,302,330	\$ 4,740,546
Fair value of plan assets	<u>(3,233,392)</u>	<u>(3,129,913)</u>
Net defined benefit liability	<u>\$ 1,068,938</u>	<u>\$ 1,610,633</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2023	<u>\$ 4,410,096</u>	<u>\$ (3,160,237)</u>	<u>\$ 1,249,859</u>
Service cost			
Current service cost	29,641	-	29,641
Past service cost	1,569	-	1,569
Net interest expense (income)	<u>56,146</u>	<u>(41,217)</u>	<u>14,929</u>
Recognized in (profit) or loss	<u>87,356</u>	<u>(41,217)</u>	<u>46,139</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(22,133)	(22,133)
Actuarial (gain) loss - changes in financial assumptions	531,996	-	531,996
Actuarial (gain) loss - changes in demographic assumptions	47	-	47
Actuarial (gain) loss - experience adjustments	<u>29,646</u>	<u>-</u>	<u>29,646</u>
Recognized in other comprehensive income	<u>561,689</u>	<u>(22,133)</u>	<u>539,556</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	\$ -	\$ (224,921)	\$ (224,921)
Benefits paid	(315,536)	315,536	-
Pay off or reduce the payment	<u>(3,059)</u>	<u>3,059</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 4,740,546</u>	<u>\$ (3,129,913)</u>	<u>\$ 1,610,633</u>
Balance at January 1, 2024	<u>\$ 4,740,546</u>	<u>\$ (3,129,913)</u>	<u>\$ 1,610,633</u>
Service cost			
Current service cost	25,725	-	25,725
Net interest expense (income)	<u>55,501</u>	<u>(37,356)</u>	<u>18,145</u>
Recognized in (profit) or loss	<u>81,226</u>	<u>(37,356)</u>	<u>43,870</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(255,844)	(255,844)
Actuarial (gain) loss - changes in financial assumptions	(149,242)	-	(149,242)
Actuarial (gain) loss - changes in demographic assumptions	66	-	66
Actuarial (gain) loss - experience adjustments	<u>38,655</u>	<u>-</u>	<u>38,655</u>
Recognized in other comprehensive income	<u>(110,521)</u>	<u>(255,844)</u>	<u>(366,365)</u>
Contributions from the employer	-	(219,200)	(219,200)
Benefits paid	<u>(408,921)</u>	<u>408,921</u>	<u>-</u>
Balance at December 31, 2024	<u>\$ 4,302,330</u>	<u>\$ (3,233,392)</u>	<u>\$ 1,068,938</u>

(Concluded)

The plan assets' actual returns were \$293,200 and \$63,350 for the years ended December 31, 2024 and 2023.

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

- 1) Investment risk: Bureau of Labor Funds, Ministry of Labor invests plan assets in domestic and foreign securities, debt securities, bank deposits, etc. through self-utilization and entrusted 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 government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2024	2023
Discount rate	1.60%	1.20%
Expected rate of salary increase	3.00%	3.00%

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 would increase (decrease) as follows:

	December 31	
	2024	2023
Discount rate		
0.25% increase	<u>\$ (89,701)</u>	<u>\$ (105,796)</u>
0.25% decrease	<u>\$ 92,435</u>	<u>\$ 109,211</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 90,936</u>	<u>\$ 107,008</u>
0.25% decrease	<u>\$ (88,712)</u>	<u>\$ (104,224)</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	
	2024	2023
The expected contributions to the plan for the next year	<u>\$ 191,964</u>	<u>\$ 197,095</u>
The average duration of the defined benefit obligation	8 years	9 years

c. Preferential interest on employees' deposits

The Bank offers preferential interest on employees' deposits to both current and retired employees.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2024	2023
Discount rate	4.00%	4.00%
Expected interest rate on preferential interest on employees' deposits		
Manager	7.72%	7.59%
Staff	13.00%	13.00%
Normal deposit interest rate	1.72%	1.59%
Return on deposits	2.00%	2.00%
Excess preferential interest		
Manager	4.00%	4.00%
Staff	9.28%	9.41%
The probability of preferential interest on employees' deposits is canceled within ten years	50.00%	50.00%

The amounts included in the consolidated balance sheets arising from the Bank's obligation in respect of its preferential interest on employee's deposits were as follows:

	December 31	
	2024	2023
Present value of defined benefit obligation	\$ 387,210	\$ 366,026
Fair value of plan assets	<u>-</u>	<u>-</u>
Net defined benefit liability	<u>\$ 387,210</u>	<u>\$ 366,026</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2023	\$ 343,699	\$ -	\$ 343,699
Service cost			
Past service cost	35,235	-	35,235
Interest expense	7,939	-	7,939
Recognized in (profit) or loss	<u>43,174</u>	<u>-</u>	<u>43,174</u>
Remeasurement			
Actuarial (gain) loss - experience adjustments	10,042	-	10,042
Actuarial (gain) loss - changes in assumptions	<u>(4,139)</u>	<u>-</u>	<u>(4,139)</u>
Recognized in other comprehensive income	<u>5,903</u>	<u>-</u>	<u>5,903</u>
Benefits paid	<u>(26,750)</u>	<u>-</u>	<u>(26,750)</u>
Balance at December 31, 2023	<u>\$ 366,026</u>	<u>\$ -</u>	<u>\$ 366,026</u>
Balance at January 1, 2024	\$ 366,026	\$ -	\$ 366,026
Service cost			
Past service cost	37,982	-	37,982
Interest expense	8,518	-	8,518
Recognized in (profit) or loss	<u>46,500</u>	<u>-</u>	<u>46,500</u>
Remeasurement			
Actuarial (gain) loss - experience adjustments	7,561	-	7,561
Actuarial (gain) loss - changes in assumptions	<u>(4,456)</u>	<u>-</u>	<u>(4,456)</u>
Recognized in other comprehensive income	<u>3,105</u>	<u>-</u>	<u>3,105</u>
Benefits paid	<u>(28,421)</u>	<u>-</u>	<u>(28,421)</u>
Balance at December 31, 2024	<u>\$ 387,210</u>	<u>\$ -</u>	<u>\$ 387,210</u>

d. Other

Others included long-term incentive compensation plans, deferred service leave and termination benefits. For the years ended December 31, 2024 and 2023, the liabilities related to cash-settled share-based payments of long-term incentive compensation plans were recognized as \$181,639 and \$143,509, respectively, the acquired total embedded value of which were \$135,945 and \$115,749, respectively.

28. OTHER LIABILITIES

	December 31	
	2024	2023
Guarantee deposits received	\$ 6,617,842	\$ 5,833,308
Temporary receipt and suspense accounts	736,396	1,248,845
Advance receipts	559,308	279,112
Deferred revenue	109,762	89,819
Others	<u>56,296</u>	<u>55,562</u>
	<u>\$ 8,079,604</u>	<u>\$ 7,506,646</u>

29. INCOME TAX

Under Article 49 of the Financial Holding Company Act and related directives issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings. Thus, SPH adopted the linked-tax system for income tax and unappropriated earnings tax filings with its qualified subsidiaries since 2003.

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2024	2023
Current tax		
Current period	\$ 3,842,843	\$ 3,376,951
Income tax on unappropriated earnings	96,125	-
Adjustments for prior years	(140)	1,126
Others	41,030	44,260
Deferred tax		
Temporary adjustments	<u>(104,290)</u>	<u>(172,425)</u>
Income tax expenses recognized in profit or loss	<u>\$ 3,875,568</u>	<u>\$ 3,249,912</u>

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

	For the Year Ended December 31	
	2024	2023
Profit before tax	<u>\$ 21,292,073</u>	<u>\$ 19,315,415</u>
Income tax expense calculated at the statutory rate (20%)	\$ 4,258,415	\$ 3,863,083
Tax effect of adjusting items:		
Effect number of difference tax rates in several other operating subsidiaries	15,828	10,676
Adjustments for prior years' tax	(140)	1,126
Tax-exempt income	(105,990)	(253,540)
Permanent difference	(474,311)	(472,802)
Income tax on unappropriated earnings	96,125	-
Others	<u>85,641</u>	<u>101,369</u>
Income tax expense recognized in profit or loss	<u>\$ 3,875,568</u>	<u>\$ 3,249,912</u>

The ROC Income Tax Act was 20%. The rate of unappropriated earnings was 5%. The income tax rate that is applicable to the subsidiaries in China is 25%; other jurisdictions are calculated based on the respective income tax rate.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2024	2023
<u>Deferred tax</u>		
Adjustments of current period		
Defined benefit plans remeasurement	\$ (72,652)	\$ 109,092
Unrealized losses on financial assets at fair value through other comprehensive income	(50,344)	(39,280)
Exchange differences on translation of foreign operations	<u>(69,641)</u>	<u>36,470</u>
Income tax recognized in other comprehensive income	<u>\$ (192,637)</u>	<u>\$ 106,282</u>

c. Current tax assets and liabilities

	December 31	
	2024	2023
<u>Current tax assets</u>		
Receivables from adopting the linked-tax system	\$ 1,055,020	\$ 1,055,020
Subsidiary tax receivable	-	35,922
Others	<u>292,450</u>	<u>211,186</u>
	<u>\$ 1,347,470</u>	<u>\$ 1,302,128</u>

(Continued)

	December 31	
	2024	2023
<u>Current tax liabilities</u>		
Payables for adopting the linked-tax system	\$ 950,625	\$ 1,170,711
Subsidiary tax payable	36,794	-
Others	<u>364,552</u>	<u>348,524</u>
	<u>\$ 1,351,971</u>	<u>\$ 1,519,235</u>
		(Concluded)

d. Deferred tax assets and liabilities

	December 31	
	2024	2023
<u>Deferred tax assets</u>		
Allowance for doubtful accounts	\$ 1,152,874	\$ 1,008,870
Provision for defined benefit	278,549	374,010
Exchange differences on translation of foreign operations	101,581	171,222
Others	<u>169,475</u>	<u>154,645</u>
	<u>\$ 1,702,479</u>	<u>\$ 1,708,747</u>
<u>Deferred tax liabilities</u>		
Land value increment tax	\$ 587,038	\$ 587,038
Investments accounted for using the equity method	278,166	233,629
Unrealized gains or losses on foreign exchange and derivative instruments	253,236	251,496
Others	<u>133,879</u>	<u>106,390</u>
	<u>\$ 1,252,319</u>	<u>\$ 1,178,553</u>

Deferred tax expenses (income) recognized in profit or loss were as follows:

	For the Year Ended December 31	
	2024	2023
Allowance for doubtful accounts	\$ (139,170)	\$ (168,022)
Provision for defined benefit	22,809	28,885
Investments accounted for using the equity method	44,537	33,823
Unrealized gains or losses on foreign exchange and derivative instruments	(677)	(47,119)
Others	<u>(31,789)</u>	<u>(19,992)</u>
	<u>\$ (104,290)</u>	<u>\$ (172,425)</u>

The Bank did not have unused loss carryforwards as of December 31, 2024.

- e. The Bank's tax returns through 2018 have been assessed by the tax authorities.
- f. SinoPac Call Center was merged into Bank SinoPac in 2019 and its profit-seeking enterprise income tax was assessed through 2018
- g. Pillar Two Income Tax Legislation

The government of Vietnam, where Ho Chi Minh City branch is incorporated, enacted the Pillar Two income tax legislation effective from January 1, 2024. The Group will continue to assess the impact of the Pillar Two Income Tax Act on its future financial performance.

30. EQUITY

a. Common stock

The Bank's authorized capital is \$140,000,000. And the Bank issued 14,000,000 thousand common stock with par value of NT\$10. The authorized capital can be issued in installments upon approval of the board of directors.

On May 24, 2024, the Bank's board of directors, on behalf of the shareholders' meeting, resolved to issue 678,948 thousand common shares with earnings reallocated as capital at a par value of NT\$10 each, increasing the share capital issued and fully paid to \$103,781,984. The capital increase was approved by the authorities and record date was set as August 28, 2024.

On November 18, 2022, in order to strengthen the Bank's capital, increase the common equity ratio and support the capital needs for operations and business expansion, the Bank's board of directors, on behalf of the shareholders' meeting, resolved to issue 666,667 thousand common shares with par value of NT\$10 at a price of NT\$15 per share for a total amount of \$10 billion, which was 100% subscribed by the parent company, SPH. The paid-in capital is \$96,992,508 after the capital increase. The capital increase was approved by the authorities and the record date was set as March 21, 2023.

b. Capital surplus

	December 31	
	2024	2023
Share premium	\$ 7,335,205	\$ 7,335,205
Donated surplus	83	83
Consolidation premium	8,076,524	8,076,524
Share-based payments	167,956	167,956
Others	<u>1,650</u>	<u>1,650</u>
	<u>\$ 15,581,418</u>	<u>\$ 15,581,418</u>

The premium from shares issued in excess of par (share premium from issuance of common stock, shares premium from issuance of common stock for combination and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year).

The board of directors of the parent company of the Bank, SPH, approved historical capital increase and retained 10% of shares for subscription by the Group's employees. The criteria for the employee entitlement to the employee share options were in accordance with IFRS 2 "Share-based Payment". Under IFRS 2 share options granted by a parent company to a subsidiary's employees should be treated as equity-settled share-based payments that match the service provided by employees and are recognized as equity increase due to parent's contribution. The Bank's capital surplus - share-based payment may only be used to offset a deficit.

c. Special reserve

Under Order No. 10010000440 (repealed on April 24, 2023, replaced by No. 11202709871 issued by the FSC), issued by the FSC on March 23, 2011, the trading loss provision recognized before December 31, 2010 is transferred to special reserve.

Under Order No. 1090150022 issued by the FSC on March 31, 2021, for the net deduction of other equity for the current period, the same amount of special surplus reserve shall be set aside from the net profit after tax for the current period plus the amount of items other than the net profit after tax for the current period included in the undistributed surplus for the current period. If there is still an insufficient amount, withdraw from the undistributed surplus of the previous period; for the net deduction of other equity accumulated in the previous period, the same amount of special surplus reserve will be withdrawn from the undistributed surplus of the previous period. If there is still a shortfall, the net profit after tax for the current period will be added to the current period's net profit after tax. The amount of items other than net profit included in the undistributed surplus of the current period shall be set aside, and the dividend policy shall be clearly stipulated in the company's articles of association. If the company has set aside a special surplus reserve in accordance with the foregoing provisions, the amount that has been set aside shall be consistent with the foregoing provisions and shall set aside a special surplus. The difference between the amount of the reserve and the amount of the reserve shall be set aside as a special surplus reserve. If there is a subsequent reversal of the net deduction of other equity items, the reversal of part of the reversal of the special surplus reserve distribution surplus shall be made.

Under Order No. 10510001510 (repealed on May 15, 2019, replaced by No. 10802714560 issued by the FSC), issued by the FSC on May 25, 2016, before dispatching the net income of 2016 through 2018, the Public Bank shall reserve 0.5% to 1% of net income as special reserve. Under Order No. 10802714560 issued by the FSC, it is no longer necessary to use special reserve as a way in response to the development of financial technology and the protection of the rights of employees in domestic banks from the fiscal year of 2019. The Bank can reserve the expenditure for employee transfer or placement and for employee training in financial technology development or banking business development.

d. Earnings distribution and dividend policy

The Bank's Articles of Incorporation provide that annual net income should be appropriated after it has:

- 1) Deducted any deficit of prior years;
- 2) Paid all outstanding taxes;
- 3) Set aside 30% of remaining earnings as legal reserve;
- 4) Set aside any special reserve or retained earnings allocated at its option;
- 5) Allocated shareholders' dividends.

The Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, above allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank. If there's a net deduction of other equity accumulated in the previous period, the Bank should appropriate the same amount of special reserve from the unappropriated retained earnings in the previous period, if there's still a shortage, the Bank should appropriate special reserve which is from the current net income after tax and the current unappropriated retained earning not included in the current net income after tax.

The Bank meets the required financial position; thus, the limitation on the setting aside of earnings to legal reserve under the Company Act is not applicable.

To comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the "Balanced Dividend Policy".

Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared if the Bank's CAR is above 10% and stock dividends may be declared if the CAR is equal to or less than 10%. However, the Bank may make discretionary cash distribution even if the CAR is below 10%, if approved at the shareholders' meeting, for the purpose of maintaining the cash dividends at a certain level in any given year.

Cash dividends and cash bonus are paid after the approval of the shareholders, while the distribution of stock dividends requires the additional approval of the authorities.

Under the Financial Holding Company Act, the board of directors is empowered to execute the authority of the shareholders' meeting, which is under no jurisdiction in the related regulations in the Company Act.

The appropriation of earnings for 2022 has been proposed by the Bank's board of directors (on behalf of the shareholder's meeting) on May 19, 2023. The appropriation and dividends per share were as follows:

	Appropriation of Earnings
Legal reserve	\$ 4,574,536
Special reserve	10,673,916

The appropriation of earnings for 2023 has been proposed by the Bank's board of directors (on behalf of the shareholder's meeting) on May 24, 2024. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 5,141,400	
Reversal of special reserve	(4,741,496)	
Cash dividends	8,026,130	\$ 0.8275
Stock dividends	6,789,476	0.7

The appropriation of earnings for 2024 has been proposed by the Bank's board of directors on March 5, 2025. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 6,521,741	
Reversal of special reserve	1,451,912	
Cash dividends	8,734,582	\$ 0.84162798
Stock dividends	6,953,393	0.67

The board of directors approved the 2024 appropriation of earnings on March 5, 2025, that will be resolved by shareholder's resolution (on behalf of the shareholder's meeting) in 2025.

In accordance with FSC Guideline No. 09900146911, cash dividends and bonus to shareholders for 2009 amounting to \$1,435,025 shall not be remitted to the parent company until the land transferred to SPL from the Bank is disposed and the gain is realized.

e. Other equity items

	Exchange Differences on Translation of The Financial Statements of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Changes in The Fair Value Attributable to Changes in The Credit Risk of Financial Liabilities	Total
		Equity Instruments	Debt Instruments		
Balance January 1, 2024	\$ (676,646)	\$ 4,156,361	\$ (9,391,799)	\$ (42,271)	\$ (5,954,355)
Exchange differences					
Exchange differences on translation of the financial statements of foreign operations	348,207	-	-	-	348,207
Related income tax	(69,641)	-	-	-	(69,641)
Financial assets at fair value through other comprehensive income					
Current adjustments for changes in value	-	3,123,095	(156,685)	-	2,966,410
Adjustments for loss allowance of debt instruments	-	-	24,719	-	24,719
Current disposals	-	-	(674,924)	-	(674,924)
Cumulative realized gain or loss transferred to retained earnings due to disposals	-	(4,032,025)	-	-	(4,032,025)
Related income tax	-	-	(50,344)	-	(50,344)
Changes in the fair value attributable to changes in the credit risk of financial liabilities					
Changes in amount	-	-	-	25,640	25,640
Balance December 31, 2024	<u>\$ (398,080)</u>	<u>\$ 3,247,431</u>	<u>\$ (10,249,033)</u>	<u>\$ (16,631)</u>	<u>\$ (7,416,313)</u>

	Exchange Differences on Translation of The Financial Statements of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Changes in The Fair Value Attributable to Changes in The Credit Risk of Financial Liabilities	Total
		Equity Instruments	Debt Instruments		
Balance January 1, 2023	\$ (530,767)	\$ (534,045)	\$ (12,575,494)	\$ (46,645)	\$ (13,686,951)
Exchange differences					
Exchange differences on translation of the financial statements of foreign operations	(182,349)	-	-	-	(182,349)
Related income tax	36,470	-	-	-	36,470
Financial assets at fair value through other comprehensive income					
Current adjustments for changes in value	-	6,199,271	3,127,640	-	9,326,911
Adjustments for loss allowance of debt instruments	-	-	(6,883)	-	(6,883)
Current disposals	-	-	102,218	-	102,218
Cumulative realized gain or loss transferred to retained earnings due to disposals	-	(1,508,865)	-	-	(1,508,865)
Related income tax	-	-	(39,280)	-	(39,280)
Changes in the fair value attributable to changes in the credit risk of financial liabilities					
Changes in amount	-	-	-	4,374	4,374
Balance December 31, 2023	<u>\$ (676,646)</u>	<u>\$ 4,156,361</u>	<u>\$ (9,391,799)</u>	<u>\$ (42,271)</u>	<u>\$ (5,954,355)</u>

31. NET INTEREST REVENUE

	For the Year Ended December 31	
	2024	2023
Interest income		
Loans	\$ 51,976,315	\$ 45,368,027
Security investments	17,444,677	14,330,461
Due from the Central Bank and call loans to banks	4,502,989	7,867,951
Securities purchased under resell agreements	1,991,587	1,391,507
Credit card revolving interest rate income	582,428	523,044
Others	<u>1,559,748</u>	<u>1,370,490</u>
	<u>78,057,744</u>	<u>70,851,480</u>
Interest expenses		
Deposits	(44,386,971)	(39,939,341)
Call loans from banks	(4,086,678)	(3,515,057)
Interest expense of structured products	(2,659,167)	(2,193,135)
Securities sold under repurchase agreements	(1,532,869)	(1,108,055)
Bank debentures	(860,755)	(873,531)
Others	<u>(535,984)</u>	<u>(392,776)</u>
	<u>(54,062,424)</u>	<u>(48,021,895)</u>
Net amount	<u>\$ 23,995,320</u>	<u>\$ 22,829,585</u>

32. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2024	2023
Service fee income		
Trust and related services	\$ 3,567,717	\$ 2,559,802
Loan services	2,750,295	2,249,978
Insurance services	2,432,010	1,865,340
Credit card services	932,250	837,094
Others	<u>1,777,277</u>	<u>1,409,288</u>
	<u>11,459,549</u>	<u>8,921,502</u>
Service fee expenses		
Credit card services	(979,018)	(839,053)
Interbank services	(404,496)	(363,658)
Trust services	(245,823)	(205,982)
Proxy services	(101,120)	(81,741)
Others	<u>(536,534)</u>	<u>(471,381)</u>
	<u>(2,266,991)</u>	<u>(1,961,815)</u>
Net amount	<u>\$ 9,192,558</u>	<u>\$ 6,959,687</u>

33. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

	For the Year Ended December 31	
	2024	2023
Disposal gain (loss) on financial assets and liabilities at fair value through profit or loss		
Certificates of deposits	\$ 132,744	\$ 57,423
Corporate bonds	6,444	(771,407)
Currency swap contracts	6,734,200	3,523,428
Forward exchange contracts	1,911,649	657,536
Interest rate swap contracts	344,648	2,285,708
Option contracts	159,891	(87,972)
Others	<u>264,886</u>	<u>61,109</u>
	<u>9,554,462</u>	<u>5,725,825</u>
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss		
Corporate bonds	16,763	917,092
Bank debentures	(129,974)	(80,393)
Forward exchange contracts	1,319,063	(729,748)
Interest rate swap contracts	1,181,916	(1,653,916)
Currency swap contracts	(302,756)	2,222,358
Option contracts	(750,699)	354,318
Others	<u>(3,033)</u>	<u>2,577</u>
	<u>1,331,280</u>	<u>1,032,288</u>
Interest income	876,781	649,858
Dividend income	<u>4,434</u>	<u>9,957</u>
	<u>\$ 11,766,957</u>	<u>\$ 7,417,928</u>

34. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2024	2023
Dividend revenue		
Holding at the end of the reporting period	\$ 471,387	\$ 1,146,153
Disposed in the reporting period	79,561	112,063
Gain or loss from disposal of debt instruments	<u>674,924</u>	<u>(102,218)</u>
	<u>\$ 1,225,872</u>	<u>\$ 1,155,998</u>

35. NET OTHER REVENUE OTHER THAN INTEREST INCOME

	For the Year Ended December 31	
	2024	2023
Rental income	\$ 59,927	\$ 85,223
Reclaim overdue accounts	42,882	4,528
Operating assets rental income	25,769	26,262
Gain on disposal of investment properties	14,000	50,096
Others	<u>(3,650)</u>	<u>539</u>
	<u>\$ 138,928</u>	<u>\$ 166,648</u>

36. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2024	2023
Salaries and wages	\$ 10,511,133	\$ 9,499,135
Labor insurance and national health insurance	727,874	689,236
Pension costs	377,216	345,421
Share-based transaction		
Cash-settled	111,784	83,435
Equity-settled	-	100,445
Others	<u>933,001</u>	<u>871,094</u>
	<u>\$ 12,661,008</u>	<u>\$ 11,588,766</u>

The Bank's Articles of Incorporation provide that the Bank shall allocate from annual profit more than 0.5% as employees' compensation and not more than 1% as remuneration of directors. But if there are accumulated losses, the Bank should make up for the losses first.

The employees' compensation and the remuneration of directors recognized were estimated on the basis of the provisions of the Bank's Articles of Incorporation and past experience. The Bank accrued \$110,000 and \$100,000 as employees' compensation and \$43,000 and \$40,000 as remuneration of directors for the years ended December 31, 2024 and 2023.

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

The board of directors approved \$110,000 as employees' compensation and \$43,000 as remuneration of directors on January 17, 2025 and February 21, 2025, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash.

The board of directors approved \$100,000 as employees' compensation and \$40,000 as remuneration of directors on January 26, 2024 and February 23, 2024, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash. The Bank's board of directors had reported the remuneration of employees and directors in 2023 on behalf of the shareholder on May 24, 2024.

The information on employees' compensation and the remuneration of directors is available at the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

For short-term and long-term compensation, SPH, parent company, has set up a long-term incentive compensation plan, which defers the delivery of performance bonus to the Group's high-level managers, and links the stock price of SPH with the long-term performance index. The Bank expects to use virtual stocks and future stock price to calculate the compensation and deliver in cash. The Group recognizes the compensation as cash-settled share-based employee benefits expense.

37. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2024	2023
Depreciation expense		
Land improvements	\$ 23	\$ 23
Buildings	167,852	173,950
Machinery and computer equipment	321,635	317,679
Other equipment	111,962	104,049
Leasehold improvements	70,836	61,761
Right-of-use assets	<u>772,802</u>	<u>731,511</u>
	1,445,110	1,388,973
Amortization expense	<u>340,009</u>	<u>308,386</u>
	<u>\$ 1,785,119</u>	<u>\$ 1,697,359</u>

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2024	2023
Taxation and fees	\$ 2,403,041	\$ 2,141,890
Automated equipment	789,371	660,840
Marketing	761,145	588,954
Professional advisory	581,278	460,350
Insurance	485,222	461,029
Location fees	453,858	413,521
Communications expense	357,779	340,814
Others	<u>762,629</u>	<u>715,285</u>
	<u>\$ 6,594,323</u>	<u>\$ 5,782,683</u>

39. EARNINGS PER SHARE

Basic earnings per share is calculated by the gain or loss attributed to the Bank's shareholder divided by the weighted-average number of common stock outstanding.

	Dollar Per Share	
	For the Year Ended December 31	
	2024	2023
Basic EPS	\$ 1.68	\$ 1.57

Net income and the weighted-average number of common stock outstanding in the computation of basic EPS are as follows:

Net income

	For the Year Ended December 31	
	2024	2023
Net income for calculating basic EPS	\$ 17,416,505	\$ 16,065,503

Shares

	Shares in Thousands	
	For the Year Ended December 31	
	2024	2023
The weighted-average number of common stock outstanding in the computation of basic EPS	10,378,198	10,233,806

The impact of the bonus shares distributed on August 28, 2024 has been adjusted retrospectively in the calculation of earnings per share for the comparative period. After the adjustment, basic earnings per share the years ended December 31, 2023 decreased from NT\$1.68 to NT\$1.57.

40. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other notes to the consolidated financial statements, transactions, between the Group and other related parties are summarized as follows:

a. Related parties and their relationships with the Group

Related Party	Relationship with the Group
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
SinoPac Securities Investment Service Corporation (SinoPac Securities Investment Service)	Subsidiary of SinoPac Securities

(Continued)

Related Party	Relationship with the Group
SinoPac Securities Venture Capital Corporation (SinoPac Securities Venture Capital)	Subsidiary of SinoPac Securities
SinoPac Securities (Asia) Ltd. (SinoPac Securities (Asia))	Subsidiary of SinoPac Securities
SinoPac International Leasing Corporation (SPIL)	Subsidiary of SPL
SinoPac Capital International (HK) Limited (SinoPac Capital International (HK))	Subsidiary of SPL
Chung-Hua Institution for Economic Research	Affiliate of SPH's chairman (before March 2024)
SinoPac Foundation	Affiliate of SPH's chairman
Taiwan Creative Industry Development Co., Ltd. (Taiwan Creative Industry)	Affiliate of SinoPac Venture Capital's general manager
Global Unichip Corp. (GUC)	Affiliate of SPH's chairman's spouse
Xing Yuan Co., Ltd. (Xing Yuan)	SPH's corporate director
Hsinex International Corp. (Hsinex International)	SPH's corporate director
Hsin Yi Recreation Enterprise Co., Ltd. (Hsin Yi Recreation)	Affiliate of SPH's corporate director
E Ink Holdings Inc. (E Ink Holdings)	Affiliate of SPH's director
ScinoPharm Taiwan, Ltd. (ScinoPharm Taiwan)	Affiliate of the Bank's director
China Airlines Co., Ltd. (China Airlines)	Affiliate of the Bank's director
Chunghwa Telecom Co., Ltd. (Chunghwa Telecom)	Affiliate of the Bank's director
Pegatron Corporation (Pegatron)	Affiliate of SinoPac Securities' director (before July 2024)
Ting-Fong Investment Corporation, Ltd. (Ting-Fong Investment)	Affiliate of SinoPac Securities' director
Taiwan Riken Industrial Co., Ltd. (Taiwan Riken Industrial)	Affiliate of SinoPac Securities' director
Taiwan Glass Industry Corp. (Taiwan Glass)	Affiliate of SinoPac Securities' director
Taiwan Futures Exchange (TAIFEX)	Affiliate of SinoPac Futures' general manager (before July 2024)
Teinco Technology Co., Ltd. (Teinco Technology)	Affiliate of SinoPac Leasing' director
Hua Nan Commercial Bank Ltd. (Hua Nan Bank)	Affiliate of SPL's director's spouse
Hotai Investment Limited (Hotai Investment)	Affiliate of the Bank's manager
Hao-Xin-Di Co., Ltd. (Hao-Xin-Di)	Affiliate of second-degree kin of the Bank's manager
Zetai Investment Limited (Zetai Investment)	Affiliate of second-degree kin of the Bank's manager
Kinpo Electronics, Inc. (Kinpo Electronics)	Affiliate of second-degree kin of the Bank's manager
TransGlobe Life Insurance Inc. (TGL)	Related party
YFY International B.V. (YFY International)	Related party
Jhong Cing Investment Co., Ltd. (Jhong Cing Investment)	Related party
Hsin-Yi Foundation	Related party
Uni-President Enterprises (China) Investment Co., Ltd. (Uni-president Enterprises (China))	Related party (before March 2024)
Rich Optronics (Yangzhou) Co., Ltd. (Rich Optronics (Yangzhou))	Related party
Transcend Optronics (Yangzhou) Co., Ltd. (Transcend Optronics (Yangzhou))	Related party

(Continued)

Related Party	Relationship with the Group
Taigen Biotechnology Co., Ltd. (Taigen Biotechnology)	Related party
Transyork Technology Yangzhou Ltd. (Transyork Technology Yangzhou)	Related party
China Color Printing Co., Ltd. (China Color Printing)	Related party
E Ink Technology B.V.	Related party
Yong Hsin Yi Enterprise Co., Ltd. (Yong Hsin Yi Enterprise)	Related party
Yuanhan Materials Inc. (YuanHan Materials)	Related party
Shen's Art Printing Co., Ltd. (Shen's Art Printing)	Related party
Foongtone Technology Co., Ltd. (Foongtone Technology)	Related party
Yuen Foong Yu Biotech Co., Ltd. (Yuen Foong Yu Biotech)	Related party
Fu Hua Development Enterprise Co., Ltd. (Fu Hua Development)	Related party
YFY Inc. (YFY)	Related party
New Field E-Paper Co., Ltd. (New Field E-Paper)	Related party
Others	The Group's directors, supervisors, managers and their relatives, department chiefs, investments accounted for using the equity method and their subsidiaries, and investees of SPH's other subsidiaries, etc. (Concluded)

b. Significant transactions with related parties

1) Cash and cash equivalents

	December 31	
	2024	2023
Excess future margin		
Others	\$ 88,884	\$ 66,736

The amount of interest revenue from the collateral deposit for futures and options transactions with related parties for the years ended December 31, 2024 and 2023 were \$546 and \$296, respectively.

2) Due from the Central Bank and call loans to banks

	For the Year Ended December 31, 2024		
	Ending Balance	Interest (%)	Interest Income
Call loans to banks			
Hua Nan Bank	\$ 1,152,784	0.25-5.53	\$ 76,826
	For the Year Ended December 31, 2023		
	Ending Balance	Interest (%)	Interest Income
Call loans to banks			
Hua Nan Bank	\$ 1,050,408	0.15-6.8	\$ 59,958

3) Financial assets at fair value through profit or loss

	December 31	
	2024	2023
Future margin-own funds		
Others	\$ 9,691	\$ 4,554

4) Derivative financial instruments

December 31, 2024					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Currency swap contracts					
Hua Nan Bank	\$ 4,426,738	2024.4.24- 2025.5.9	\$ 165,667	Financial assets at fair value through profit or loss	\$ 165,667
Hua Nan Bank	655,813	2024.9.13- 2025.5.19	(22,034)	Financial liabilities at fair value through profit or loss	22,034
TGL	15,083,699	2024.8.21- 2025.9.30	419,715	Financial assets at fair value through profit or loss	419,715
Interest rate swap contracts					
Hua Nan Bank	11,054,783	2020.11.13- 2034.10.16	315,680	Financial assets at fair value through profit or loss	767,018
Hua Nan Bank	22,388	2022.7.27- 2025.7.28	(99)	Financial liabilities at fair value through profit or loss	20
Forward exchange contracts					
TGL	473,863	2024.11.21- 2025.2.25	14,113	Financial assets at fair value through profit or loss	14,113
YFY International	639,418	2024.1.9- 2025.11.5	(23,905)	Financial liabilities at fair value through profit or loss	23,905
YFY Investment	163,953	2024.11.1- 2025.11.5	(5,085)	Financial liabilities at fair value through profit or loss	5,085

December 31, 2023					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Currency swap contracts					
Hua Nan Bank	\$ 12,916,042	2023.8.2- 2024.9.23	\$ 302,294	Financial assets at fair value through profit or loss	\$ 302,294
Hua Nan Bank	1,537,624	2023.5.4- 2024.2.29	(41,652)	Financial liabilities at fair value through profit or loss	41,652
TGL	369,030	2023.11.23- 2024.2.27	1,699	Financial assets at fair value through profit or loss	1,699
TGL	17,416,338	2023.9.19- 2024.3.25	(622,168)	Financial liabilities at fair value through profit or loss	622,168
Interest rate swap contracts					
SinoPac Securities	375,000	2020.8.11- 2024.8.12	2,618	Financial liabilities at fair value through profit or loss	2,698
Hua Nan Bank	10,544,177	2020.11.13- 2032.8.22	(8,133)	Financial assets at fair value through profit or loss	454,822
Forward exchange contracts					
TGL	1,104,942	2023.12.6- 2024.3.8	8,282	Financial assets at fair value through profit or loss	8,282
TGL	1,713,467	2023.1.16- 2024.4.18	(52,602)	Financial liabilities at fair value through profit or loss	52,602
YFY International	307,525	2023.8.10- 2024.8.23	2,744	Financial assets at fair value through profit or loss	2,744
YFY International	153,762	2023.1.13- 2024.1.17	(11,012)	Financial liabilities at fair value through profit or loss	11,012
Cross-currency swap contracts					
Hua Nan Bank	1,253,080	2023.7.28- 2024.4.29	518	Financial assets at fair value through profit or loss	518
Hua Nan Bank	610,320	2023.2.24- 2024.2.29	(24,467)	Financial liabilities at fair value through profit or loss	24,467

5) Securities purchased under resell agreements

	December 31, 2024		For the Year Ended December 31, 2024
	Face Amount	Carrying Amount	Interest Income
Others	\$ -	\$ -	\$ 744

6) Receivables and payables

	December 31	
	2024	2023
Receivables		
Others	<u>\$ 273,144</u>	<u>\$ 259,692</u>
Payables		
Others	<u>\$ 26,432</u>	<u>\$ 32,826</u>
Cash dividends payable to SPH	<u>\$ 1,435,025</u>	<u>\$ 1,435,025</u>

7) Current income tax assets and liabilities

	December 31	
	2024	2023
Receivables from adopting the linked-tax system	<u>\$ 1,055,020</u>	<u>\$ 1,055,020</u>
Payables from adopting the linked-tax system	<u>\$ 950,625</u>	<u>\$ 1,170,711</u>

8) Loans

For the Year Ended December 31, 2024			
Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Income
<u>\$ 12,225,131</u>	<u>\$ 13,139,902</u>	0-12.9	<u>\$ 253,433</u>

Category	December 31, 2024						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	183	\$ 276,731	\$ 243,666	V	-	Real estate and vehicle	None
Household mortgage loans	1,194	8,345,379	7,954,156	V	-	Real estate	None
Others:							
	SPL	460,000	460,000	V	-	Real estate	None
	Kinpo Electronics, Inc.	365,000	365,000	V	-	None, Note 1	None
	Teinco Technology	131,026	128,586	V	-	Machinery and equipment	None
	Jhong Cing Investment	51,147	47,613	V	-	Real estate	None
	Hao-Xin-Di	5,975	5,100	V	-	Real estate	None
	Hotai Investment	756	-	V	-	Vehicle	None
	Zetai Investment	525	175	V	-	Vehicle	None
	Others	3,503,363	3,020,835	V	-	Real estate	None
	Others subtotal	4,517,792	4,027,309				
	Total	\$ 13,139,902	\$ 12,225,131				

For the Year Ended December 31, 2023

Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Income
<u>\$ 10,747,642</u>	<u>\$ 11,779,288</u>	0-12.9	<u>\$ 199,198</u>

Category	December 31, 2023						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	193	\$ 317,565	\$ 287,900	V	-	Real estate and vehicle	None
Household mortgage loans	1,197	8,113,385	7,681,745	V	-	Real estate	None
Others:							
	SPL	70,000	-	V	-	Real estate	None
	Jhong Cing Investment	54,634	51,147	V	-	Real estate	None
	Hao-Xin-Di	6,833	5,975	V	-	Real estate	None
	Hotai Investment	1,581	756	V	-	Vehicle	None
	Zetai Investment	875	525	V	-	Vehicle	None
	Others	3,214,415	2,719,594	V	-	Real estate and vehicle	None
	Others subtotal	3,348,338	2,777,997				
	Total	\$ 11,779,288	\$ 10,747,642				

Note 1: Non-related party of the Bank at the loan's signing date.

Note 2: Debtors of related party loans are all within normal credit ranking. The Bank estimated the provision for doubtful debt periodically in accordance with the guidelines issued by the authority and IFRS Accounting Standards.

9) Financial assets at fair value through other comprehensive income

	December 31	
	2024	2023
Equity instruments		
TAIFEX	\$ -	\$ 348,266
Others	32,830	21,379

10) Property and equipment

For the years ended December 31, 2024 and 2023, the Bank purchased property and equipment from its related parties for a total price of \$12,984 and \$14,751, respectively, recognized as machinery and computer equipment and prepayments for equipment.

The Bank leased other equipment from its related parties, due to the date, December 31, 2024 and 2023, the carrying amount were \$34 and \$45, respectively.

11) Intangible assets

For the years ended December 31, 2024 and 2023, the Bank purchased computer software from its related parties in the amount of \$33,623 and \$41,235, respectively.

12) Other assets

	December 31	
	2024	2023
Prepayments		
Others	\$ 3,989	\$ 4,206
Guarantee deposits		
TAIFEX	-	113,192
Others	10,486	11,086
Clearing and Settlement fund		
Others	-	20,000

The Bank signed an agreement with other related parties for the purchase. The Bank paid \$33,858 and \$24,036 for the years ended December 31, 2024 and 2023, respectively, which were recorded as prepayments (other assets) or other general and administrative expenses.

The amount of undiscounted guarantee deposits from lease contract were \$14,563 and \$15,343 as of December 31, 2024 and 2023, respectively.

13) Notes and bonds transaction

	For the Year Ended December 31, 2024	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
SinoPac Securities	\$ -	\$ 600,000

		For the Year Ended December 31, 2023	
		Purchase of Notes and Bonds	Sell of Notes and Bonds
SinoPac Securities	\$	-	\$ 1,600,000
Others		49,959	49,961
14) Deposits from the Central Bank and banks			
		December 31, 2024	For the Year Ended December 31, 2024
		Interest Rates (%)	Interest Expense
Ending Balance			
Others	\$	- 0.1-5.7	\$ 25,743
		December 31, 2023	For the Year Ended December 31, 2023
		Interest Rates (%)	Interest Expense
Ending Balance			
Others	\$	- 0.1-5.68	\$ 48,803
15) Deposits			
		December 31, 2024	For the Year Ended December 31, 2024
		Interest Rates (%)	Interest Expense
Ending Balance			
	\$	30,291,738	\$ 616,339
		Ending Balance	Interest Rates (%)
SinoPac Securities	\$	7,610,191	0-2
TGL		4,110,320	0.05-0.7
China Airlines		1,475,579	4.79-5.04
E Ink Holdings		1,180,023	0-1.69
SinoPac Securities (Asia)		1,109,623	0-0.9
Hsin-Yi Foundation		696,393	0.01-4.55
New Field E-Paper		545,678	0.655-0.7
Rich Optronics (Yangzhou)		521,425	0.05-4.65

(Continued)

	Ending Balance	Interest Rates (%)
GUC	\$ 492,412	0.002-1.635
Hsinex International	396,691	0.05-5.15
Taiwan Glass	384,139	0.655-4.81
China Color Printing	297,921	0.655-1.69
Transyork Technology Yangzhou	289,684	0.05-6
ScinoPharm Taiwan	232,183	0.545-1.69
E Ink Technology B.V.	191,920	0.4-0.7
Taigen Biotechnology	186,168	0-4.75
SinoPac Securities Investment Service	150,696	0-1.69
Xing Yuan	138,899	0.002-5.35
Taiwan Creative Industry	135,395	0.655
Ting-Fong Investment	133,330	0-0.655
SinoPac Securities Venture Capital	132,296	0.655
Yong Hsin Yi Enterprise	128,923	0.655-5.35
Fu Hua Development	113,285	0.655-1.69
SPL	105,525	0-0.7
SinoPac Capital International (HK)	100,203	0-0.7
Others	<u>9,432,836</u>	0-13
	<u>\$ 30,291,738</u>	(Concluded)

December 31, 2023		For the Year Ended December 31, 2023
Ending Balance	Interest Rates (%)	Interest Expense
<u>\$ 34,057,568</u>	0-13	<u>\$ 450,146</u>

	Ending Balance	Interest Rates (%)
TGL	\$ 7,422,733	0.2-1.15
SinoPac Securities	5,623,878	0-2
Pegatron	3,116,849	0.2-1.15
E Ink Holdings	1,058,508	0-1.565
GUC	975,932	0.001-1.51
Hsin-Yi Foundation	828,083	0.01-5.5
Uni-President Enterprises (China)	649,629	3.45
Rich Optonics (Yangzhou)	584,999	0.05-5.70
ScinoPharm Taiwan	532,913	0.53-1.565
Transcend Optonics (Yangzhou)	460,114	0.05-5.70
Taigen Biotechnology	432,918	0-5.6
TAIFEX	400,444	0.53-1.51
Transyork Technology Yangzhou	277,457	0.05-6
China Color Printing	272,397	0.53-1.565
SinoPac Securities (Asia)	262,828	0-2.75
		(Continued)

	Ending Balance	Interest Rates (%)
Hsin Yi Recreation	\$ 240,236	0.53-5.3
Chung-Hua Institution for Economic Research	204,952	0.53-1.59
E Ink Technology B.V.	178,295	0.4-1.15
SinoPac Securities Investment Service	175,781	0-5.5
Yong Hsin Yi Enterprise	150,750	0.53-5.55
YuanHan Materials	145,385	0.001-1.565
Ting-Fong Investment	129,077	0-0.53
Taiwan Riken Industrial	127,672	0.001-1.32
Xing Yuan Investment	124,826	0.001-5.2
Taiwan Creative Industry	122,734	0.53
Hsinex International	115,574	0.2-5.3
Shen's Art Printing	115,007	0.53-1.565
Foongtone Technology	104,832	0-1.565
Others	<u>9,222,765</u>	0-13
	<u>\$ 34,057,568</u>	
		(Concluded)

16) Bank debentures

Bank debentures issued by the Bank for the years ended December 31, 2024 and 2023 were underwritten by SinoPac Securities, with expenses of \$150 and \$450, respectively. (recognized as deduction of bank debentures.)

The Bank paid interest of bank debentures to related parties for the years ended December 31, 2024 and 2023 were \$60,520 and \$54,480, respectively.

17) Other liabilities

	December 31	
	2024	2023
Guarantee deposits received	\$ 5,509	\$ 7,781
Advance receipts	-	12

18) Revenues and expenses

	For the Year Ended December 31	
	2024	2023
Lease contracts - guarantee deposits interest revenue	\$ 448	\$ 345
Lease contracts - interest expenses	30,205	28,242
Commissions and fee revenues		
SinoPac Securities	184,337	69,690
Others	54,428	47,277
Commissions and fee expenses	74,224	70,494
Realized gains on financial assets at fair value through other comprehensive income	5,848	19,870
Donation - SinoPac Foundation	24,000	24,000
Net other revenue other than interest income	9,595	11,925
Other general and administrative expenses	205,615	234,122

19) Operating lease

The Group as a lessee

	For the Year Ended December 31	
	2024	2023
Acquisitions of right-of-use assets		
Chunghwa Telecom	\$ 269,343	\$ 4,647
Others	53,113	11,899
	For the Year Ended December 31	
	2024	2023
Lease liabilities		
SPL	\$ 556,054	\$ 570,871
Chunghwa Telecom	239,581	21,348
Others	18,568	6,790

- a) Guarantee deposits, please refer to Note 40,b.12).
- b) The guarantee deposits interest revenue, lease interest expense and other lease expense (recognized as other general and administrative expense), please refer to Note 40,b.19).

The Group as a lessor

Lessee	Rental Income		Lease Term	Receiving Frequency
	For the Year Ended			
	2024	2023		
SinoPac Securities	\$ 14,573	\$ 29,236	December 2029	Rentals received monthly
SinoPac Securities Investment Trust	9,910	9,699	December 2029	Rentals received monthly
Yuen Foong Yu Biotech	3,396	3,396	December 2028	Rentals received monthly
SinoPac Venture Capital	2,453	2,480	July 2028	Rentals received monthly
SPL	1,070	6,420	February 2024	Rentals received monthly
Others	1,890	3,956	December 2026	Rentals received monthly

Transactions between the Bank and the related parties are at arm's length commercial terms except for the preferential interest rates offered to employees for savings and loans up to prescribed limits.

Under the Banking Act, except for government and consumer loans, credit extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

For transactions between related parties with Bank SinoPac (China) and SinoPac Insurance Brokers, the terms are similar to those transacted with unrelated parties.

c. Compensation of management personnel

	For the Year Ended December 31	
	2024	2023
Short-term employee benefits	\$ 378,000	\$ 367,124
Share-based payment	87,896	70,399
Post-employment benefits	<u>16,070</u>	<u>2,927</u>
	<u>\$ 481,966</u>	<u>\$ 440,450</u>

The management personnel are mainly composed of director, general manager, vice general manager and other employees whose job grade is higher than the former.

41. PLEDGED OR MORTGAGED ASSETS

In addition to those disclosed in other notes, pledged or restricted assets of the Group are summarized as follows:

Restricted Assets	Object	December 31		Purposes
		2024	2023	
Financial assets at fair value through other comprehensive income	Bank debentures	\$ -	\$ 1,429,184	Note 1
Investments in debt instruments at amortized cost	Certificates of deposits	5,163,953	5,153,762	Note 2
Investments in debt instruments at amortized cost	Government bonds	1,790,090	1,495,035	Note 3
Discounts and loans	Loans	16,035,522	18,924,490	Note 4

Note 1: Pledged with repurchase agreement.

Note 2: Pledged in accordance with the Central Bank for foreign-exchange, with the Mega Bank for USD foreign-exchange settlement and with requirements of the California Department of Financial Institutions.

Note 3: Guarantees of dealing and underwriting business, a trust reserve fund, guarantees of bills financial service, clearing guarantees of derivative, reserve for payment of VISA international card, pledged to court as collaterals for filing provisional seizure and disposition and Hong Kong branch's clearing system of real-time gross settlement.

Note 4: Pledged in accordance with the Federal Reserve Bank under the discount window program.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those disclosed in other notes, significant unrecognized commitments of the Group as of December 31, 2024 and 2023 were as follows:

	December 31	
	2024	2023
Trust assets	\$ 1,180,493,282	\$ 981,419,574
Securities under custody	247,536,347	225,139,963
Agent for government bonds	93,566,100	91,850,400
Receipts under custody	27,654,652	24,180,694
Appointment of investment	11,665,043	7,698,253
Agent for short-term securities under custody	10,439,050	10,614,800
Guarantee notes received	10,428,700	500,000
Guarantee notes payable	6,038,053	5,764,662
Consignment underwriting of securities	1,920,000	-
Goods under custody	1,502,459	899,254
Entrusted loans	654,347	351,121

As of December 31, 2024, in addition to abovementioned unrecognized commitments, the Bank and SinoPac Securities had applied for tax concessions to Ministry of Finance regarding their technical support service expenditure relating to the financial transaction system, and had jointly signed to the system manufacturer the letter of indemnity of which the total compensation is not more than US\$1,300 thousand to obtain the proxy of the manufacturer thereof to apply for foresaid tax concession. The compensation distributable to the Bank is US\$867 thousand and to SinoPac Securities is US\$433 thousand. The deadline for compensation guarantee period is December 31, 2027 or the later date between this and the effective tax refund application deadline. Subsequently, in line with the Bank's independent system usage, the Bank will sign a separate letter of indemnity with the manufacturer, establishing a maximum indemnity cap of US\$1,300 thousand, with the guarantee period extending to December 31, 2037 or the later of the effective tax refund application deadlines. Both letters of indemnity remain valid per their respective terms, with the bank's total indemnity liability capped at US\$1,300 thousand.

In order to continue the practical application and deepening cooperation of the artificial intelligence research with National Cheng Kung University to accelerate the digital transformation, the board of directors of the Bank continued to sign the third phase of the agreement with a total budget of \$30,000 for enterprise and industry cooperation and a donation agreement effective from July 1, 2023 through June 30, 2026 in May 2023. As of December 31, 2024, the Bank recognized operating expenses in the amount of \$22,500.

To cultivate leaders with a global perspective on political and economic affairs and a deep understanding of international financial trends, the Bank has entered into a donation agreement with National Taiwan University. This donation will sponsor the academic and research development of School of Political Science and Economics. In July 2024, the Bank's board of directors resolved that the agreement would be renewed annually for following ten years, spanning from August 1, 2024, to July 31, 2033, with a total budget of \$80,000 and \$18,000 allocated for the year ended December 31, 2024.

- b. The Group entered into contracts to buy computers and office equipment were for \$1,697,273 and \$964,728 of which \$1,151,974 and \$659,247 had not been paid as of December 31, 2024 and 2023.

43. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

a. The definition of the hierarchy:

1) Level 1

Financial instruments are traded in active market and have the identical price for the same financial instruments. “Active market” should fit the following characteristics:

- a) All financial instruments in the market are homogeneous;
- b) Willing buyers and sellers exist in the market all the time;
- c) The public can access the price information easily.

2) Level 2

The products categorized in this level have the prices that can be inferred from either direct or indirect observable inputs other than the active market’s prices. Examples of these inputs are:

- a) Quoted prices from the similar products in the active market. This means the fair value can be derived from the current trading prices of similar products. It is also noted that whether they are similar products should be judged by the characteristics and trading rules. The fair value valuation in this circumstance may make some adjustment due to time lags, trading rule’s differences, related parties’ prices, and the correlation of price between itself and the similar instruments.
- b) Quoted prices for identical or similar financial instruments in inactive markets.
- c) When marking-to-model, the input of model in this level should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be attained from market and can reflect the expectation of market participants.
- d) Inputs which can be derived from other observable prices or whose correlation can be verified through other observable market data.

3) Level 3

The fair prices of the products in this level are based on the inputs 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 for future volatility.

b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

Financial Instruments Measured at Fair Value	December 31, 2024			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 49,078	\$ 41,505	\$ -	\$ 7,573
Bonds	25,236,431	13,666,414	11,570,017	-
Others	13,372,501	-	13,372,501	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	9,996,079	8,513,576	15,277	1,467,226
Debt instruments at FVTOCI				
Bonds	199,536,957	117,208,954	81,180,904	1,147,099
Certificates of deposits and others	158,030,170	143,093	157,887,077	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	2,088,437	-	2,088,437	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	42,937,762	52,184	37,824,933	5,060,645
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	35,222,209	-	32,045,434	3,176,775

Financial Instruments Measured at Fair Value	December 31, 2023			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 352,132	\$ 346,643	\$ -	\$ 5,489
Bonds	31,366,300	23,244,786	7,660,227	461,287
Others	11,510,155	-	11,510,155	-
Financial assets designated at fair value through profit or loss				
Bonds	1,259,836	1,259,836	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	19,208,219	16,572,718	1,537,790	1,097,711
Debt instruments at FVTOCI				
Bonds	165,334,130	74,728,107	89,530,224	1,075,799
Certificates of deposits and others	173,797,496	849,315	172,948,181	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	1,873,060	-	1,873,060	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	36,053,499	15,955	33,297,815	2,739,729
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	40,249,865	-	38,605,426	1,644,439

2) Fair value measurement technique

Financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income with quoted price in an active market are using market price as fair value; financial instruments above with no quoted price in an active market are estimated by valuation methods. The estimation and assumption of valuation method the Group used is the same as market participants. The Group can obtain this information.

The basis of fair value estimation used by the Group is as follows:

The fair value of forward exchange contracts, interest rate swap contracts and cross-currency swap contracts is measured by the discounted cash flow method; the fair value of option is measured by Black & Scholes Model.

Fair values of forward exchange contracts are estimated on the basis of the foreign exchange rates. Structured product is measured by opponents' price based on match basis. This method diminished market risk to zero. Fair value of interest rate swap contracts and cross-currency swap contracts are estimated on the basis of market quotation.

Fair value are determined as follows: (a) listed stocks and Taipei Exchange Stocks and Stocks of Real Estate Investment Trust - closing prices as of the balance sheet date; (b) beneficial certificates (open-end funds), net asset values as of the balance sheet date; (c) bonds - period-end reference prices published by the Taipei Exchange or internal model price; (d) bank debentures issued overseas and the overseas bonds-period-end reference prices published by market quotation, calculated through an internal model or provided by a counter-party.

The Group assessed the active level of market and the adequacy of fair value of emerging stocks and measured the investments at fair value.

The Group assessed the fair value of unlisted counters using the market approach, income approach and asset approach. The above methods use the price and other relevant information generated by the market transactions involving comparable or comparable assets, liabilities or assets and liabilities.

3) Credit risk valuation adjustment is set out below:

Credit risk valuation consists of credit valuation adjustment and debit valuation adjustment.

Credit valuation adjustment is adopted for derivative contracts trading in other than exchange markets, over-the-counter and reflects the non-performance risk of the counterparty on fair value.

Debit valuation adjustment is adopted for derivative contracts trading in other than exchange markets, over-the-counter and reflects the non-performance risk of the Group on fair value.

The Group calculated debit and credit valuation adjustment based on models with inputs of Probability of Default (PD) and Loss Given Default (LGD) multiplying Exposure at Default (EAD).

The Group calculated EAD based on mark-to-market fair value of OTC derivative instruments.

The Group takes 60% as the standard LGD of counter parties, and subject to change under the risk nature and data feasibility.

The Group takes credit risk valuation adjustment into valuation of the fair value of financial instruments, thus reflect the credit quality of counter parties and the Group.

4) Transfer between Level 1 and Level 2

For the year ended December 31, 2024, the Group transferred part of the government bonds and bank debentures were \$961,104 from Level 1 to Level 2 because the Group determined these investments were not in an active market.

For the year ended December 31, 2023, the Group transferred part of the government bonds and bank debentures were \$9,717,583 from Level 1 to Level 2 because the Group determined these investments were not in an active market.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the Year Ended December 31, 2024									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Non-derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	\$ 466,776	\$ 10,170	\$ -	\$ -	\$ -	\$ (479,343)	\$ -	\$ 9,970	\$ 7,573
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	1,097,711	-	369,515	-	-	-	-	-	1,467,226
Debt instruments at FVTOCI	1,075,799	-	-	-	-	-	-	71,300	1,147,099
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	2,739,729	2,320,916	-	-	-	-	-	-	5,060,645

For the Year Ended December 31, 2023									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Non-derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	\$ 4,981	\$ 423	\$ -	\$ 461,287	\$ -	\$ -	\$ -	\$ 85	\$ 466,776
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	1,187,573	-	(84,570)	-	-	(5,292)	-	-	1,097,711
Debt instruments at FVTOCI	1,074,787	-	-	-	-	-	-	1,012	1,075,799
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	2,616,402	123,327	-	-	-	-	-	-	2,739,729

For the years ended December 31, 2024 and 2023, the gains on valuation included in net income with assets still held were gain \$2,539,616 and \$471,719, respectively.

For the years ended December 31, 2024 and 2023, the losses on valuation included in other comprehensive income with assets still held were gains \$369,515 and the losses were \$84,570, respectively.

b) Reconciliation of Level 3 items of financial liabilities

For the Year Ended December 31, 2024								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Derivative financial instruments								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 1,644,439	\$ 1,532,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,176,775

For the Year Ended December 31, 2023								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Derivative financial instruments								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 1,507,083	\$ 137,356	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,644,439

For the years ended December 31, 2024 and 2023, the losses on valuation included in net income from liabilities still held were loss \$1,717,944 and \$486,866, respectively.

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

Quantitative information about the significant unobservable inputs is set out below:

December 31, 2024

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
<u>Derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Interest rate swap contracts	\$ 4,704,133	\$ 2,820,455	Sellers' quote	(Notes 1 and 2)	-
Others	356,512	356,320	Sellers' quote	(Note 1)	-
	<u>\$ 5,060,645</u>	<u>\$ 3,176,775</u>			
<u>Non-derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Financial assets mandatorily classified as at FVTPL					
Stocks	<u>\$ 7,573</u>	<u>\$ -</u>	Market approach	Discount factor of liquidity	10%-30%
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Stocks	<u>\$ 1,467,226</u>	<u>\$ -</u>	Market approach or market value with liquidity valuation discount	Discount factor of liquidity	10%-30%
Debt instruments at FVTOCI					
Bonds	<u>\$ 1,147,099</u>	<u>\$ -</u>	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-

December 31, 2023

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
<u>Derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Interest rate swap contracts	\$ 2,431,654	\$ 1,336,524	Sellers' quote	(Notes 1 and 2)	-
Currency swap contracts - Hybrid	250,670	250,534	Sellers' quote	(Note 1)	-
FX swap structured instruments					
Others	57,405	57,381	Sellers' quote	(Note 1)	-
	<u>\$ 2,739,729</u>	<u>\$ 1,644,439</u>			
<u>Non-derivative financial instruments</u>					
Financial instruments at fair value through profit or loss					
Financial assets mandatorily classified as at FVTPL					
Stocks	\$ 5,489	\$ -	Market approach	Discount factor of liquidity	10%-30%
Bonds	461,287	-	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-
	<u>\$ 466,776</u>	<u>\$ -</u>			
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Stocks	<u>\$ 1,097,711</u>	<u>\$ -</u>	Market approach or market value with liquidity valuation discount	Discount factor of liquidity	10%-30%
Debt instruments at FVTOCI					
Bonds	<u>\$ 1,075,799</u>	<u>\$ -</u>	Taipei Exchange's quote or Bloomberg's quote	(Note 3)	-

Note 1: On pairs of back-to-back transactions, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 2: Considering the risk model, the seller's quotation is provided for reference; consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 3: Due to international bonds listed in the OTC market lack liquidity, no observable liquidity reduction factor could be obtained. Therefore, no disclosure has been made.

7) Valuation processes for fair value measurements categorized within Level 3

The Group assesses the derivative financial instruments' fair values according to the quote by counterparties; related assessments are compiled as risk-control reports and inform the manager and the board of directors by month.

The risk management department is responsible for independent testify of fair value of non-derivative financial instruments. The team also use the independent source data to bring the assessment results closer to market conditions, confirm that data sources are independent, reliable, consistent with other resources and represent executable price, calibrate the evaluation model periodically and update input values and data required for the evaluation model to ensure the evaluation results are reasonable.

8) The sensitivity analysis of reasonable, possible and alternative hypothesis for the level 3 of fair value measurements

The Bank evaluates financial instruments reasonably, although using different valuation model and parameter, may cause different valuation results. For financial instruments classified as Level 3 and the fair value source used lacks observable input, i.e., liquidity reduction factor. If the change of estimated liquidity cost, estimated at 99% confidence interval and based on historical data of market turnover in the past two years, are included in the estimation, the impact on profit and loss is as follows:

December 31, 2024

Item	Changes in the Fair Value Reflected in Profit or Loss		Changes in the Fair Value Reflected in Other Comprehensive Income	
	Unfavorable Change	Favorable Change	Unfavorable Change	Favorable Change
<u>Asset</u>				
Financial assets at fair value through other comprehensive income				
Debt instruments at fair value through other comprehensive income	\$ -	\$ -	\$ (36,572)	\$ 36,572

December 31, 2023

Item	Changes in the Fair Value Reflected in Profit or Loss		Changes in the Fair Value Reflected in Other Comprehensive Income	
	Unfavorable Change	Favorable Change	Unfavorable Change	Favorable Change
<u>Asset</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss	<u>\$ (15,743)</u>	<u>\$ 15,743</u>	<u>\$ -</u>	<u>\$ -</u>
Financial assets at fair value through other comprehensive income				
Debt instruments at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,714)</u>	<u>\$ 36,714</u>

c. Financial instruments not carried at fair value

1) Fair value information of financial instruments

Financial instruments not carried at fair value excluding the table below are reasonably close to their fair value, therefore no additional disclosure, for example: Cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, discounts and loans, some other financial assets, deposits from the Central Bank and banks, due to the Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittances and other financial liabilities.

Items	December 31, 2024	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 309,768,426	\$ 299,752,862
Bank debentures	53,784,562	53,176,871
Items	December 31, 2023	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 303,546,679	\$ 295,595,153
Bank debentures	56,832,276	56,242,513

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	December 31, 2024			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 299,752,862	\$ 89,099,342	\$ 210,653,520	\$ -
Bank debentures	53,176,871	982,980	26,438,891	25,755,000

Assets and Liabilities Item	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 295,595,153	\$ 64,972,418	\$ 230,622,735	\$ -
Bank debentures	56,242,513	-	30,487,513	25,755,000

3) Methods and assumptions applied in estimating the fair values of financial instruments not carried at fair value are as follows:

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, some of other financial assets, deposits from the Central Bank and banks, due to the Central Bank and banks, securities sold under repurchase agreements, payables and other financial liabilities approximate their fair value because of the short maturity or the similarity of the carrying amount and future price.
- b) Discounts and loans (including non-performing loans): The Group usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate should estimate its fair value by its discounted value of expected cash flow. Because this kind of loans is not significant in this item, using its carrying amount to consider the probability of repossession and estimate its fair value should be reasonable.
- c) The investments in debt instruments at amortized cost: Debt instruments investments at amortized cost with quoted price in an active market are using market price as fair value; debt instruments investments at amortized cost with no quoted price in an active market are estimated by valuation methods or opponent's price.
- d) Deposits and remittances: Considering banking industry's characteristic, since deposits have one-year maturity and measured by market rate (market value), using carrying value to assess fair value is reasonable. For deposits with three-year maturity are measured by discounted cash flow, using carrying value to assess fair value is reasonable.
- e) Bank debentures: Bank debentures with quoted price in an active market are using market price as fair value; bank debentures with no quoted price in an active market are estimated by valuation methods or quotes from counterparties.

44. FINANCIAL RISK MANAGEMENT

a. Overview

The Group documents the risk management policies, including overall operating strategies and risks control philosophy. The Group's overall risk management policies are to minimize the possibility of potential unfavorable factors. The board of directors approves the documentation of overall risk management policies and specific risk management policies, including credit risk, market risk, operational risk, liquidity risk, interest rate risk, reputation risk, legal risk, regulatory compliance risk, strategy risk, climate risk. The board of directors reviews the policies regularly and reviews the operation to make sure the Group's policies are executed properly.

b. Risk management framework

The board of directors is the top risk supervisor of the Group. The board not only reviewed risk management policies and rules but also authorized management to be in charge of daily risk management work. The Bank has set up a risk management committee under the chairman of the Board to be responsible for the services above; the Bank has also set up a credit committee. The credit committee helps the board of directors approve cases over general manager's authority and cases related to credit risk investment under the board's authorization, reporting to the Board of Directors on a regular basis.

The Bank complies with the sustainability policies of the competent authorities and SPH, establishing climate risk and opportunity-related regulations. The regulations outline the governance framework and management mechanisms for climate risk and opportunity, including the responsibilities of the board of directors, executives and three lines of defense.

The board of directors authorized the Group's management to supervise risk management activities, evaluate the performance and confirm every risk management agent having essential code of ethic and professional skills. Internal audit is responsible for the periodic review of risk management and the control environment, then reports the results directly to the board of directors.

The Bank has set up a risk management department to control risk management policies, establish rules, plan and set up risk management system. The risk management department executes these policies based on the board's approval, then reports the results and performance reviews to the authority or the board.

c. Credit risk

1) Sources and definitions of credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit-related businesses mainly refer to fund financing/advance payment, loans, credit card-related credit, acceptance, guarantee or commitment, trade financing, foreign exchange transactions, as well as the counterparty and issuer's credit risks related to investing in securities and conducting derivative trading. The issuer's credit risk should be considered as part of the market risk when the investment target is part of securities in an active market.

2) Policies and strategies

The Group established policies based on operating goals and strategies, business plans and risk management goals authorized by the board of directors. These policies were established to lower potential financial losses, minimize risks and rewards to raise the performance and protect shareholders' equity through appropriate managing policies and procedures based on risk-diversification principle.

The Group's risk strategy is to strengthen the credit risk management framework, establish complete credit verification system and procedure, develop and use efficient and scientific credit risk managing instruments to identify, measure, manage and supervise credit risks. These strategies transparentize, systematize, specialize and formalize credit risk management to manage loans, non-performing assets and every kind of assets' credit risk.

The Group has set up policies of main risks as prime direction based on legislations and operational goals. These policies include risk appetite, management goals, organization structure of responsibility and accountability, measurement, evaluation, supervision and report procedure of risks. These policies are established to reach the purposes of consistency and centralized management and are put into practice in corporate government.

Credit risk management procedures and measurements are as follows:

a) Loan business (includes loan commitment and guarantee)

Loan business classification and qualities are as follows:

i. Classification

The Bank classified credit assets as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. In order to manage credit problem, the Bank issued "Evaluate Assets and Deal with Non-performing/Non-accrual Loans" for managing credit problem and debt collection.

Bank SinoPac (China) Ltd. strictly follows the "Guidance for the Risk-Based Loan Categorization" established by the China Banking Regulatory Commission. It divides its loans into five categories based on a debtor's ability to repay the full principal and interest on time. The five categories are normal, special mention, substandard, doubtful, and loss. The last three categories are considered non-performing loans.

ii. Credit quality level

The Group sets up credit quality level (ex. internal credit risk assessment model, credit assessment rules) based on business characteristic and scale to manage risks.

In order to measure clients' credit risks, the Group established a credit risk assessment model for corporate banking and retail banking through statistical methods, professional judgment and clients' information. Each model is regularly monitored for its effectiveness to examine whether the predicted results match the actual conditions, and the Group will evaluate the suitability of the models accordingly.

For corporate banking customers, in addition to using credit rating models for risk pricing and limit control, the Group has also developed a dedicated risk rating system for the small and micro enterprises who apply through a standardized project process. In addition to differentiated classification for each rating, the system will directly reject customers whose risk ratings are too high.

For retail banking customers applying for mortgage, personal loan, and credit card products, credit risk rating models are used to segment the credit risk of customers, incorporating risk measurement into portfolio management. The expected loss rate is calculated using quantitative data, serving as the basis for credit approval and limit control. For other products, customer credit risk is assessed on a case-by-case basis.

b) Investment business

The Group manages and identifies credit risks of debt investment through credit ratings by outsiders, credit qualities of the debt, regional conditions and counterparties' risks.

The Group carries out derivative instrument transactions with counterparties in financial industry which are almost above the investment level. The Group would control credit risks based on counterparties' credit lines; counterparties at non-investment level should be reviewed individually. Normal customers' credit exposure positions should be controlled by approved derivative instrument credit line and condition based on normal credit procedure.

3) Credit risk hedge or mitigation policies

a) Collateral

The Group has set up several standards dealing with credit exposures and collateral requirements in order to mitigate credit risks and maintain creditor's rights. The standards cover areas such as collateral appraisal and management disposal of collateral, acceptance of real estate as collateral, credit policies for every commodity to regulate collateral categories, appraisals, procedures, deduction percentages, loan rate, maturity analysis, management and disposal.

To maintain collateral's effectiveness, the Group supervises and manages the collateral by examining the usage, custody and maintenance of collateral regularly and irregularly to avoid selling, leasing, pledging, moving and disposing collaterals without authorization. Once the loan is due but will be extended, the contract should be seen as a new case and the collateral should be revalued.

b) Credit risk limits and credit risk concentration control

The Group manages credit line and concentration of credit assets through appropriate information managing system that gathers information on credit exposure to centralized conditions, exposure of credit asset combinations, including national risk, large credit exposure, credit line of single corporation, group and industry. For cases approaching credit limit, the concerned unit should report to management and make control strategies; for cases exceeding credit limit, it should be submitted to the Credit Committee for approval and report to the Board of Directors for review.

c) Agreement of net settlement

The Group often makes gross settlement on transactions, sign net settlement contract with other counterparties or cancel every transactions and make net settlement when default occurs to mitigate credit risk.

4) The determination since the initial recognition of the credit risk has increased significantly

a) Loan business

The Group assess the change in the risk of default of various credit assets during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the main consideration is reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information), key indicators include:

i. Quantitative indicators

Information on overdue conditions: When the contractual payments were overdue for more than 30 days to overdue 89 days, it has been determined that credit risk of the financial assets after the initial recognition was significantly increased.

ii. Qualitative indicators

i) Although the loan has not been repaid or due on the maturity date, there are other bad debts and the asset classification is not normal.

ii) The loan review report belonging to an abnormal credit.

iii) The credit card transaction with the Bank is abnormal.

On the basis of various credit asset evaluation benchmark days of the Group, if the credit risk does not increase significantly and not belong to an impaired financial asset, it can be determined that the credit risk does not increase significantly after the initial recognition.

b) Investment business

The Group adopts the change in external credit rating scales determined by international credit rating agencies as one of the quantitative indicators to measure whether the credit risk is significantly increased for debt instruments measured at amortized cost and debt instruments measured at fair value through other comprehensive income. The credit risk is considered to have significantly increased if the instrument's credit rating falls from an investment grade to a non-investment grade, or if there is a downgrade within non-investment grade categories. The measurement of expected credit loss is based on the PD and LGD information of the rating.

5) Definition of financial asset default and credit impairment

The Group's definition of financial asset default is the same as financial asset credit impairment. If one or more of the following conditions are satisfied, the Group determines that the financial asset has defaulted and has credit impairment.

a) Quantitative indicators

Principal or interest is overdue for more than three months.

b) Qualitative indicators

If there is evidence that the debtor will not be able to pay the contract money, or the debtor is facing significant financial difficulties, for examples:

- i. The main debtor has been chased, or the collateral has been disposed of.
- ii. The main debtor has not paid short-term advance to the Group.
- iii. The debtor applies for a loan approval document annotated as a relief case, or where an agreement for the transfer of the debt management unit has been established due to financial difficulties.
- iv. Other situation with objective evidence of impairment.

Bond investment belongs to credit ratings Ca-D bonds when the following situations occur:

- i. The issuer probably cannot repay the principal or interest on the bond maturity date.
- ii. It could be objectively judged that the issuer will not be able to repay the principal and interest of the bond on time before maturity.
- iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.
- iv. The issuer encounters bankruptcy or being reorganized or taken over due to financial difficulties before bond maturity.

The above definition of default and credit impairment applies to all financial assets held by the Group. It is consistent with the definition of relevant financial assets for internal credit risk management, and applicable to relevant impairment assessment model as well.

6) Write-off policy

If one of the following situations occurred, overdue and non-performing loans of the Bank, after deducting any estimated recoverable part, will be written off as bad debts.

- a) All or part of the creditor's right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
- b) The values of collateral and properties of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed the bank's reimbursable amount.
- c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneficial to the Bank.
- d) Overdue and non-performing loans have not been recovered after more than 2 years from the maturity date.

The Bank has procedures for recording accounts written-off and for keeping such records for inspection. Relevant business department continues to watch for movements of the main and subordinate debtors all the time. If there is any property available for execution, the Bank will take appropriate legal action.

7) Amendment to financial asset contract cash flows

The Group will amend financial asset contract cash flows when borrowers are in financial difficulties, as a result of improvement of problematic debtors' recovery rate or for maintenance of customer relationships. Financial asset contract cash flows amendment include extension of contract period, interest payment date modification, contract interest modification, or exemption from certain requirements of part of debts. The amendment could result in the Group's disposal of existing financial asset and recording of new financial asset at fair value.

If the modification of the contractual cash flows of financial asset does not result in derecognition of asset, the Group will assess whether the credit risk of financial asset has increased significantly by comparing the following:

- a) Risk of breaching the contract on the reporting date (based on revised contract terms).
- b) The risk of default in the original recognition (based on the original unmodified contract terms).

The Group will consider the borrower's subsequent payment in accordance with the revised terms and several relevant behavior indicators to assess the probability of default on the revised financial asset, and confirm whether the contract modification improves or restore the Group's ability to recover related contract payments.

8) Measurement of expected credit losses

For the purpose of measuring expected credit losses, the Group will look into the business attributes of the credit assets (such as corporate finance and retail finance, etc.) as well as the size of the company, types of collateral, and remaining period of maturities, etc. and group the credit risk characteristics into three stages: No significant increase in credit risk (stage 1), significant increase in credit risk (stage 2), and credit impairment (stage 3) according to the credit risk level at the valuation date.

The Group provides allowance for 12-month expected credit losses when financial instruments did not have a significant increase in credit risk since the initial recognition. Financial instruments are provided with allowance for full-lifetime expected credit losses when there is significant increase in credit risk or credit impairment since the initial recognition.

To measure expected credit losses, the Group takes into account the borrower's PD for the next 12 months and for the period of existence, and includes LGD, and EAD taking into account the impact of the time value of money. The expected credit losses for 12 months and for full-lifetime are calculated.

The Bank assesses the amount of Exposure at default of lending based on outstanding loan principal of customers, interest receivable and short-term advances at the end of each period. In addition, when estimating the expected credit losses of lending financing commitments, Exposure at default used to calculate expected credit losses is determined based on the conditions and days of the financing commitment and by reference to the credit risk conversion factor of Basel Capital Accord.

Probability of default is the default probability of the borrower, and the default loss rate is the rate of loss caused by default of the borrower. The default probability and default loss rate used in the impairment assessment and calculation of expected credit losses of the Bank loan business are based on internal historical information (such as credit loss experience, etc.) of each borrower group, with adjustments to the historical data based on the current observable data and forward-looking economic information. The expected loss of debt instrument investment is calculated according to the default rate information and external recovery rate information published by the external credit rating agencies.

9) Forward-looking information considerations

a) Credit assets

The Bank takes forward-looking information into account when determining whether the credit risk of the credit assets has increased significantly since the initial recognition and measures the expected credit losses. The Bank uses historical data and expert judgments to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset groups, such as GDP and unemployment rate. The Bank obtains quarterly historical data and forecast information of the relevant economic factors from international financial organizations (such as the International Monetary Fund (IMF)) and Directorate General of Budget, Accounting and Statistics, Executive Yuan. This forecast information contains the best estimate of the economic situation in the next five years.

The relevant economic factors and their impact on PD differ among different credit business. The Bank classifies credit product types as:

- i. Enterprise, sovereignty, and bank credit exposure.
- ii. Home Mortgage Loan credit exposure.
- iii. Qualified cycling retail credit exposure.
- iv. Other retail credit exposure.

With reference to the Basel Capital Accord IRB method, the correlation coefficient of various types of credit products and risk category is calculated, and forward-looking information is used to adjust the default probability.

b) Investment business

For the debt instrument investment measured at amortized cost and measured at fair value through other comprehensive income, one of the indicators of significant increase in credit risk is the quantified change in the external rating class announced by the international credit rating agencies, and the measurement of expected credit losses is based on the information of the default ratings and default loss rates regularly announced by external rating agencies and international credit rating agencies. As international credit rating agencies have considered forward-looking information in assessing credit ratings, the Bank's assessment of forward-looking information is appropriate, and is included in the Bank's assessment of expected credit losses.

c) Bank SinoPac (China)

Bank SinoPac (China) considers prospective information when calculating expected credit losses, frameworks a prospective information forecast performance of model to ensure prospective factor and frameworks a conduction model transfer prospective factor to expected credit losses, conducts prospective adjustment about parameter correlation of expected credit losses, evaluates model and evaluates prospective information influence.

Bank SinoPac (China) has established an index pool including a number of indicators, such as the proportion of non-performing loans, GDP, PPI, PMI, and the weighted average interest rate of RMB loans of financial institutions and incorporates the predicted values of the above indicators into the relevant parameters of the expected credit loss in the return model to implement forward-looking adjustments, that is, establish the relationship between the default probability and the macro economy through the return model, transmit macroeconomic changes to the default probability through forward-looking macro factors and update the forward-looking information every six months. In the event of major domestic and foreign events (including but not limited to political, economic, financial, health, environmental, climate, natural disasters and other events) or major adjustments to relevant policies, relevant forward-looking information shall be updated in a timely manner.

- 10) The maximum credit exposure of the financial instruments held by the Bank and Bank SinoPac (China) Ltd.

Maximum credit exposures of assets on balance sheet excluding collaterals and other credit enhancement instruments are almost equivalent to the carrying value. The maximum credit exposures (excluding collaterals, other credit enhancement instruments and undrawn maximum exposure) off-balance-sheet were as follows:

Off-Balance Sheet Items	The Maximum Credit Exposure	
	December 31, 2024	December 31, 2023
Undrawn credit card commitments	\$ 239,483,290	\$ 230,289,636
Undrawn loan commitments	73,938,498	48,377,846
Guarantees	33,587,181	31,015,776
Standby letter of credit	3,407,492	4,013,033

The Bank and Bank SinoPac (China) Ltd. adopt a strict and continuous evaluation procedure and review the result regularly to control and minimize off-balance-sheet credit risk exposures.

The contract amount in the credit business and financial instruments may not be fully paid before the maturity; therefore, the contract amount is not deemed as the amount of future cash outflow. In other words, the future cash demand is lower than contract amount. If the credit limit is exceeded and collaterals lose their value, the amount of credit risk is equal to the contract amount which is the possible maximum loss.

- 11) Credit risk exposures concentration of the Group

When financial instruments transactions concentrated on one counterparty or several counterparties, which engaged in similar business activities, had similar economic characteristics and abilities to execute contracts, the credit risk concentration arises.

Credit risk concentrations can arise in the Group's assets, liabilities or off-balance sheet items through the execution or processing of transactions (either product or service) or through a combination of exposures across these broad categories. It includes credit, due from the banks and call loan to banks, investment, receivables and derivatives. The Group maintains a diversified portfolio to limit its exposure to any geographic region, country or individual creditor and monitor its exposures continually. The Group's most significant concentrations of credit risk are summarized by industry, region and collateral as follows:

a) By industry

Industries	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Private enterprise	\$ 796,845,692	49.01	\$ 680,594,557	47.31
Public enterprise	18,647,498	1.15	4,310,264	0.30
Government sponsored enterprise and business	20,000,000	1.23	22,000,000	1.53
Nonprofit organization	347,744	0.02	187,720	0.01
Private	770,310,022	47.38	713,683,200	49.61
Financial institutions	19,764,550	1.21	17,778,569	1.24
Total	\$ 1,625,915,506	100.00	\$ 1,438,554,310	100.00

b) By region

Regions	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Domestic	\$ 1,311,181,873	80.64	\$ 1,171,933,921	81.47
Asia	149,093,297	9.17	138,006,276	9.59
North America	74,131,107	4.56	76,803,429	5.34
Others	91,509,229	5.63	51,810,684	3.60
Total	\$ 1,625,915,506	100.00	\$ 1,438,554,310	100.00

c) By collateral

Collaterals	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Credit	\$ 578,009,415	35.55	\$ 486,869,700	33.85
Secured				
Stocks	4,859,374	0.30	3,911,115	0.27
Bonds	12,749,190	0.78	10,234,498	0.71
Real estate	932,720,540	57.37	852,815,502	59.28
Movable collaterals	65,798,176	4.05	57,658,479	4.01
Guarantees	15,119,976	0.93	15,814,892	1.10
Others	16,658,835	1.02	11,250,124	0.78
Total	\$ 1,625,915,506	100.00	\$ 1,438,554,310	100.00

d) Credit risk exposure rating

December 31, 2024	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans									
Corporate banking	\$ 872,069,058	\$ 1,090,439	\$ 6,508,943	\$ 879,668,440	\$ 2,277,810	\$ 427,801	\$ 1,061,818	\$ 8,326,908	\$ 12,094,337
Consumer banking	739,894,599	4,678,511	1,673,956	746,247,066	296,357	316,443	342,276	9,242,905	10,197,981
Receivables									
Credit card receivables	21,358,845	300,220	617,751	22,276,816	5,687	9,748	26,279	108,497	150,211
Accounts receivable - factoring (Note 1)	9,562,245	-	-	9,562,245	6,150	-	-	134,088	140,238
Other receivables	39,260,640	66,680	257,785	39,585,105	18,374	7,215	195,292	185,218	406,099
Other financial assets (Note 2)	773	90	13,444	14,307	-	-	5,994	-	5,994
Debt instruments at fair value through other comprehensive income	357,567,127	-	-	357,567,127	63,784	-	-	-	63,784
Investments in debt instruments at amortized cost	309,794,370	-	-	309,794,370	25,944	-	-	-	25,944

December 31, 2023	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans									
Corporate banking	\$ 740,764,618	\$ 2,669,069	\$ 2,949,321	\$ 746,383,008	\$ 2,026,726	\$ 483,054	\$ 455,956	\$ 6,906,949	\$ 9,872,685
Consumer banking	686,755,747	4,178,962	1,236,593	692,171,302	106,478	199,345	244,617	8,833,036	9,383,476
Receivables									
Credit card receivables	19,894,761	295,572	617,632	20,807,965	3,666	6,806	21,996	115,894	148,362
Accounts receivable - factoring (Note 1)	11,243,996	-	-	11,243,996	9,510	-	-	174,113	183,623
Other receivables	26,897,934	69,989	324,273	27,292,196	20,870	3,794	251,494	132,774	408,932
Other financial assets (Note 2)	460	127	6,480	7,067	-	-	1,998	-	1,998
Debt instruments at fair value through other comprehensive income	339,131,626	-	-	339,131,626	39,066	-	-	-	39,066
Investments in debt instruments at amortized cost	303,570,486	-	-	303,570,486	23,807	-	-	-	23,807

Note 1: Accounts receivable - factoring and accounts payable - factoring are offset and presented net.

Note 2: The amounts of other financial assets include short advances and non-performing receivables transferred other than loans.

12) The allowance for loss of the Group

Change in allowance for discounts and loans

For the Year Ended December 31, 2024	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 2,133,204	\$ 682,399	\$ 700,573	\$ 3,516,176	\$ 15,739,985	\$ 19,256,161
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(291,210)	2,192,731	(109,161)	1,792,360	-	1,792,360
From conversion to credit-impaired financial assets	(1,626)	(1,571,482)	1,822,892	249,784	-	249,784
To 12-month ECL	4,981	(393,754)	(307)	(389,080)	-	(389,080)
Derecognizing financial assets during the current period	(2,035,409)	(170,579)	(265,660)	(2,471,648)	-	(2,471,648)
Purchased or originated new financial assets	2,844,542	24,276	57,463	2,926,281	-	2,926,281
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	1,973,939	1,973,939
Write-off	-	-	(911,563)	(911,563)	(245,233)	(1,156,796)
Changes in model/risk parameters	(136,714)	(42,443)	(37,793)	(216,950)	-	(216,950)
Effects of exchange rate changes and others	56,399	23,096	147,650	227,145	101,122	328,267
Balance, December 31	<u>\$ 2,574,167</u>	<u>\$ 744,244</u>	<u>\$ 1,404,094</u>	<u>\$ 4,722,505</u>	<u>\$ 17,569,813</u>	<u>\$ 22,292,318</u>

For the Year Ended December 31, 2023	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 2,444,926	\$ 285,934	\$ 718,288	\$ 3,449,148	\$ 14,145,225	\$ 17,594,373
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(17,517)	1,241,722	(22,262)	1,201,943	-	1,201,943
From conversion to credit-impaired financial assets	(71,421)	(258,445)	640,575	310,709	-	310,709
To 12-month ECL	4,966	(232,462)	(40,522)	(268,018)	-	(268,018)
Derecognizing financial assets during the current period	(4,085,029)	(338,698)	(173,543)	(4,597,270)	-	(4,597,270)
Purchased or originated new financial assets	3,811,028	11,516	116,110	3,938,654	-	3,938,654
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	1,676,576	1,676,576
Write-off	-	-	(605,722)	(605,722)	(83,478)	(689,200)
Changes in model/risk parameters	59,744	(26,987)	(1,389)	31,368	-	31,368
Effects of exchange rate changes and others	(13,493)	(181)	69,038	55,364	1,662	57,026
Balance, December 31	<u>\$ 2,133,204</u>	<u>\$ 682,399</u>	<u>\$ 700,573</u>	<u>\$ 3,516,176</u>	<u>\$ 15,739,985</u>	<u>\$ 19,256,161</u>

Changes in allowance for receivables

For the Year Ended December 31, 2024	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 34,046	\$ 10,600	\$ 275,488	\$ 320,134	\$ 422,781	\$ 742,915
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(4,387)	38,937	(8,376)	26,174	-	26,174
From conversion to credit-impaired financial assets	(17)	(38,706)	186,653	147,930	-	147,930
To 12-month ECL	72	(4,334)	(189)	(4,451)	-	(4,451)
Derecognizing financial assets during the current period	(23,777)	(2,120)	(29,985)	(55,882)	-	(55,882)
Purchased or originated new financial assets	21,383	46	16,126	37,555	-	37,555
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	155,184	155,184
Write-off	-	(1,875)	(222,094)	(223,969)	(159,507)	(383,476)
Changes in model/risk parameters	1,905	4,867	(856)	5,916	-	5,916
Effects of exchange rate changes and others	986	9,548	10,798	21,332	9,345	30,677
Balance, December 31	<u>\$ 30,211</u>	<u>\$ 16,963</u>	<u>\$ 227,565</u>	<u>\$ 274,739</u>	<u>\$ 427,803</u>	<u>\$ 702,542</u>

For the Year Ended December 31, 2023	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance, January 1	\$ 41,372	\$ 7,615	\$ 255,185	\$ 304,172	\$ 393,951	\$ 698,123
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(253)	17,281	(7,674)	9,354	-	9,354
From conversion to credit-impaired financial assets	(135)	(11,125)	101,695	90,435	-	90,435
To 12-month ECL	83	(3,017)	(341)	(3,275)	-	(3,275)
Derecognizing financial assets during the current period	(39,647)	(70)	(21,191)	(60,908)	-	(60,908)
Purchased or originated new financial assets	32,620	12	31,771	64,403	-	64,403
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	137,229	137,229
Write-off	(1)	(359)	(79,211)	(79,571)	(109,161)	(188,732)
Changes in model/risk parameters	419	(240)	(1,209)	(1,030)	-	(1,030)
Effects of exchange rate changes and others	(412)	503	(3,537)	(3,446)	762	(2,684)
Balance, December 31	<u>\$ 34,046</u>	<u>\$ 10,600</u>	<u>\$ 275,488</u>	<u>\$ 320,134</u>	<u>\$ 422,781</u>	<u>\$ 742,915</u>

Note: The amounts of receivables include receivables and other financial assets are shown in Note 44,c.11)d).

Changes in allowance for debt instruments at fair value through other comprehensive income

For the Year Ended December 31, 2024	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 39,066	\$ -	\$ -	\$ 39,066
Purchased new debt instruments	18,070	-	-	18,070
Derecognized	(11,340)	-	-	(11,340)
Model/risk parameters changes	16,690	-	-	16,690
Effects of exchange rate changes and others	<u>1,298</u>	<u>-</u>	<u>-</u>	<u>1,298</u>
Balance December 31	<u>\$ 63,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,784</u>

For the Year Ended December 31, 2023	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 45,949	\$ -	\$ -	\$ 45,949
Purchased new debt instruments	10,458	-	-	10,458
Derecognized	(7,375)	-	-	(7,375)
Model/risk parameters changes	(10,038)	-	-	(10,038)
Effects of exchange rate changes and others	<u>72</u>	<u>-</u>	<u>-</u>	<u>72</u>
Balance December 31	<u>\$ 39,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,066</u>

Changes in allowance for debt instruments at amortized cost

For the Year Ended December 31, 2024	12-months ECL	Credit Rating		Total
		Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 23,807	\$ -	\$ -	\$ 23,807
Purchased new debt instruments	2,391	-	-	2,391
Derecognized	(2,733)	-	-	(2,733)
Model/risk parameters changes	8,637	-	-	8,637
Effects of exchange rate changes and others	<u>(6,158)</u>	<u>-</u>	<u>-</u>	<u>(6,158)</u>
Balance December 31	<u>\$ 25,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,944</u>

For the Year Ended December 31, 2023	Credit Rating			Total
	12-months ECL	Lifetime ECL- Not Credit Impaired	Lifetime ECL- Credit Impaired	
Balance January 1	\$ 16,774	\$ -	\$ -	\$ 16,774
Purchased new debt instruments	9,324	-	-	9,324
Derecognized	(1,812)	-	-	(1,812)
Model/risk parameters changes	(1,332)	-	-	(1,332)
Effects of exchange rate changes and others	<u>853</u>	<u>-</u>	<u>-</u>	<u>853</u>
Balance December 31	<u>\$ 23,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,807</u>

13) The financial impact of credit risk mitigation policies

a) Collateral and other credit enhancements

The Group implements a series of policies and measures to reduce credit risk for loan business; one of the commonly used methods is to require borrowers to provide collateral. The Group has designed and follows procedures for enforcing rights to collateral and the valuation, management, and disposal of collateral. The main types of collateral for financial assets of the Group are as follows:

- i. Real estate mortgage loan.
- ii. Derivatives margin agreement.

The credit contract has provisions for the preservation of debts and guarantees, which clearly define that when credit incidents occur, the Group is to be able to reduce the credit limit, shorten the loan repayment deadline or treat all of them as due, so as to reduce the credit risk.

Other collateral for non-loan business depends on the nature of the financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-pooled financial instruments.

There was no material change in the collateral policy of the Bank, and there was no significant change in the overall collateral quality on the balance sheet date.

b) Amount of collateral for impaired financial assets

The Group closely observes the value of the collateral of the financial instruments and considers adequacy of the allowance for the credit-impaired financial assets. On December 31, 2024 and 2023, the amount of discounts and loans were \$8,182,899 and \$4,185,914, with a provision for loss allowance of \$1,404,094 and \$700,573 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to \$3,782,778 and \$2,801,569.

c) The contracted amount of financial assets that have been written off and still have recourse activities

The contracted amount of financial assets that have been written off by the Bank and still have recourse activities are \$49,729,252 and \$48,803,521 on December 31, 2024 and 2023.

14) Management policies of collaterals assumed

The nature of the collateral of the Bank as of December 31, 2024 is real estate. The detailed information is shown in Note 19.

Collaterals assumed are classified as other assets. According to the provisions of the Banking Act, the collateral accepted by the bank shall be disposed of within four years from the date of acquisition. The limit does not apply if approved by the competent authority.

15) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Overdue loans and receivables

Date			December 31, 2024				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 1,287,752	\$ 335,815,251	0.38%	\$ 4,404,257	342.01%
	Unsecured		359,716	507,630,646	0.07%	6,856,972	1,906.22%
Consumer loan	Mortgage (Note 4)		261,328	396,644,905	0.07%	6,003,700	2,297.38%
	Cash card		-	844	-	146	-
	Micro credit (Note 5)		254,941	53,714,095	0.47%	1,135,349	445.34%
	Others (Note 6)	Secured	387,183	292,537,156	0.13%	3,048,638	787.39%
		Unsecured	436	626,219	0.07%	7,932	1,819.27%
Total			2,551,356	1,586,969,116	0.16%	21,456,994	841.00%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			35,404	22,276,816	0.16%	150,211	424.28%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	11,154,354	-	135,536	-

Date			December 31, 2023				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 528,014	\$ 280,196,530	0.19%	\$ 4,006,559	758.80%
	Unsecured		187,086	426,106,268	0.04%	5,259,004	2,811.01%
Consumer loan	Mortgage (Note 4)		199,131	386,735,640	0.05%	5,835,995	2,930.73%
	Cash card		-	1,400	-	197	-
	Micro credit (Note 5)		162,047	43,417,155	0.37%	806,214	497.52%
	Others (Note 6)	Secured	236,091	260,834,854	0.09%	2,726,348	1,154.79%
		Unsecured	1,432	1,182,253	0.12%	14,722	1,028.07%
Total			1,313,801	1,398,474,100	0.09%	18,649,039	1,419.47%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			25,910	20,807,965	0.12%	148,362	572.61%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	13,029,858	-	174,294	-

Note 1: For loan business: Overdue loans represent the amounts of overdue loans reported in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: $NPL \text{ ratio} = NPL \div \text{Total loans}$.

For credit card business: $\text{Delinquency ratio} = \text{Overdue receivables} \div \text{Accounts receivables}$.

Note 3: For loan business: $\text{Coverage ratio} = LLR \div NPL$.

For credit card business: $\text{Coverage ratio} = \text{Allowance for credit losses} \div \text{Overdue receivables}$.

Note 4: Household mortgage loan is a financing to be used by a borrower to buy, build, or fix a dwelling, and the dwelling owned by the borrower, spouse, or children is used to fully secure the loan.

Note 5: Micro credit loan is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950) and is not credit and debit cards' micro credit loan.

Note 6: Others in consumer loans refers to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.

Note 7: For accounts receivable - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 0945000494), which is equal to dated August 24, 2009 (Ref. 09850003180), and allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

Note 8: Part of non-performing receivables transferred from other than loans was included.

b) Excluded NPLs and excluded overdue receivables

Date	December 31, 2024		December 31, 2023	
Items	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreement (Note 1)	\$ 146	\$ 5,985	\$ 205	\$ 10,353
As a result of consumer debt clearance (Note 2)	25,657	485,495	18,967	508,569
Total	\$ 25,803	\$ 491,480	\$ 19,172	\$ 518,922

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

Note 2: The disclosure of excluded NPLs, pre-mediation and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

c) Concentration of credit extensions

Year	December 31, 2024		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (finance container leasing)	\$ 13,187,553	7.13
2	B Group (real estate development activities)	9,534,468	5.15
3	C Group (real estate development activities)	8,275,467	4.47
4	D Company (other metalworking activities)	7,000,000	3.78
5	E Group (real estate broking)	6,787,144	3.67
6	F Group (real estate development activities)	6,765,238	3.66
7	G Group (metal casting)	5,552,014	3.00
8	H Group (real estate development activities)	5,498,260	2.97
9	I Group (department store)	5,073,019	2.74
10	J Group (real estate development activities)	3,673,400	1.98

Year	December 31, 2023		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (manufacture of other communication equipment)	\$ 12,142,277	7.03
2	B Group (manufacture of panel and components)	9,259,398	5.36
3	C Group (real estate development activities)	7,395,994	4.28
4	D Group (real estate development activities)	5,490,020	3.18
5	E Group (real estate development activities)	5,457,000	3.16
6	F Group (metal casting)	5,287,620	3.06
7	G Group (wholesale of computer, computer peripheral equipment and software)	5,269,950	3.05
8	H Company (other metalworking activities)	5,000,000	2.89
9	I Group (department store)	4,498,500	2.60
10	J Group (real estate development activities)	3,833,000	2.22

Note 1: Ranking of top 10 groups (excluding government or state - owned enterprises) whose total credit consists of loans. If the borrower is a member of any of the above groups, the total amount of credits of the entire group must be listed and disclosed by code and line of industry. If the borrower is the group enterprise, for the risk exposure maximum, the line of industry must be disclosed. The line of industry must be classified and filled to the industry name of sub-category which is based on the industry classification standard of Department of Budget, Accounting and Statistics.

Note 2: Groups were those as defined in Articles 6 of the Supplementary Provision to the Taiwan Stock Exchange Corporation's Rules for Review of Securities Listings Law.

Note 3: Total credit is the sum of all loans (including import and export bills negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and non-performing loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantee deposit issued.

d. Liquidity risk management

1) Definition of liquidity risk

Liquidity is the Bank's ability to provide sufficient funding for asset growth and matured liabilities. Liquidity risk means the risk banks cannot obtain sufficient fund with reasonable cost and correct timing, and then suffer losses on earnings or capital.

The measures of enhancing cash liquidity are holding sufficient cash and highly liquid able securities, adjusting maturities differences, savings absorption or arranging borrowings, etc.

a) Strategies

The Bank established a sound liquidity risk managing system based on business' scale and characteristic, assets and liabilities' structure, funding strategies and diversity of funding sources to ensure it would have sufficient funding for obligations in normal or worst scenario.

b) Risk measurement

The Bank uses quantitative analysis to manage liquidity risk. Cash flow deficit and liquidity management goals are used as measure instruments to report monthly the analysis results to the assets and liabilities managing committee.

Stress testing is done to ensure the Bank would have sufficient funding for asset growth and matured liabilities despite any internal operating problems or adverse changes in the financial environment.

c) Risk monitoring

The Bank established a liquidity deficit limit and an early warning system to detect liquidity risk and take appropriate action at the right time.

The Bank has formed a crisis management team to handle any liquidity crisis. The general manager is the team convener, and the managers of the financial obligation department and the risk management department are the team members. The general manager can also assign the managers of related departments to join the team, depending on the situation. Members' rights and responsibilities are listed in "Bank SinoPac's Operational Crisis Response Measures".

2) Maturity analysis of non-derivative financial liabilities

Cash outflow analyses of non-derivative financial liabilities of the Bank and Bank SinoPac (China) are summarized in the following tables. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

The Bank

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 36,905,263	\$ 27,810,230	\$ 6,759,213	\$ 7,138,287	\$ -	\$ 78,612,993
Financial liabilities at fair value through profit or loss	-	-	2,098,422	-	-	2,098,422
Securities sold under repurchase agreements	30,248,771	2,872,616	-	-	-	33,121,387
Payables	8,739,361	680,471	188,183	175,577	1,976,923	11,760,515
Deposits and remittances	1,406,484,871	360,543,519	197,492,197	239,431,726	23,605,544	2,227,557,857
Bank debentures	2,931	156,750	758,289	11,403,226	43,121,096	55,442,292
Lease liabilities	75,045	115,254	183,956	355,078	2,402,757	3,132,090

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 64,927,102	\$ 30,400,700	\$ 5,138,825	\$ 11,652,263	\$ -	\$ 112,118,890
Financial liabilities at fair value through profit or loss	-	-	1,883,244	-	-	1,883,244
Securities sold under repurchase agreements	17,235,916	7,105,226	603,473	-	-	24,944,615
Payables	10,568,404	603,949	156,884	121,322	2,034,122	13,484,681
Deposits and remittances	1,220,403,012	302,515,304	203,595,943	233,495,447	27,078,825	1,987,088,531
Bank debentures	69,797	274,511	3,182,649	7,764,855	47,965,851	59,257,663
Lease liabilities	70,669	106,600	168,496	272,330	2,082,070	2,700,165

Bank SinoPac (China)

(In Thousands of CNY)

December 31, 2024	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Deposits from the Central Bank and banks	\$ 1,634,300	\$ -	\$ 302,332	\$ -	\$ -	\$ 1,936,632
Payables	966,813	205,602	525,576	-	-	1,697,991
Deposits and remittances	5,694,562	2,354,561	3,635,762	2,607,812	-	14,292,697
Lease liabilities	1,421	2,647	9,756	12,976	-	26,800

(In Thousands of CNY)

December 31, 2023	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Deposits from the Central Bank and banks	\$ 599,709	\$ 620,057	\$ -	\$ -	\$ -	\$ 1,219,766
Due to the Central Bank and banks	-	-	-	756,408	-	756,408
Securities sold under repurchase agreements	330,363	-	-	-	-	330,363
Payables	522,585	202,728	525,360	-	-	1,250,673
Deposits and remittances	5,489,746	2,357,443	2,573,302	1,301,520	236	11,722,247
Lease liabilities	1,240	2,304	8,343	17,116	-	29,003

3) Maturity analysis of financial derivatives

a) Derivative liabilities settled on a net basis

Derivative liabilities of the Bank and Bank SinoPac (China) settled on a net basis include, but are not limited to:

Foreign exchange derivatives: Non-deliverable foreign exchange forwards, net cash flow settled foreign exchange options, etc.;

Interest rate derivatives: Forward rate agreements, interest rate swaps and interest rate futures contracts;

Other derivatives: Stock options and commodity futures.

The Bank and Bank SinoPac (China) use derivative financial liabilities at fair value through profit or loss mainly to accommodate customers' needs and manage their own exposure positions, and disclosed the derivative financial liabilities at fair value based on the shortest period that payment would be required.

The Bank

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 10,921,533	\$ -	\$ -	\$ -	\$ -	\$ 10,921,533

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 7,361,043	\$ -	\$ -	\$ -	\$ -	\$ 7,361,043

Bank SinoPac (China)

(In Thousands of CNY)

December 31, 2024	Within 1 month	1-3 Months	3 Months-1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial liabilities at fair value through profit or loss	\$ 21,655	\$ -	\$ -	\$ -	\$ -	\$ 21,655

(In Thousands of CNY)

December 31, 2023	Within 1 month	1-3 Months	3 Months-1 Year	1 Year to 5 Years	Over 5 Years	Total
Financial liabilities at fair value through profit or loss	\$ 11,516	\$ -	\$ -	\$ -	\$ -	\$ 11,516

b) Derivatives settled on a gross basis

Gross settled derivatives of the Bank and Bank SinoPac (China) include:

Foreign exchange derivatives: Foreign exchange forwards, foreign exchange swaps, cross currency swaps and gross settled foreign exchange options.

Among which, foreign exchange forwards, foreign exchange swaps, and cross currency swaps are organized into the corresponding time periods based on the cash flow indicated on the contracts, and therefore the amount disclosed will not correspond to the relevant items in the consolidated balance sheet; the gross settled foreign exchange options, as a position reserved for the purpose of transaction, the Bank and Bank SinoPac (China) are able to adjust the position at any time, and therefore the cash inflow and outflow of such are expressed at their fair values, and they are placed in the most recent time period alongside the derivative liabilities settled on a net basis.

The Bank

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 1,500,768,590	\$ 719,544,055	\$ 363,993,451	\$ 265,899,534	\$ 10,239,383	\$ 2,860,445,013
Cash outflow	1,497,766,880	717,758,582	362,355,013	264,006,078	10,203,127	2,852,089,680

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 1,225,738,415	\$ 989,228,145	\$ 539,644,265	\$ 198,861,831	\$ 20,309,084	\$ 2,973,781,740
Cash outflow	1,227,556,706	989,295,077	540,004,847	198,672,968	19,705,830	2,975,235,428

Bank SinoPac (China)

(In Thousands of CNY)

December 31, 2024	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 7,030,750	\$ 7,252,461	\$ 26,025,025	\$ 186,476	\$ -	\$ 40,494,712
Cash outflow	6,991,146	7,214,523	25,957,864	183,639	-	40,347,172

(In Thousands of CNY)

December 31, 2023	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Financial instruments at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 3,917,717	\$ 5,367,683	\$ 14,910,665	\$ 85,552	\$ -	\$ 24,281,617
Cash outflow	3,924,909	5,292,282	14,731,253	85,842	-	24,034,286

4) Maturity analysis of off-balance sheet items

Maturity analysis of off-balance sheet items are summarized in the following tables. Financial guarantee contracts of the Bank and Bank SinoPac (China) that assume full amount are available or require to execute at the earliest time. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

The Bank

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 1,689,516	\$ 3,946,021	\$ 5,077,100	\$ 11,459,358	\$ 50,832,702	\$ 73,004,697
Guarantees	5,031,383	4,552,341	3,088,803	5,267,866	15,175,798	33,116,191
Standby letter of credit	1,231,357	1,810,455	96,777	8,262	-	3,146,851

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 806,085	\$ 1,673,934	\$ 5,877,280	\$ 5,284,404	\$ 34,100,740	\$ 47,742,443
Guarantees	7,638,355	3,546,302	3,198,648	4,063,994	11,267,072	29,714,371
Standby letter of credit	828,564	2,086,851	527,861	216,090	-	3,659,366

Bank SinoPac (China)

(In Thousands of CNY)

December 31, 2024	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Undrawn loan commitments	\$ 792	\$ -	\$ 147,073	\$ 60,685	\$ -	\$ 208,550
Guarantees	28,753	28,390	253,902	7,710	-	318,755
Standby letter of credit	43,374	12,996	1,840	-	-	58,210

(In Thousands of CNY)

December 31, 2023	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years	Total
Undrawn loan commitments	\$ -	\$ 200	\$ 74,488	\$ 72,027	\$ -	\$ 146,715
Guarantees	7,335	70,908	478,532	79,928	-	636,703
Standby letter of credit	7,851	50,869	22,942	-	-	81,662

5) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of assets and liabilities of the Bank (New Taiwan dollars)

	December 31, 2024						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,136,264,497	\$ 225,386,785	\$ 215,236,542	\$ 253,862,651	\$ 140,715,648	\$ 196,039,798	\$ 1,105,023,073
Main capital outflow on maturity	2,541,581,618	99,295,324	188,096,545	414,438,339	348,554,078	463,746,346	1,027,450,986
Gap	(405,317,121)	126,091,461	27,139,997	(160,575,688)	(207,838,430)	(267,706,548)	77,572,087

	December 31, 2023						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,395,045,349	\$ 243,190,428	\$ 278,018,189	\$ 449,188,407	\$ 234,625,097	\$ 175,387,496	\$ 1,014,635,732
Main capital outflow on maturity	2,799,665,925	152,160,967	231,132,682	561,138,990	455,802,331	487,299,005	912,131,950
Gap	(404,620,576)	91,029,461	46,885,507	(111,950,583)	(221,177,234)	(311,911,509)	102,503,782

Note: The amounts shown in this table are the Bank's position denominated in NTD.

b) Maturity analysis of assets and liabilities of the Bank (U.S. dollars)

(In Thousands of U.S. Dollars)

	December 31, 2024					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 65,212,657	\$ 28,632,662	\$ 13,786,901	\$ 7,043,788	\$ 5,627,649	\$ 10,121,657
Main capital outflow on maturity	66,195,648	29,393,872	17,228,124	8,374,635	6,192,895	5,006,122
Gap	(982,991)	(761,210)	(3,441,223)	(1,330,847)	(565,246)	5,115,535

(In Thousands of U.S. Dollars)

	December 31, 2023					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 68,868,092	\$ 24,132,406	\$ 20,206,008	\$ 10,540,407	\$ 4,673,979	\$ 9,315,292
Main capital outflow on maturity	70,075,636	24,968,543	23,503,381	12,034,665	5,331,630	4,237,417
Gap	(1,207,544)	(836,137)	(3,297,373)	(1,494,258)	(657,651)	5,077,875

Note: The amounts shown in this table are the Bank's position denominated in USD.

e. Market risk

1) Definition of market risk

Market risk arises from market changes (such as those referring to interest rates, exchange rates, equity securities and commodity prices) which may cause the fluctuation of a financial instrument's fair value or future cash flow. The Bank's net revenue and investment portfolio value may fluctuate when risk factors above change.

The main market risks that the Bank should overcome pertain to interest rate, exchange rate and equity securities. Interest rate risks primarily refer to bonds and interest rate related derivative instruments such as fixed rate and floating rate interest rate swaps and bond options; the exchange rate risk refers to foreign currency investments the Bank holds such as exchange rate related derivative instruments and foreign currency bonds; equity securities risk includes listed stocks and equity related derivative financial instruments.

2) Management strategies and procedures

To follow the "Market Risk Management Rule" and other regulations, the Bank established standards for risk identification, measurement, supervision and reporting to set up appropriate risk management framework for every kind of market risk.

In accordance with the risk management limit approved by the board of directors, the Bank supervises every loss limit and position at risk such as interest rate, exchange rate, equity security, spot trading and forward contract, option, future, swap, and related sensitivity information derived from spot trading to confirm that market risk exposure is accepted to the Bank.

The Bank separates its transactions into hedge and non-hedge on the basis of trading purposes. For hedge transactions, the Bank should measure hedge relations, risk management goals and hedge strategies. The Bank should also perform hedge testing for hedging effectiveness.

3) Organization and framework

The board of directors is the top supervision and decision-making level of the Bank; it determines every risk management procedure and limit on the basis of its operating strategy and the business environment.

The Bank also set up a risk management department headed by a general manager to establish risk managing principles, regulate risk managing policies, and plan and set up a risk management system.

Following the internal control and segregation of duties principles, the Bank had certain related functions with market risk exposures transformed into three independent departments: Trading, risk control and settlement departments, usually called front office, middle office and back office. Nevertheless, the risk management department remains in charge of market risk control, i.e., it is responsible for identifying, measuring, controlling and reporting market risk.

4) Market risk control procedure

a) Identification and measurement

Risk measurement includes exposures changes in the market of interest rates, exchange rates, and equity securities, which affect spot trading and forward, option, futures, and swap transactions or related combined transactions derived from spot trading. The Bank set up appropriate market risk limits based on commodity category, characteristic and complexity. The limits are the nominal exposure limit, the risk factor sensitivity limit of options as measured by Delta/Vega/DV01 and the loss control limit. These limits are calculated by the risk control department through measurements (such as those of the Black & Scholes Model) provided by financial data and company information providers (e.g., Murex and Bloomberg) based on market prices.

b) Supervision and reporting

The Bank's market risk management department prepares risk management reports such as those on daily market valuations, value at risk and risk limits. If the risk is over the limit, the department should report this situation to the transaction department and appropriate managers in the risk management department. The department should also collect and organize bank market risk exposure information, risk value, risk limit rules, and information on situations in which limits are exceeded, analyze security investments, and submit regularly to the board of directors reports on the collected information and security investment analysis.

5) Trading book risk management policies

a) Definitions

The trading book is an accounting book of the financial instruments and physical commodities held for trading or hedged by the Bank. Held-for-trading position refers to revenues earned from practical or impractical trading differences. Positions that should not be recorded in the trading book are recorded in the banking book.

b) Strategies

The Bank earns revenues from trading spreads or fixed arbitrage debt and equity instruments are held for short periods of time, purchased with the intention of profiting from short-term price changes through properly control short-term fluctuation of market risk factors (interest rate, exchange rate and stock price). It executes hedge transactions as needed.

c) Policies and procedures

The Bank carries out “Market Risk Management Policy” to control market risk.

Under the above policy, traders may autonomously operate and manage positions within the range of authorized limits and the approved trading strategy. The market risk management department supervises trading positions (including limit, liquidity, the ability to establish hedge positions and investment portfolio risk) based on market information and evaluates market information quality, availability, liquidity and scale which are calculated into the pricing model.

d) Assessment policies

The Bank assesses financial instruments once a day on the basis of information obtained from independent sources if market prices are acquirable. If the Bank assesses financial instruments using a pricing model, it should be careful in making mathematical calculations and should review the pricing model’s assumptions and parameters regularly.

e) Measurements

- i. The risk valuation and calculation methods are described in Note 44 e, 12).
- ii. The calculation of the nominal exposure amount and the risk factor sensitivity value Delta/Vega/DV01 is done through the trading systems.
- iii. The Bank makes stress tests using a light scenario (change in interest rate ± 100 bp, change in securities $\pm 15\%$ and change in exchange rate $\pm 3\%$) and serious scenario (change in interest rate ± 200 bp, change in securities $\pm 30\%$ and change in exchange rate $\pm 6\%$) and reports the stress test results to the board of directors.

6) Trading book interest rate risk management

a) Definitions

Interest rate risk refers to a decrease in earnings and value of financial instruments due to adverse interest rate fluctuations. Major instruments with interest rate risk include securities and derivative instruments.

b) Procedures

The Bank has a trading limit and a stop-loss limit (which should be applied to trading instrument by the dealing room and dealers) based on management strategy and market conditions; limits have been approved by the board of directors.

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 44 e, 12).
- ii. DV01 is used daily to measure the impact of interest rate changes on investment portfolios.

7) Trading book exchange rate risk management

a) Definitions

Exchange rate risk refers to the incurrence of loss from the exchange of currencies in different timing. The Bank’s major financial instruments exposed to exchange rate risk spot contract, forward exchange contracts, and FX option.

b) Policies and procedures

To control the exchange rate risk, the Bank sets trading limit and stop-loss limit and requires the dealing room, dealers, etc., to observe these limits.

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 44 e, 12).
- ii. Exposure positions are measured daily for the impact of exchange rate changes on investment portfolio value.

8) Trading book equity risk management

a) Definitions

Market risk of equity securities includes individual risk which arises from volatility of market price on individual equity securities and general market risk which arises from volatility of overall market price.

b) Procedures

To control equity risk, the Bank sets investment position limits and stop-loss limits. The limits are approved by the board of directors. Within the limit of authority, the Bank sets investment position limits and stop-loss limits for each dealer.

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 44 e, 12).
- ii. Exposure positions are measured daily to measure the impact of equity risk on investment portfolio value due from equity risk.

9) Banking book interest rate risk management

Banking book interest rate risk refers to the impact of the banking book due to adverse interest rate changes and causes the current or potential risks to the Bank's economic value (the present value of future cash flows from assets, liabilities and off-balance sheet) and earnings.

Through managing the banking book interest rate risk, the Bank can measure and manage the risk to earnings and financial position caused by interest rate unfavorable fluctuations.

a) Strategies

To reduce the negative effect of interest rate changes on of net interest revenue and economic value, the Bank adjusts positions within certain limits for better performance. It reviews the interest rate sensitivity regularly to create maximum profit and manage interest rate risk.

b) Risk measurement

Risk measurement refers to the banking book interest rate risk of assets, liabilities, and off-balance-sheet positions. The Bank periodically reports interest rate sensitivity positions and measures the impact of interest rate fluctuations on interest rate-sensitive assets and the impact of net interest revenue and economic value.

c) Risk monitoring

The asset and liability management committee examines and monitors exposure to interest rate risk on the basis of the measurement provided by the risk management sector.

If the banking book risk exposure condition exceeds the limit or target value, the risk management sector should investigate how this condition arose and notify the executive division by petition accordingly. The executive division coordinates with relevant divisions to formulate the plan and submit to president for approval then submit the plan to the asset and liability management committee after implementation.

10) Banking book equity risk management

Banking book equity risk refers to the decrease in the value of the held equity due to unfavorable effects of certain situations. The Bank established control policies related to equity instruments to make the risk within controllable range.

a) Strategies

The Bank has established comprehensive investment decision procedures, risk control measures, principles of disposal, and regular assessment of investment situation in order to raise the benefits of long-term fund management, reach the balance of profit and risk, and pursue the long-term stable investment performance.

b) Risk measurement

The Bank has set up criteria for equity securities to be selected for investment, such as time horizons, investment upper limits and credit ratings to control the risks of equity securities.

c) Risk monitoring

- i. The Bank holding an investment with specific amount of valuation loss should submit the description of the situation and the suggested plan for action, and continue the monitoring of the case.
- ii. The Bank regularly assesses the risk of the investment target, checks the extent of the concentration in industries and reports the overview of the investment portfolio to the committee on the management of assets and liabilities.

11) Impact of interest rate benchmark reform

The financial instruments of the Bank affected by interest rate benchmark reform include credit, bonds and derivatives financial assets. The type of interest rate benchmark linked to the financial instruments is mainly the London InterBank Offered Rate (LIBOR). LIBOR is a forward-looking interest rate benchmark that implies market expectations for future interest rate trend, and includes inter-bank credit discounts. The alternative reference rate of LIBOR (such as US Secured Overnight Finance Rate, SOFR) is a retrospective interest rate benchmark with actual transaction data and does not include credit discounts. Therefore, additional adjustments must be made when existing contracts are modified from LIBOR to alternative interest rate indicator to ensure that the interest rate before and after modification is economically equivalent.

The Bank has formulated a LIBOR conversion plan to deal with product business strategy adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to meet the reform of the interest rate benchmark. As of December 31, 2024, the Bank has completed the necessary adjustments to its systems and operational processes, and has revised contracts with counterparties and customers.

Interest rate benchmark reform mainly exposes the Bank to basic interest rate risk. If the Bank is unable to complete contract modification with the counterparty before the decommissioning of LIBOR, the financial instrument will cause significant uncertainty to the interest rate basis and that will trigger unexpected interest rate risk exposure. In addition, if the financial instrument for hedging purpose and the related financial instrument to be hedged are not converted to alternative interest rate benchmark at the same time, it may lead to the ineffective hedge.

12) Market risk measurement technique

Value at Risk (VaR)

The Bank uses the Risk Manager system and stress testing to measure its investment portfolio risk and uses several hypotheses about market conditions to measure market risk and expected maximum loss of holding positions. The Bank's board of directors has set a VaR limit. The VaR is controlled daily by the market risk management sector and is a widely used risk measure of the risk of loss on a specific portfolio of financial assets.

VaR is the statistical estimate of the potential loss of holding positions due to unfavorable market conditions. For the Bank, VaR refers to a fall in value of its holding position in a day, with a 99% confidence level. The Bank uses VaR and the Monte Carlo simulation method to derive quantitative measures for the market risks of the holding positions under normal conditions. The calculated result is used to test and monitor the validity of parameters and hypotheses periodically. However, the use of the VaR cannot prevent loss caused by huge unfavorable changes in market conditions.

The Bank considers the expected maximum loss, target profit, and operating strategy in setting the VaR, which is proposed by the market risk management sector and approved by the board of directors.

The Bank's trading book VaR overview.

	For the Year Ended December 31, 2024		
	Average	Maximum	Minimum
Exchange rate risk	22,601	41,984	12,822
Interest rate risk	49,230	89,837	27,470
Equity risk	8,211	32,321	484
Total VaR	55,894	100,373	35,867

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2024.01.02 - 2024.12.31.

	For the Year Ended December 31, 2023		
	Average	Maximum	Minimum
Exchange rate risk	22,427	50,007	11,551
Interest rate risk	43,579	81,270	20,810
Equity risk	8,229	16,841	3,316
Total VaR	50,898	94,964	23,951

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2023.01.03 - 2023.12.29.

Bank SinoPac (China)'s trading book VaR overview.

(In Thousands of CNY)

	For the Year Ended December 31, 2024		
	Average	Maximum	Minimum
Exchange rate risk	687	2,224	172
Interest rate risk	168	774	494
Equity risk	-	-	-
Total VaR	494	1,213	151

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2024.01.01 - 2024.12.31.

(In Thousands of CNY)

	For the Year Ended December 31, 2023		
	Average	Maximum	Minimum
Exchange rate risk	410	1,183	129
Interest rate risk	232	686	10
Equity risk	-	-	-
Total VaR	461	1,140	195

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2023.01.01 - 2023.12.31.

13) Exchange rate risks

Exchange rate risks of holding net positions in foreign currencies are shown as below:

December 31, 2024			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 16,457,710	32.79065	\$ 539,659,008
CNY	16,371,180	4.47758	73,303,268
AUD	5,020,096	20.39217	102,370,651
Nonmonetary items			
USD	39,693	32.79065	1,301,559
CNY	2,397,053	4.47758	10,732,996
<u>Financial liabilities</u>			
Monetary items			
USD	24,216,752	32.79065	794,083,039
CNY	14,828,715	4.47758	66,396,758
AUD	820,924	20.39217	16,740,422

December 31, 2023			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 15,826,009	30.75248	\$ 486,689,025
CNY	19,369,398	4.33086	83,886,151
AUD	3,735,340	21.00815	78,472,583
Nonmonetary items			
USD	58,561	30.75248	1,800,896
CNY	2,324,328	4.33086	10,066,341
<u>Financial liabilities</u>			
Monetary items			
USD	24,278,169	30.75248	746,613,907
CNY	17,991,552	4.33086	77,918,893
AUD	763,651	21.00815	16,042,895

14) Compliance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Interest rate sensitivity information (New Taiwan dollars)

December 31, 2024

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$1,503,627,018	\$ 33,388,862	\$ 122,227,506	\$ 125,085,162	\$ 1,784,328,548
Interest rate-sensitive liabilities	487,724,830	895,157,436	73,994,999	61,644,676	1,518,521,941
Interest rate-sensitive gap	1,015,902,188	(861,768,574)	48,232,507	63,440,486	265,806,607
Net worth					191,526,222
Ratio of interest rate-sensitive assets to liabilities (%)					117.50%
Ratio of interest rate-sensitive gap to net worth (%)					138.78%

December 31, 2023

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,380,324,851	\$ 36,786,628	\$ 102,089,127	\$ 124,669,281	\$ 1,643,869,887
Interest rate-sensitive liabilities	444,744,882	822,761,434	58,198,114	60,243,617	1,385,948,047
Interest rate-sensitive gap	935,579,969	(785,974,806)	43,891,013	64,425,664	257,921,840
Net worth					178,819,929
Ratio of interest rate-sensitive assets to liabilities (%)					118.61%
Ratio of interest rate-sensitive gap to net worth (%)					144.24%

Note 1: The above amounts include only New Taiwan dollars held by the Bank and exclude 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-sensitive 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).

b) Interest rate sensitivity information (U.S. dollars)

December 31, 2024

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 9,076,077	\$ 718,762	\$ 416,785	\$ 4,452,073	\$ 14,663,697
Interest rate-sensitive liabilities	11,900,648	8,880,112	829,374	883,873	22,494,007
Interest rate-sensitive gap	(2,824,571)	(8,161,350)	(412,589)	3,568,200	(7,830,310)
Net worth					(154,491)
Ratio of interest rate-sensitive assets to liabilities (%)					65.19%
Ratio of interest rate-sensitive gap to net worth (%)					5,068.46%

December 31, 2023

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 9,192,383	\$ 464,923	\$ 259,241	\$ 4,458,916	\$ 14,375,463
Interest rate-sensitive liabilities	11,500,079	8,329,098	925,336	757,842	21,512,355
Interest rate-sensitive gap	(2,307,696)	(7,864,175)	(666,095)	3,701,074	(7,136,892)
Net worth					(142,268)
Ratio of interest rate-sensitive assets to liabilities (%)					66.82%
Ratio of interest rate-sensitive gap to net worth (%)					5,016.51%

Note 1: The above amounts include only USD held by the Bank and exclude contingent assets and contingent liabilities.

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

Note 3: Interest rate-sensitive 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 USD).

15) Transfers of financial assets

The transferred financial assets of the Group that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreements. The transaction transfers the contractual rights to receive the cash flows of the financial assets, but the Group retains the liabilities to repurchase the transferred financial assets at fixed price in the future period. The Group cannot use, sell, or pledge such transferred financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investments in debt instruments at amortized cost within the validity period of the transaction. However, the Group still bears the interest rate risk and credit risk thus, the Group does not derecognize it. The analysis of financial assets and related liabilities that did not completely meet the derecognizing condition is shown in the following table:

Category of Financial Asset	December 31, 2024				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through profit or loss Transactions under repurchase agreements	\$ 1,032,155	\$ 1,023,736	\$ 1,032,155	\$ 1,023,736	\$ 8,419
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	4,638,366	4,418,662	4,638,366	4,418,662	219,704
Investments in debt instruments at amortized cost Transactions under repurchase agreements	2,108,540	1,917,742	1,976,113	1,917,742	58,371
Securities purchased under resell agreements Transactions under repurchase agreements	25,085,629	25,553,591	25,085,629	25,553,591	(467,962)

Category of Financial Asset	December 31, 2023				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	\$ 2,146,223	\$ 1,991,570	\$ 2,146,223	\$ 1,991,570	\$ 154,653
Investments in debt instruments at amortized cost Transactions under repurchase agreements	1,001,154	957,633	1,000,611	957,633	42,978
Securities purchased under resell agreements Transactions under repurchase agreements	20,727,388	21,795,201	20,727,388	21,795,201	(1,067,813)

16) Offsetting of financial assets and financial liabilities

The Group did not hold financial instruments covered by Section 42 of the IAS 32 “Financial Instruments: Presentation” endorsed by the Financial Supervisory Commission; thus, it made an offset of financial assets and liabilities and reported the net amount in the balance sheet.

The Group engages in transactions on the following financial assets and liabilities that are not subject to balance sheet offsetting based on IAS 32 but are under master netting arrangements or similar agreements. These agreements allow both the Group and its counterparties to opt for the net settlement of financial assets and financial liabilities. If one party defaults, the other one may choose net settlement.

The netting information of financial assets and financial liabilities is set out below:

December 31, 2024

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 39,009,187	\$ -	\$ 39,009,187	\$ 21,428,469	\$ 5,838,485	\$ 11,742,233
Securities purchased under resell agreements	91,614,829	-	91,614,829	91,602,778	11,291	760
	<u>\$ 130,624,016</u>	<u>\$ -</u>	<u>\$ 130,624,016</u>	<u>\$ 113,031,247</u>	<u>\$ 5,849,776</u>	<u>\$ 11,742,993</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 34,797,790	\$ -	\$ 34,797,790	\$ 21,428,469	\$ 8,627,210	\$ 4,742,111
Securities sold under repurchase agreements	32,913,731	-	32,913,731	32,849,866	58,482	5,383
	<u>\$ 67,711,521</u>	<u>\$ -</u>	<u>\$ 67,711,521</u>	<u>\$ 54,278,335</u>	<u>\$ 8,685,692</u>	<u>\$ 4,747,494</u>

Note: Including netting settlement agreements and non-cash financial collaterals.

December 31, 2023

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 34,061,255	\$ -	\$ 34,061,255	\$ 18,901,365	\$ 5,007,622	\$ 10,152,268
Securities purchased under resell agreements	66,804,814	-	66,804,814	66,793,010	-	11,804
	<u>\$ 100,866,069</u>	<u>\$ -</u>	<u>\$ 100,866,069</u>	<u>\$ 85,694,375</u>	<u>\$ 5,007,622</u>	<u>\$ 10,164,072</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 39,953,077	\$ -	\$ 39,953,077	\$ 18,901,365	\$ 7,114,337	\$ 13,937,375
Securities sold under repurchase agreements	26,173,587	-	26,173,587	26,169,014	4,573	-
	<u>\$ 66,126,664</u>	<u>\$ -</u>	<u>\$ 66,126,664</u>	<u>\$ 45,070,379</u>	<u>\$ 7,118,910</u>	<u>\$ 13,937,375</u>

Note: Including netting settlement agreements and non-cash financial collaterals.

45. CAPITAL MANAGEMENT

a. Overview

The Group's capital management goals are as follows:

As a basic target, the Group's eligible capital should be sufficient to meet their operation need, and higher than minimum requirements of the capital adequacy ratio. Eligible capital and legal capital are calculated under the regulations announced by the authority.

The Group should have adequacy capital to bear the risks, measure capital demand according to risk combination and risk characteristics, fulfill the optimization of resource and capital allocation by risk management.

b. Capital management procedure

The Group's capital adequacy ratio should meet the regulations announced by the authority. Also, the Group should maintain capital adequacy ratio by considering the Group's business scale, major operating strategy, risk condition, eligible capital structure, and future capital increase plan, etc. The Group reported to the authority regularly. Overseas subsidiaries' capital management is in accordance with local regulations.

The Group's capital maintenance is in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", etc., and is managed by the Group's risk management and financing divisions.

c. Statement of capital adequacy

Analysis Items			Year	December 31, 2024		December 31, 2023	
				Standalone	Consolidation	Standalone	Consolidation
Eligible capital	Common stock equity		\$ 176,211,070	\$ 176,070,163	\$ 162,540,791	\$ 162,423,235	
	Other Tier 1 capital		25,500,000	25,500,000	25,500,000	25,500,000	
	Tier 2 capital		36,818,929	37,442,539	37,328,584	37,843,929	
	Eligible capital		238,529,999	239,012,702	225,369,375	225,767,164	
Risk-weighted assets	Credit risk	Standardized approach	1,442,132,087	1,492,020,912	1,271,881,587	1,313,109,210	
		Internal rating - based approach	-	-	-	-	
		Securitization	-	-	-	-	
	Operational risk	Basic indicator approach	102,322,547	104,453,795	88,870,463	91,062,950	
		Standardized approach/ alternative standardized approach	-	-	-	-	
		Advanced measurement approach	-	-	-	-	
	Market risk	Standardized approach	36,209,435	47,298,335	35,707,933	42,526,215	
		Internal model approach	-	-	-	-	
	Total risk-weighted assets		1,580,664,069	1,643,773,042	1,396,459,983	1,446,698,375	
Capital adequacy ratio			15.09%	14.54%	16.14%	15.61%	
Common stock equity risk - based capital ratio			11.15%	10.71%	11.64%	11.23%	
Tier 1 risk - based capital ratio			12.76%	12.26%	13.47%	12.99%	
Leverage ratio			7.07%	6.80%	7.20%	7.00%	

Note 1: These tables were filled according to "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: The Bank shall disclose the capital adequacy ratio for the current and previous years in annual financial reports. For semiannual financial report, the Bank shall disclose the capital adequacy ratio for the current period, previous period, and previous year-end.

Note 3: The formula is as follows:

- 1) Eligible capital = Common stock equity + Other Tier 1 capital + Tier 2 capital.
- 2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.
- 3) Ratio of capital adequacy = Eligible capital ÷ Total risk-weighted assets.
- 4) Common stock equity risk-based capital ratio = Common stock equity ÷ Total risk-weighted assets.
- 5) Tier 1 risk - based capital ratio = (Common stock equity + Other Tier 1 capital) ÷ Total risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Total exposure risk.

Note 4: In accordance with Financial Supervisory Commission Guideline No. 09900146911, gains from the sale of idle assets are not to be included in the Bank's capital adequacy ratio calculation until disposed outside the Group.

46. CROSS-SELLING INFORMATION

The Bank charged SinoPac Securities for \$11,210 and \$8,305, respectively, for the years ended December 31, 2024 and 2023 for bonus as opening accounts as part of the cross-selling agreement.

The Bank paid to SinoPac Securities \$5,526 and \$5,554, respectively, for the years ended December 31, 2024 and 2023 for bonus as part of the cross-selling agreement.

The Bank charged SinoPac Leasing for \$71 and \$87, respectively, for the years ended December 31, 2024 and 2023 for bonus as part of the cross-selling agreement.

For other transactions between SPH and its subsidiaries, please refer to Note 40 and Table 3.

47. PROFITABILITY

Items		December 31, 2024	December 31, 2023
Return on total assets	Before income tax	0.80%	0.78%
	After income tax	0.66%	0.65%
Return on net worth	Before income tax	11.90%	12.43%
	After income tax	9.73%	10.34%
Profit margin		37.83%	39.78%

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

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

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

Note 4: Income before (after) income tax represents income for the years ended December 31, 2024 and 2023.

48. TRUST BUSINESS UNDER THE TRUST LAW

a. Balance sheets, income statement and trust properties of trust accounts

These statements were managed by the Bank's Trust Division. However, these items were not included in the Bank's financial statements.

Balance Sheets of Trust Accounts December 31, 2024 and 2023

	December 31			
	2024	%	2023	%
<u>Trust assets</u>				
Bank deposits	\$ 14,499,908	1	\$ 8,599,781	1
Bonds	48,326,159	4	30,141,574	3
Stocks	25,875,883	2	23,653,692	2
Funds	136,358,655	12	129,109,670	13
Securities lent	816,399	-	929,732	-
Receivables	516,420	-	317,985	-
Prepayments	15,327	-	20,050	-
Real estate				
Land	34,175,283	3	28,322,861	3
Buildings	168,719	-	136,081	-
Construction in progress	23,296,735	2	15,775,762	2
Securities under custody	<u>896,448,055</u>	<u>76</u>	<u>744,414,586</u>	<u>76</u>
Total trust assets	<u>\$ 1,180,497,543</u>	<u>100</u>	<u>\$ 981,421,774</u>	<u>100</u>
<u>Trust liabilities</u>				
Payables	\$ 4,334	-	\$ 2,200	-
Payable on securities under custody	896,448,055	76	744,414,586	76
Trust capital	281,535,120	24	234,786,930	24
Reserves and cumulative earnings				
Net income	1,125,905	-	859,461	-
Cumulative earnings	2,218,058	-	2,615,209	-
Deferred amount	(826,916)	-	(1,256,612)	-
Appropriations	<u>(7,013)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total trust liabilities	<u>\$ 1,180,497,543</u>	<u>100</u>	<u>\$ 981,421,774</u>	<u>100</u>

Note: As of December 31, 2024 and 2023, the Bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to \$5,209,234 and \$5,139,837, respectively. As of December 31, 2024 and 2023, the Bank's Offshore Banking Unit invested in domestic securities under specific purpose trust accounts amounting to \$1,092,534 and \$974,322, respectively.

Income Statements of Trust Account
Years Ended December 31, 2024 and 2023

	Years Ended December 31			
	2024	%	2023	%
Trust income				
Interest income	\$ 82,308	6	\$ 51,413	3
Borrowed securities income	16,381	1	22,528	1
Cash dividends	1,015,652	71	1,398,086	75
Gains from beneficial certificates	38,505	3	45,045	2
Realized investment income	118,258	8	150,309	8
Unrealized investment income	141,111	10	180,593	10
Charitable trust - donation revenue	21,143	1	19,510	1
Other revenue	<u>5,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total trust income	<u>1,439,278</u>	<u>100</u>	<u>1,867,484</u>	<u>100</u>
Trust expense				
Trust administrative expenses	13,396	1	10,809	1
Tax expenses	81	-	80	-
Interest expense	18	-	-	-
Charitable trust - donation expense	8,201	1	9,959	1
Realized investment loss	99,799	7	5,517	-
Unrealized investment loss	190,885	13	980,847	52
Other expense	<u>2,099</u>	<u>-</u>	<u>811</u>	<u>-</u>
Total trust expense	<u>314,479</u>	<u>22</u>	<u>1,008,023</u>	<u>54</u>
Income before income tax	1,124,799	78	859,461	46
Income equalization or for the period	1,106	-	-	-
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income after income tax	<u>\$ 1,125,905</u>	<u>78</u>	<u>\$ 859,461</u>	<u>46</u>

Trust Properties of Trust Accounts
December 31, 2024 and 2023

Investment Portfolio	December 31	
	2024	2023
Bank deposits	\$ 14,499,908	\$ 8,599,781
Bonds	48,326,159	30,141,574
Stocks	25,875,883	23,653,692
Funds	136,358,655	129,109,670
Securities lent	816,399	929,732
Real estate		
Land	34,175,283	28,322,861
Buildings	168,719	136,081
Construction in progress	23,296,735	15,775,762
Securities under custody	<u>896,448,055</u>	<u>744,414,586</u>
Total	<u>\$ 1,179,965,796</u>	<u>\$ 981,083,739</u>

- b. The operations of the Bank's Trust Division consist of planning, managing and operating of trust business and affiliated business. These operations are governed by the Banking Law and the Trust Law.

49. OTHERS

On May 4, 2024, the Bank's board of directors, on behalf of the shareholders' meeting, resolved to acquire 100% ownership in the Cambodian micro-financial institution, AMRET PLC., hereinafter referred to as AMRET, in order to expand its presence in Southeast Asia. The acquisition was approved by the FSC and the Ministry of Economic Affairs in June and November 2024, respectively. On January 14, 2025, the Bank obtained approval from authorities of Cambodia for the transfer registration of ownership of 80.008% at a consideration of US\$428.55 million. Meanwhile, the Bank has control-in-substance over AMRET and included it as a consolidated entity.

50. ADDITIONAL DISCLOSURES

a. Relevant information of material transaction:

No.	Item	Explanation
1	Acquired and disposed of investment at costs or prices of at least NT\$300 million or 10% of the issued capital	None
2	Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the issued capital	None
3	Disposal of individual real estates at prices of at least NT\$300 million or 10% of the issued capital	None
4	Allowance for service fee to related parties amounting to at least NT\$5 million	None
5	Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital	Table 1
6	Trading information - sale of non-performing loans	None
7	Financial asset securitization	None
8	Related parties transaction	Table 2
9	Other significant transactions which may affect the decisions of financial report users	None

b. Information related to subsidiary:

No.	Item	Explanation
1	Financing provided	None (Note)
2	Endorsements/guarantees provided	None (Note)
3	Marketable securities held	None (Note)
4	Acquisition and disposal of marketable securities at costs or prices of at least NT\$300 million or 10% of the issued capital	None (Note)
5	Derivative transactions	Note 8

Note: Subsidiaries which belong to financial, insurance, securities industries and its main business registration include financing provided, endorsements/guarantees provided, acquisition and disposal of marketable securities do not need to disclose above information.

c. The related information and proportionate share in investees: Table 3.

d. Information on incorporate branches and investment in Mainland China: Table 4.

e. Information of major shareholders: Due to The Bank is not listed on the Exchange and OTC Banking, not required for disclosure.

51. OPERATING SEGMENT INFORMATION

Based on chief decision maker's resource allocation and department performance review, the Bank has divided the business segments based on the services and products provided, excluding subsidiary accounted under the equity method.

The accounting standards and policies apply to all the business segments in accordance with IFRS 8 "Operating Segments". The Bank's operating segments for the years ended December 31, 2024 and 2023 are without change. The Bank reports the following:

Domestic channels: Provide services and products through 124 branches (include Banking Division of the Head Office) and Corporate Financial Business Center.

Financial transaction: Provide investment and bonds transaction services through financial operation units.

Overseas branches: Provide services and products for overseas customers through overseas branches.

Other business segments: Include retail finance (formerly was consumer finance and automobile loan), SinoPac Insurance Brokers - the Bank's subsidiary and Bank SinoPac (China) Ltd. - the Bank's subsidiary were not identified to disclose as individual segments.

The Group's reporting segments revenue and operating result are shown in the following table.

Segment revenues and results

(In Thousands of New Taiwan Dollars)

		For the Year Ended December 31, 2024						
		Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest revenue	\$ 23,414,375	\$ (873,566)	\$ 4,021,042	\$ 1,731,610	\$ 28,293,461	\$ (4,298,141)	\$ 23,995,320
	Interest income	37,871,175	(2,175)	16,594,452	4,953,087	59,416,539	18,641,205	78,057,744
	Revenue amount segments	24,054,497	1,246,670	(5,513,175)	(887,666)	18,900,326	(18,900,326)	-
	Interest expenses	(38,511,297)	(2,118,061)	(7,060,235)	(2,333,811)	(50,023,404)	(4,039,020)	(54,062,424)
	Service fee and commissions income, net	10,741,329	(76,939)	1,051,046	792,464	12,507,900	(3,315,342)	9,192,558
	Others	703,577	3,310,673	835,214	1,526,478	6,375,942	6,477,831	12,853,773
	Net revenue	34,859,281	2,360,168	5,907,302	4,050,552	47,177,303	(1,135,652)	46,041,651
	Provisions for bad debts expense, commitments and guarantee liabilities	(2,279,906)	-	(676,231)	(969,286)	(3,925,423)	216,295	(3,709,128)
	Operating expenses	(16,792,069)	(559,117)	(2,057,540)	(2,822,297)	(22,231,023)	1,190,573	(21,040,450)
	Profit from continuing operations before tax	15,787,306	1,801,051	3,173,531	258,969	21,020,857	271,216	21,292,073
	Income tax expense	(2,856,344)	(325,733)	(572,192)	(73,828)	(3,828,097)	(47,471)	(3,875,568)
	Net income	12,930,962	1,475,318	2,601,339	185,141	17,192,760	223,745	17,416,505

Area segment

	For the Year Ended December 31, 2024			
	Taiwan	America	Asia	Total
Net revenue	\$ 37,237,921	\$ 1,507,174	\$ 7,296,556	\$ 46,041,651

Segment revenues and results

(In Thousands of New Taiwan Dollars)

		For the Year Ended December 31, 2023						
		Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest revenue	\$ 21,723,517	\$ (573,147)	\$ 3,658,577	\$ 1,456,402	\$ 26,265,349	\$ (3,435,764)	\$ 22,829,585
	Interest income	32,986,210	64,886	14,095,060	4,558,102	51,704,258	19,147,222	70,851,480
	Revenue amount segments	24,176,877	1,086,983	(4,569,635)	(701,237)	19,992,988	(19,992,988)	-
	Interest expenses	(35,439,570)	(1,725,016)	(5,866,848)	(2,400,463)	(45,431,897)	(2,589,998)	(48,021,895)
	Service fee and commissions income, net	7,983,922	(59,343)	809,472	819,034	9,553,085	(2,593,398)	6,959,687
	Others	686,389	2,006,690	591,773	1,136,315	4,421,167	6,173,531	10,594,698
	Net revenue	30,393,828	1,374,200	5,059,822	3,411,751	40,239,601	144,369	40,383,970
	Provisions for bad debts expense, commitments and guarantee liabilities	(904,102)	-	(907,240)	(434,328)	(2,245,670)	245,923	(1,999,747)
	Operating expenses	(13,812,124)	(439,630)	(1,755,514)	(2,616,566)	(18,623,834)	(444,974)	(19,068,808)
	Profit from continuing operations before tax	15,677,602	934,570	2,397,068	360,857	19,370,097	(54,682)	19,315,415
	Income tax expense	(2,600,974)	(155,049)	(397,584)	(79,652)	(3,233,259)	(16,653)	(3,249,912)
	Net income	13,076,628	779,521	1,999,484	281,205	16,136,838	(71,335)	16,065,503

Area segment

	For the Year Ended December 31, 2023			
	Taiwan	America	Asia	Total
Net revenue	\$ 32,747,210	\$ 1,359,925	\$ 6,276,835	\$ 40,383,970

TABLE 1

BANK SINOPAC AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	\$ 1,055,040 (Note)	-	\$ -	-	\$ -	\$ -

Note: Most of receivables resulted from the use of the linked-tax system (recognized in current income tax assets) and related parties.

BANK SINOPAC AND SUBSIDIARIES

RELATED PARTIES TRANSACTION
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statements Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (%) (Note 3)
0	Bank SinoPac	Bank SinoPac (China) Ltd.	a	Cash and cash equivalents, net	\$ 1,380	Note 4	-
		Bank SinoPac (China) Ltd.	a	Receivables, net	100,592	Note 4	-
		Bank SinoPac (China) Ltd.	a	Deposits from the Central Bank and banks	8,831	Note 4	-
		SinoPac Insurance Brokers Ltd.	a	Deposits and remittances	79,505	Note 4	-
1	Bank SinoPac (China) Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	8,831	Note 4	-
		Bank SinoPac	b	Deposits from the Central Bank and banks	1,380	Note 4	-
		Bank SinoPac	b	Payables	100,592	Note 4	-
2	SinoPac Insurance Brokers Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	11,935	Note 4	-
		Bank SinoPac	b	Other financial assets, net	67,570	Note 4	-

Note 1: Transactions between parent company and subsidiaries should be distinguished as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered in sequence from 1.

Note 2: Types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Types of transactions with related parties classified as category a, in the trading relationship and material intercompany transactions between parent company and subsidiaries above, are iXBRL reporting items which are based on the Taiwan Stock Exchange letter (Ref. No. 1030005380).

Note 3: In the computation of percentage of consolidated revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be the balance dividing the consolidated assets if the amount is the amount of income or expense, the accounts percentage will be the amount dividing by the consolidated revenues in the same period.

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

TABLE 3

BANK SINOPAC AND SUBSIDIARIES

**INFORMATION ON INVESTED ENTERPRISES
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars or Thousands Shares)**

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Gains (Losses)	Consolidated Investment				Note
						Shares	Imitated Shares	Total		
								Shares	Percentage of Ownership (%)	
<u>Financial related enterprise</u> Bank SinoPac (China) Ltd.	China	Commercial Bank	100.00	\$ 10,733,123	\$ 228,783	-	-	-	100.00	Subsidiary and Note 1
SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance brokerage business	100.00	78,238	(6,916)	100	-	100	100.00	Subsidiary and Note 1
Taipei Foreign Exchange Inc.	Taiwan	Foreign exchange market maker	3.43	32,830	5,848	680	-	680	3.43	Note 2
Taiwan Futures Exchange	Taiwan	Futures exchange and settlement	1.07	513,123	11,433	12,967	-	12,967	2.08	Note 2
Fuh Hwa Securities Investment Trust Co., Ltd.	Taiwan	Securities investment trust and consultant	4.63	245,783	41,691	2,779	-	2,779	4.63	Note 2
Financial Information Service Co., Ltd.	Taiwan	Planning and developing the information system of across banking institution and managing the information web system	2.48	397,090	35,548	16,805	-	16,805	2.48	Note 2
Taiwan Asset Management Corporation	Taiwan	Evaluating, auctioning, and managing for financial institutions' loan	0.28	18,600	2,400	3,000	-	3,000	0.28	Note 2
Taiwan Financial Asset Service Co.	Taiwan	Auction	5.88	51,100	2,000	10,000	-	10,000	5.88	Note 2
Sunny Asset Management Corp.	Taiwan	Purchasing for financial institutions' loan assets	1.42	554	129	85	-	85	1.42	Note 2
Taiwan Depository and Clearing Co.	Taiwan	Computerizing book-entry operation for securities	0.08	60,189	1,574	7,161	-	7,161	0.92	Note 2
Taiwan Mobile Payment Corporation	Taiwan	Promoting E-commerce and developing E-billing	1.00	2,346	-	600	-	600	1.00	Note 2
<u>Nonfinancial related enterprise</u> Taiwan Television Enterprise, Ltd.	Taiwan	Wireless television company	4.84	141,699	3,393	13,680	-	13,680	4.88	Note 2
Victor Taichung Machinery Works Co., Ltd.	Taiwan	Manufacturer and seller of tool machine, plastic machine and other precise equipment	0.08	3,911	16	0.16	-	0.16	0.08	Note 2

Note 1: Foreign-currency amounts were translated at the exchange rate on the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2024.

Note 2: Investment gains are dividend income.

Note 3: Above shares are in thousands of shares.

TABLE 4

BANK SINOPAC AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2024	Net income (Loss) of Investee (Notes 2 and 3)	Percentage of Ownership (%)	Equity in the Earnings (Losses) (Notes 2 and 3)	Carrying Value (Notes 2 and 3)	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
Bank SinoPac (China) Ltd.	Commercial Bank	\$ 10,619,937	a	\$ 10,619,937	\$ -	\$ -	\$ 10,619,937	\$ 229,602	100	\$ 228,783	\$ 10,733,123	\$ -

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$10,619,937 (US\$323,871)	\$10,619,937 (US\$323,871)	\$111,049,615

Note 1: The three ways of investment in this form are shown as below:

- a. Investment in Mainland China directly.
- b. Reinvests in the Mainland through third-country companies.
- c. Others.

Note 2: Net income of investee, equity in the earnings and carrying value for the year ended December 31, 2024 have been audited by independent certified public accountants.

Note 3: Foreign currencies are translated to New Taiwan dollars with current rate of the date of balance sheet, only the gains or losses investments are translated with current year average rate.