

STOCK CODE 2809



# KING'S TOWN BANK

**ANNUAL  
REPORT**

**2023**

## **KTB's Annual Report Info.**

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## Chapter 1 Letters to Shareholders

In 2023, the global macroeconomic environment was overshadowed by high interest rates and inflation, leading to sluggish demand for end products, ongoing adjustments in industrial inventory, and a slowdown in economic growth momentum, consequently impacting Taiwan's export performance and orders. Despite continuous external challenges, domestic industries such as catering services, tourism retail, and transportation have experienced significant expansion post-pandemic, making the domestic demand service sector the primary driver of economic growth in Taiwan in 2023. Looking forward to 2024, Taiwan's export trade momentum is expected to revive as the Federal Reserve (Fed) temporarily pauses interest rate hikes, inflation stabilizes, and industrial inventory adjustments conclude. Furthermore, with the conclusion of the presidential election and the continuation of important policies alongside the elimination of political uncertainty, this should have a positive impact on domestic consumer spending and investment in Taiwan. However, in 2024, many countries are preparing for significant elections, as the global landscape grapples with mounting geopolitical tensions. Meanwhile, the potential for substantial changes in monetary policies by key central banks is set to shape the trajectory of global economic growth.

Having overcome the challenges of 2022, in 2023, the Bank stayed committed to our core business and values. With the backing of our customers, shareholders, and the dedication of our entire staff, we have met the expectations of all stakeholders. Looking ahead, we are dedicated to maintaining a robust financial structure and excellent asset quality, while embracing the ethos of sustainable business practices, to deliver increasingly convenient and secure financial services. The Bank's 2023 business performance and 2024 business plans are described as follows:

### I. 2023 Business Result

#### (I) Financial environment of Taiwan and abroad in 2023 and alterations in the Bank's organization

##### 1. Financial environment of Taiwan and abroad in 2023

The global economic situation in 2023 will continue to be affected by geopolitical risks and factors such as monetary policy, leading to a more severe downward trend in the economy. Based on observations of major countries, the United States and the Eurozone have been continuously affected by factors such as inflation, interest rates and debt. The economic performance in 2023 has remained under considerable amount of pressure. In contrast to major countries in Europe and America, which have raised interest rates to curb inflation, mainland China has adopted a easing monetary policy in response to the financial and real estate crises and uncertain economic outlook. Overall, the global economic recovery is expected to be relatively weak in 2023, with uneven economic performance across regions. The International Monetary Fund (IMF) forecasts global economic growth of 3.0% in 2023, down from 3.5% in the previous year.

In 2023, in the domestic economy, in terms of the domestic demand market, the people of the country have returned to the normal pre-pandemic lifestyle, and the momentum of private consumption continues. Especially in the areas of dining, leisure and entertainment, domestic and international tourism activities are thriving, as well as the booming retail industry. On the export side, nonetheless, they have been affected by insufficient end demand, inventory reduction and the sluggish Chinese economy, resulting in a decline in exports. In the financial market, during the latter half of 2023, the Fed momentarily tapered its interest rate increases. This prompted an inflow of international funds into emerging market stocks and the foreign exchange market. The Taiwan Weighted Index reaped the rewards of this surge in funds, posting a full-year increase of 26.8%,

securing the second position in Asia. Simultaneously, it bolstered domestic consumer confidence. In terms of interest rates, the domestic inflation situation is relatively mild compared to the United States, Europe and other Asia-Pacific regions. The central bank raised interest rates by only half a percentage point in March and has kept them unchanged since then. Domestic interest rates have also stabilized. In 2023, the overall domestic economy in Taiwan, amidst sluggish exports, was primarily driven by private consumption. According to the February estimate by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan's economic growth rate in 2023 is projected to be 1.31%, potentially reaching a 14-year record low.

Looking ahead to 2024, escalating geopolitical risks, a persistently high interest rate environment, and an uncertain outlook for the Chinese economy have added significant uncertainty to global growth. Even so, the United States and other major developing economies have also demonstrated their resilience. It is expected that the global economy has the opportunity to experience a "soft landing" under easing inflationary pressures and stable economic growth, with the IMF forecasting global economic growth of 3.1% in 2024. On the domestic front, Taiwan's export momentum is expected to rebound, benefiting from the global recovery in consumer demand for end products and the expansion of emerging technologies such as artificial intelligence and high-performance computing. In addition, improvements in the labor market and wage increases, coupled with a continued surge in domestic tourism, are expected to sustain consumer momentum, with a projected economic growth rate of 3.43% in 2024.

## 2. Changes in the Bank's organization

The "Customer Service & Operations Department" was newly established to optimize operational processes on November 1, 2023. It is responsible for handling bank-wide bill exchange, clearing and settling Taiwan dollar remittances, planning and answering customer telephone services, and reviewing and optimizing bank-wide operational processes. In order to enhance the implementation of our bank's principle of fair treatment of customers and to ensure the execution of financial consumer protection, the Board of Directors approved the establishment of the "Fair Treatment and Friendly Service Promotion Committee" on February 26, 2024, responsible for promoting matters related to the Bank's principle of fair treatment of customers.

## (II) Operational planning and implementation results of management strategies

Item	2023	2022
Average deposit balance on NT Dollar accounts	260.003 billion	234.072 billion
Average deposit balance on foreign currency Accounts	31.435 billion	30.748 billion
Average loans balance	242.835 billion	224.109 billion
Financial management fee income	0.275 billion	0.288 billion
Non-performing loans ratio(consolidated)	0.02%	0.02%
Coverage ratio(consolidated)	7,571.27%	8,870.25%
BIS ratio (consolidated)	16.58%	14.05%
Tier-1 ratio (consolidated)	15.43%	12.92%

## (III) 2023 Budget implementation

Item	Actual amount	Budget amount	Achievement rate
Average deposit balance on NT Dollar accounts	260.003 billion	257.762 billion	100.87%
Average deposit balance on foreign currency Accounts	31.435 billion	29.570 billion	106.31%
Average loans balance	242.835 billion	242.609 billion	100.09%

## (IV) Analysis of Financial Income and Expenditure and Profitability (the following figures are based on consolidated financial statements)

Net profit before tax	Net income	Earnings per share after tax	Net profit rate (after tax)	Return on assets (after tax)	Return on Equity (ROE) (after tax)
7.359 billion	6.207 billion	5.59	62.25%	1.62%	13.42%

## (V) Research and development review

In response to the daily changes in the macroeconomy, financial situations, laws and regulations and ESG relevant information, the Bank has set up a designated department responsible for data collection and market analysis to understand the impact on the business and development of the Bank, and the research results are sent to all staff for sharing and reference. In addition, the Bank encourages the staff to strengthen business innovation and research, and take the initiative to propose various improvement plans to meet market development and customer needs.

**II. 2024 Summary of the business plan**

## (I) Operating strategies and important operating policies

1. Adjusting business structure to establish a cornerstone for profitability.
2. Valuing talent development to co-create a sustainable enterprise.
3. Implementing legal compliance to strengthen risk management.
4. Enhancing cybersecurity to optimize financial services.
5. Strengthening fair treatment of customers to ensure their rights and interests.

## (II) Expected business objectives

the Bank's anticipated operating targets for 2024 are as follows:

Average deposit balance on NT Dollar accounts	Average deposit balance on foreign currency Accounts	Average loans balance
264.353 billion	33.517 billion	246.239 billion

**III. Future development strategies**

- (I) Ongoing evaluation of business structure to identify high-return business areas for development focus and improve operational efficiency.
- (II) To stay ahead of market trends, we offer unique financial products and services to build customer trust and loyalty.
- (III) Strengthen the framework for cooperation with affiliates, diversify business expansion, and leverage group synergies.
- (IV) Train various talents, activate organizational energy, enhance employee welfare and accumulate human capital.

- (V) We fulfill our social responsibility by implementing environmentally friendly business processes and strive for sustainable development.

**IV. Impacts of the external competitive environment, regulatory environment, and the overall business environment**

(I) External competitive environment

With the advent of financial digitization, customers can now complete all financial transactions with just a few taps on their mobile phones or through online operations, reducing the need for in-person counter services. As the post-pandemic era begins, people's lives gradually return to normal. Banks are not slowing down in their use of new technologies, continuous innovation in finance, and providing more convenient services to customers. Under the active encouragement of the government and driven by the pandemic environment, most domestic banks have undergone digital transformation. The public's acceptance of digital financial services is increasing, reflecting the financial industry's shift toward digitalization. As a result, the reluctance of state-owned banks to establish branches has decreased over the years. In 2023, the Financial Supervisory Commission (FSC) approved the establishment of only one branch by a bank, the lowest number in the past five years. For the foreseeable future, artificial intelligence, big data and other emerging technologies will be at the heart of the Bank's digital development in the coming years.

(II) Laws & regulations

To promote the cultivation of an ethical corporate management culture within the Banking industry, and to establish a corporate governance framework based on responsibility, the Financial Supervisory Commission (FSC) entrusted the Bankers Association to deliberate on the "Introduction of Responsible Map System and Self-regulatory Norms for the Banking Industry," as well as a set of questions and answers. Banks should refer to this self-regulatory norm to establish internal operational regulations, implement a responsible map system, and include it as an internal audit item to strengthen internal control systems. Banks are required to complete related tasks no later than the end of December, 2024, and the system will be implemented starting from January 1, 2025. In accordance with this self-discipline regulation, the Bank plans to first review the relevant implementation issues, then convene a cross-departmental meeting to discuss the implementation details, and ensure the completion of relevant tasks by the end of 2024 to implement corporate governance regulations.

(III) Macroeconomy

In 2023, Taiwan's overall economy and corporate growth have been somewhat sluggish due to the impact of weak exports and a high interest rate environment, which has also affected lending momentum. However, under the recovery of domestic demand industries, the gradual pace of interest rate hikes by major central banks, the temporary easing of high inflationary pressures, and the active performance of stock and bond markets, the overall financial industry has shown better performance compared to 2022. According to the February announcement by Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the estimated economic growth rate for the full year of 2023 is 1.31%. Looking ahead to 2024, with the successful adjustment of semiconductor inventory and the growth of emerging technologies such as AI products, export momentum is expected to recover. The estimated economic growth rate for 2024 is 3.43%.



**V. The latest credit rating results**

Date of credit rating	Credit rating agency	Domestic			International		
		Long-term credit ratings	Short-term credit ratings	Rating outlook	Long-term credit ratings	Short-term credit ratings	Rating outlook
2024.03.22	Fitch Ratings Co., Ltd.	A+ ( twn )	F1 ( twn )	Stability	BBB	F3	Stability

**VI. Conclusion**

In the face of a volatile political and economic environment, the Bank holds the firm belief that challenges are not hurdles but stepping stones toward progress. We are dedicated to ongoing learning and adjustment to adeptly respond to the changing risks and opportunities. Looking ahead to 2024, the Bank will uphold the principles of sustainable operation, striving to maintain a robust financial structure and excellent asset quality, aiming to maximize profits and value for all shareholders. With a commitment to "fair treatment of customers and friendly service," we will continue to provide the best financial services to our customers, aiming to create a unique banking experience.

Sincerely, Chairman Chen-Chih Tai



## Chapter 2 Bank Introduction

### I. Establishment date of the Bank

November 1, 1948

### II. Bank history

Date	Milestones
November 1, 1948	Tainan Union Savings Company with a capital of \$20 million in Old Taiwan Dollar.
January 1, 1978	Authorized to be reorganized as "Tainan SME Bank"
July 20, 1983	Listed on the Taiwan Stock Exchange with a stock code "2809."
March 14, 2000	The International Banking Department was established.
May 17, 2002	Invested in and organized the subsidiaries "Tainan Life Insurance Agent Co., Ltd." and "Fucheng Property Insurance Agent Co., Ltd."
July 24, 2002	Founded Offshore Banking Branch (OBU).
August 15, 2005	Processed capital increase of NT\$3.6 billion in cash.
May 3, 2006	Renamed as "King's Town Bank."
March 28, 2011	In order to refine the corporate governance and strengthen the professional functions of the Board of Directors, an "Audit Committee" was set up with the participation of all the independent directors of the Company; also, the supervisor system was abolished thereafter.
September 26, 2011	In order to refine the salary and remuneration system of the directors and managers of the Company, a "Compensation Committee" was set up.
January 22, 2015	Invested in and established the subsidiary "King's Town International Leasing Co., Ltd."
December 7, 2016	Subsidiary "King's Town International Real Estate Management Co., Ltd." was established by King's Town Bank International Leasing Co., Ltd. through 100% investment.
November 13, 2017	In order to refine the nomination system for members of the Board of Directors and senior managers of the Company, a "Corporate Governance and Nomination Committee" was established.
June 3, 2019	In order to integrate resources and improve operating efficiency, "Tainan Life Insurance Agent Co., Ltd." and "Fucheng Property Insurance Agent Co., Ltd." were merged into the Bank on June 3, 2019 with the business handled by the Bank's "Banking and Insurance Department" continuously.
January 5, 2021	Wan Tai Securities Co, Ltd. was acquired and became a 100%-owned subsidiary of the Bank.
September 7, 2021	the Bank's subsidiary, Wan Tai Securities Co., Ltd. was officially renamed as "King's Town Securities Co, Ltd."

### III. The bank mergers and acquisitions, reinvested affiliated companies, and reorganizations in 2023 and as of the end of January 2024 are as follows:

Currently, the Bank's invested companies include the subsidiaries "King's Town International Leasing Co., Ltd." and "King's Town Securities Co, Ltd." with 100% shareholding acquired and the sub-subsidiary "King's Town International Construction Management Co., Ltd." that was invested by King's Town International Leasing Co., Ltd. with 100% shareholdings acquired.

### IV. Form an affiliation with a particular financial holding company and the time starts forming an affiliation with the holding company: None

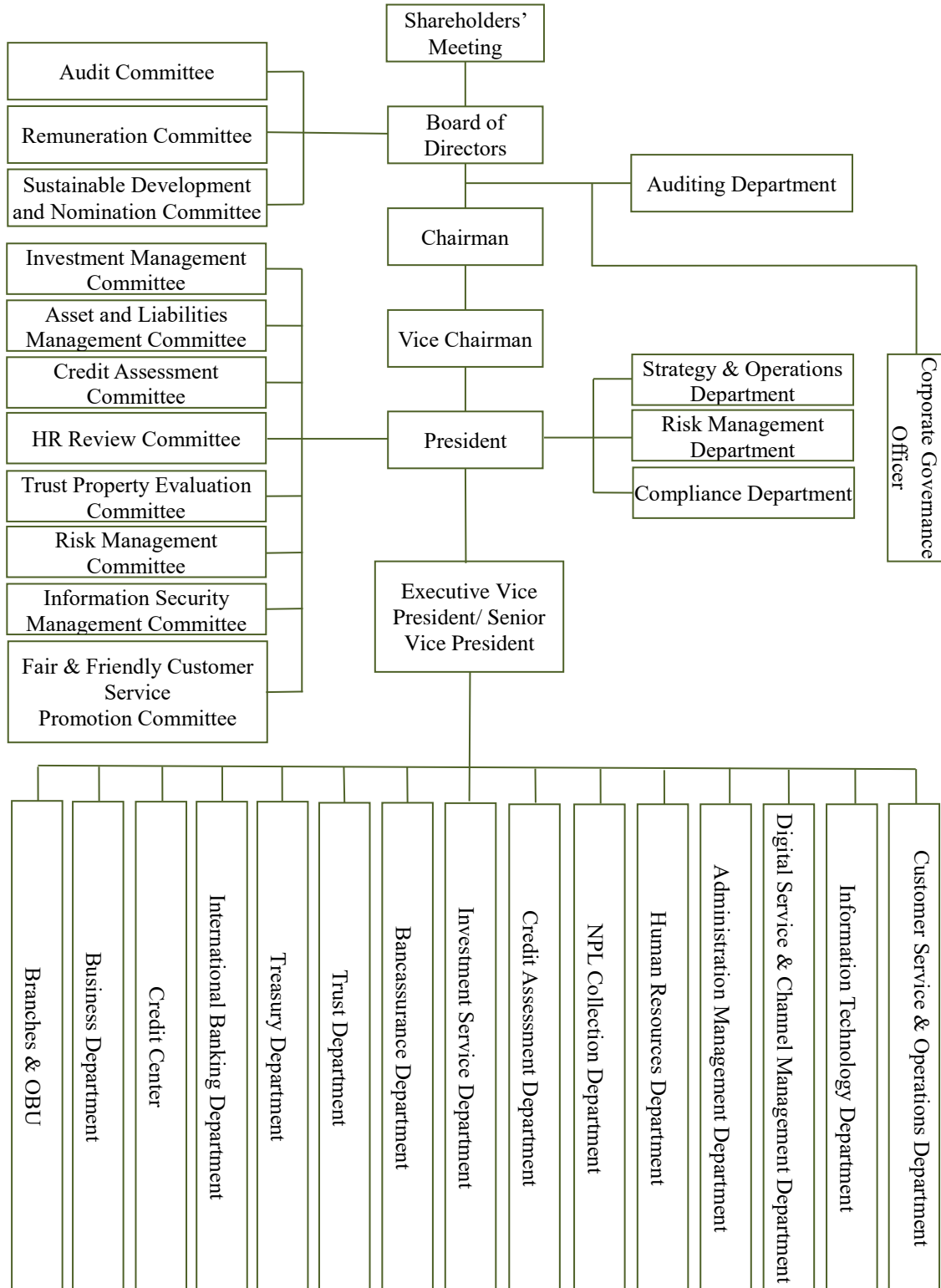
### V. A substantial transfer or replacement of the equity by directors, independent directors, and those who are required to declare equity in accordance with Article 25, Paragraph 3 of the Banking Act in 2023 and as of the end of January 2024: None

### VI. Changes in operating rights, major changes in operating methods or business operation, and other important matters sufficient to affect shareholders' equity that also impact on banks consequently: None

## Chapter 3 Corporate Governance Report

### I. Organization

(I) Organization chart (Base date: 2024.02.26)



(II) Major departments functions

1. Auditing Department: Responsible for the planning, supervision, implementation, follow-up and review of the audit business and internal audit work of the Bank.
2. Strategy and Operations Department: Based on the development vision and goals of the management to review and improve the organization, system, and process and formulate an action plan.
3. Digital Service and Channel Management Department: Coordinate the planning and enactment of the Bank's NTD deposit, remittances, channels, operation manuals and bank-wide digital financial policy; also, coordinate the planning, product design, R&D, programming and marketing.
4. Investment Service Department: Coordinate the planning and implementation of the Bank's wealth management business; enact the management, training and performance evaluation system of the wealth management personnel.
5. Trust Department: Coordinate the planning and enactment of the operation procedures, management methods and operation manuals for the Bank's trust business, as well as trust product planning, education and training and promotion.
6. Treasury Department: Manage the Bank's fund planning and investment, among other related matters.
7. International Banking Department and Overseas Banking Branch: Coordinate the planning and enactment of the Bank's education and training, foreign exchange operation procedures, management methods and operation manuals, the designing of foreign currency deposit products and services, the planning of marketing activities, as well as the promoting of other businesses.
8. Risk Management Department: Coordinate the draft and implementation of the Bank's risk management and information security policy, and reporting to the competent authorities, as well as the control of various investment positions and transaction amounts.
9. Credit Assessment Department: Coordinate the Bank's credit review, credit check, appraisal, loan appropriation and matter related to the enactment of rules and regulations and credit deeds, the designing of credit products, and matter related to business management.
10. NPL Collection Department: Coordinate the Bank's debt management of non-performing loans.
11. Compliance Department: Coordinate the planning, management, and implementation of the regulatory compliance system; supervise the identification and evaluation of money laundering and terrorism financing, the planning and implementation of policies and procedures, as well as the matters related to the Bank's legal affairs.
12. Administration Management Department: Coordinate the matters related to the Bank's Board of Directors, stock affairs administration, public relations advertising, accounting, procurement, and property management.
13. Human Resources Department: Coordinate the Bank's personnel-related administrative operation and the planning and implementation of employee development and human resources-related systems.
14. Bancassurance Department: Responsible for the matters related to the planning, promotion, and implementation of the Bank's insurance agency business.
15. Information Technology Department: Coordinate the matters related to the planning, development, and management of the Bank's various information systems, as well as the deployment, installation, and troubleshooting of computer-related software and hardware.
16. Customer Service & Operations Department: Responsible for handling bank-wide bill exchange, clearing and settling Taiwan dollar remittances, planning and answering customer telephone services, and reviewing and optimizing bank-wide operational processes.
17. Credit Center: Coordinate the matters related to the credit promotion, credit check, confirmation and collection of non-performing loans.
18. Business Department: Manage the matters related to the deposits, loans, exchanges, collection and advance and various clearing businesses of the branches.

## II. Information on the Bank's Directors, Supervisors, Presidents, Senior Vice Presidents, Vice Presidents, heads of all the Bank's Divisions and Branch Units, and Retired Chairman and President acting as the Bank's consultants

### (I) Information on Directors

#### 1. Directors' profile

Base date: 2024.01.31

Title	Nationality/ Place of Registration	Name	Gender Age	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (education)	Current Bank & Other Positions	Executives, Directors or Supervisors who are spouses or within the second degree of kinship		
							Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding	Shares	Ratio of Shareholding			Title	Name	Relationship
Chairman	Republic of China	Tiangang Investment Co., Ltd. Representative: Chen-Chih Tai	Male 71 to 75 years old	2023.05.23	3 years	2005.06.23	39,399,025	3.55%	39,399,025	3.55%	-	-	-	-	-	-	-	-	-
							78,209,000	7.04%	78,209,000	7.04%	5,890,000	0.53%	-	-	Education: Department of Business Management of National Chung Hsing University Experience: Chairman of King's Town Bank Co., Ltd. Executive Director of Makoto Bank	Director of King's Town Bank International Leasing Co., Ltd Director of King's Town Bank International Construction Management Co., Ltd. Director of Taiwan Pulp & Paper Corporation Director of Payeasy Digital Integration Co., Ltd. Director of Mentex Glass INV DEV. Inc. Director of Taiga development Co., Ltd. Director of TPPC Vietnam	Manager	Olivia Tai	Father and daughter
Vice Chairman	Republic of China	Tiangang Investment Co., Ltd. Representative: Chiung-Ting Tsai	Male Ages 51 to 60	2023.05.23	3 years	2005.06.23	39,399,025	3.55%	39,399,025	3.55%	-	-	-	-	-	-	-	-	-
							-	-	-	-	23,756,000	2.14%	-	-	Master of Engineering Economics of Stanford University Vice Chairman of King's Town Bank Assistant Manager of Vincera Capital Group	Director of King's Town Bank International Construction Management Co., Ltd. Director of King's Town Bank	None	None	None

Chapter 3 Corporate Governance Report

																International Leasing Co., Ltd				
																Director of Hotel H2O Director of Jingzhan Hotel Co., Ltd. Director of Kangdi Lehua Co., Ltd. Director of Ronald McDonald House Charities				
Director	Republic of China	Fu Chiang Investment Co., Ltd. Representative: Ching-Shun Ou	Male 61 to 70 years old	2023.05.23	3 years	2020.05.12	5,000,000	0.45%	5,000,000	0.45%	-	-	-	-	-	-	-	-	-	
							-	-	-	-	7,200,628	0.65%	-	-	Education: Department of Construction Engineering, Cheng-Shiu Institute of Technology & Commerce Experience: Director of King's Town Bank Co., Ltd. Chairman of Baihong Construction Co., Ltd.	Chairman of Baihong Construction Co., Ltd. Director of Wangfu Security Co. Supervisor of Jincheng Construction Co.	None	None	None	
Director	Republic of China	Fu Chiang Investment Co., Ltd. Representative: Yi-Li Chuang	Female 61 to 70 years old	2023.05.23	3 years	2023.05.23	5,000,000	0.45%	5,000,000	0.45%	-	-	-	-	-	-	-	-	-	
							-	-	-	-	-	-	-	-	Education: Department of Home Economics, Shih Chien University Experience: Director and teacher of Private Minda Senior High School Head of Clerical Team of Private Minda Senior High School Chairman of New Frontiers Limited	Chairman of Hsinray Investment Co., Ltd.	None	None	None	
Independent	Republic of China	Chao-Long Chen	Male 71 to 75 years old	2023.05.23	3 years	2017.05.17	-	-	-	-	-	-	-	-	-	Education: Bachelor of Medicine, Kaohsiung Medical University Honorary Doctorate of Engineering, Cheng Hsiu University of	Honorary Director of Kaohsiung Chang Gung Memorial Hospital Chairman of the Board of Directors of Cho Pharma Inc.	None	None	None

															Science and Technology Honorary Doctorate, Asuncion University, Paraguay Honorary Doctorate, San Carlos University, Guatemala Experience: Independent Director of King's Town Bank President of Kaohsiung Chang Gung Memorial Hospital Academician of the Chinese Academy of Engineering Professor, Chang Gung University	Director of Fulin Plastic Industry (Cayman) Holding Co., Ltd. Taiwan Branch. Director of Hilai Food Co., Ltd. Independent Director of Nanliu Enterprise Co., Ltd. Chairman of Microbio (Shanghai) Co., Ltd. Independent Director of SciVision Biotech Inc. Chairman of the Board of Directors of the Chen Chao-Long Academic Foundation, Inc. Chairman of the Board of Directors of the Chen Chao-Long Foundation for Liver Transplantation Director of Taiwan Bio-development Foundation Director of Fooyin University Director of Taipei Medical University			
Independent Director	Republic of China	Chuan-Fu Hou	Male 61 to 70	2023.05.23	3 years	2020.05.12	-	-	-	-	-	-	-	-	Education: Bachelor of Economics of Nihon University Experience: Independent Director of King's Town Bank Tainan Life Insurance Agency Co., Ltd. Chairman President of King's Town Bank Assistant Vice President of Business Department of King's Town Bank Secretary to the Board of Directors of King's Town Bank Business Manager of Dai-Ichi Kangyo Bank	Chairman of Kuan Li Bao Construction Co., Ltd. Chairman of He Li Bao Construction (Holdings) Inc. Director of the Hou Ancestral Hall Fund	None	None	None

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Independent Director	Republic of China	Ping-Sung Wu	Male 61 to 70	2023.05.23	3 years	2022.05.09	-	-	-	-	-	-	-	-	Education: Master of Finance Management, National Kaohsiung First University of Science and Technology Experience: Independent Director of King's Town Bank Independent Director of Yiho International (Holdings) Inc. Director of Tang Eng Iron Works Co., Ltd. Manager of Kaohsiung Branch of Bank of Taiwan Manager of Fengshan Branch of Bank of Taiwan Manager of Tainan Branch of Bank of Taiwan Adjunct Lecturer of Department of Financial Management, National Kaohsiung University of Science and Technology Adjunct Lecturer of Department of Finance, I-Shou University Adjunct Instructor, Cheng Shiu University	Adjunct Associate Professor, Department of Financial Management, National Kaohsiung University of Science and Technology Independent Director of Ample Electronic Technology Co., Ltd.	None	None	None
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Note: the Bank does not have any cases where the Chairman and the President or their equivalent (the top manager) are the same person, spouses, or relatives within the first degree of kinship.



## 2. Major Shareholders of the Institutional Shareholders

Base date: 2024.01.31

Name of Institutional Shareholder	Major Shareholders of the Institutional Shareholders
Tiangang Investment Co., Ltd.	Baihong Construction Co., Ltd. (90.91%), Tien-Tsan Tsai (2.82%), Meiyun S. Tsai (1.73%), Chieh Chih Construction Co., Ltd. (1.71%), British Virgin Islands Bertmei Investment Group Co., Ltd. (2.73%), Chiung-Ting Tsai (0.11%)
Fu Chiang Investment Co., Ltd.	Yi-Ying Chen(100%)

## 3. Major shareholders of the institutional shareholders that are listed as major shareholders in the preceding paragraph

Base date: 2024.01.31

Name of Institutional Shareholder	Major Shareholders of the Institutional Shareholder
Baihong Construction Co., Ltd.	Tien-Tsan Tsai (30.35%), Yi-Ying Chen (34.76%), Chia-Ling Tsai (34.83%), Hsin-Yi Tsai (0.06%)
Chieh Chih Construction Ltd.	Tien-Tsan Tsai(5.30%), Hsien-Tsung Wang (61.21%), Jincheng Construction Co., Ltd.(33.48%)
British Virgin Islands Bertmei Investment Group Co., Ltd.	Atherton Investment Group Ltd (100%)

## 4. Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors

Base date: 2024.01.31

Criteria Name (Note 1)	Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Chen-Chih Tai	At least five years of working experience in business, legal, finance or banking	-	None
Vice Chairman Chiung-Ting Tsai	At least five years of working experience in business, legal, finance or banking	-	None
Director Ching-Shun Ou	At least five years of working experience in business, legal, finance or banking	-	None
Director Yi-Li Chuang	At least five years of working experience in business, legal, finance or banking	-	None
Independent Director Chuan-Fu Hou	At least five years of working experience in business, legal, finance or banking Work experience: President of King's Town Bank	(Note 2)	None
Independent Director Chao-Long Chen	At least 5 years of working experience required for commerce, law, finance, accounting or banking profession. Experience: Chairman of the Board of Directors of Cho Pharma Inc.		2

Criteria Name (Note 1)	Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Ping-Sung Wu	At least 5 years of working experience required for commerce, law, finance, accounting or banking profession. Experience: Manager of Kaohsiung Branch, Fengshan Branch, and Tainan Branch, Bank of Taiwan		1

Note 1. None of the directors has any of the circumstances described in Article 30 of the Company Act.

Note 2. Status of Independence is as follows:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or supervisor of the Company or any of its affiliates.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the managers stated in preceding paragraphs,
- (5) Not a director, supervisor or employee of the companies with which the Company has a specific relationship.
- (6) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for CHAINTECH or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration more than NTS500,000 in the past two years.

## 5. Diversity and Independence of the Board of Directors

### (1) Diversity of the Board of Directors

the Bank has instituted "Corporate Governance Best Practices Principles", in which "Article 4 Strengthen Board Functions" clearly sets out the policy of diversification of Board members. The nomination and election of the members of the Board of Directors of the Bank is carried out in accordance with the provisions of the Articles of Association of the Companies Act and adopts a Board nomination system. In addition to evaluating the qualifications of candidates, the "Procedures for Election of Directors" and "Corporate Governance Best Practices Principles" are observed to ensure the diversity of directors. In order to diversify our Board, an additional female director will be elected at the 2023 shareholders meeting.

the Bank's current Board of Directors consists of seven directors, all of whom are not employees, Among them, there are three independent directors, one of whom has served for less than three years and two of whom have served between three and nine years. As for the age distribution of the directors, one is between 51 and 60 years old, four are between 61 and 70 years old, and two are between 71 and 75 years old. We integrate rich experience with innovative ideas, and our members have extensive expertise in financial accounting, industry knowledge, and business management. In terms of professional competence and industry experience, Directors Chen-Chih Tai and Chiung-Ting Tsai specialize in risk management, investment decision-making, financial analysis and macroeconomic analysis. Director Ching-Shun Ou specializes in practical experience in construction and land development, while Director Yi-Li Chuang specializes in industry-academia promotion and educational advancement. Independent director Chuan-Fu

Hou specializes in strategic management, risk management and credit business. Independent director Chao-Long Chen specializes in medical research, technology development and international expansion. Independent director Ping-Sung Wu specializes in risk management, marketing operations and finance. The diverse and complementary composition of the Board members contributes significantly to the development of the Bank's deposit, financing and investment businesses.

Pursuant to Article 29 of the “Corporate Governance Best-Practice Principles,” the members of the Board of Directors should generally have the knowledge, skills, and self-cultivation required for performing their duties. In order to achieve the ideal objective of corporate governance, the Bank’s board directors have substantiated diversification as follows:

Diversity standards  Name of director	Fundamental metrics							Skillset									
	Nationality	Gender	Age				Tenure of Independent Director		Operational judgment	Accounting and financial	Business management	Risk management	Crisis management	Industry knowledge	International market	Leadership	Decision-making
			45 to 50	51 to 60	61 to 70	71 to 75	Under 3 years	3 to 9 years									
Chen-Chih Tai	Republic of China	Male				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓
Chiung-Ting Tsai	Republic of China	Male		✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Ching-Shun Ou	Republic of China	Male			✓				✓		✓	✓	✓	✓	✓	✓	✓
Yi-Li Chuang	Republic of China	Female			✓				✓	✓	✓	✓		✓	✓	✓	✓
Chuan-Fu Hou	Republic of China	Male			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chao-Long Chen	Republic of China	Male				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ping-Sung Wu	Republic of China	Male			✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓

The specific management objectives and achievement of the Company's diversity policy are as follows:

A. Specific management objectives: At least three directors out of all Board Directors have any of the capabilities listed above.

Individual director must demonstrate at least the five capabilities listed above.

B. Current implementation: Currently, all Board Directors have fulfilled the objective of the diversity policy.

## (2) Independence of the Board of Directors

Among the seven directors of the Bank, three independent directors account for 43% of the total number of directors. There is no spouse or second degree of kinship among the directors or independent directors, and there is no government agency or single legal entity and its subsidiaries occupying more than one-third of the Board of Directors' seats.

## 6. Continuing education of directors

Title	Name	Training date	Organizer	Course name	Training hours
Chairman	Chen-Chih Tai	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	6
				Principle of Fair Treatment of Customers and Business Integrity	
Vice Chairman	Chiung-Ting Tsai	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	6
				Principle of Fair Treatment of Customers and Business Integrity	
Director	Ching-Shun Ou	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	6
				Principle of Fair Treatment of Customers and Business Integrity	
Director	Yi-Li Chuang	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	18
		2023.09.22	Taiwan Institute of Directors	Safety is not guaranteed by only focusing on one's own security - Supply chain cybersecurity management and risk control from a business resilience perspective.	
		2023.08.25	Taiwan Investor Relations Institute	Protection of Trade Secrets and Non-Competition	
		2023.07.14	Taiwan Corporate Governance Association	How Lighthouse Factory Achieves Sustainable Development through Digital Transformation	
Independent Director	Chao-Long Chen	2023.12.19	Taiwan Corporate Governance Association	Recent Developments in ESG and Considerations for Directors and Supervisors	15
		2023.12.19		Introduction to the Latest Corporate Governance and Securities Trading Regulations and Cases	
		2023.11.06		Recent Tax Law Reforms and Case Studies on Family Succession Practices	
		2023.08.10		The Practice of Corporate Mergers and Acquisitions and Their Impact on Financial Reports	
		2023.05.09		Protection of Trade Secrets	
Independent Director	Ping-Sung Wu	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	6
				Principle of Fair Treatment of Customers and Business Integrity	
Independent Director	Chuan-Fu Hou	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	6
				Principle of Fair Treatment of Customers and Business Integrity	

(II) Information on President, Assistant Vice Presidents, Vice Presidents, and Heads of Various Divisions and Branches  
Units

Base date:2024.01.31

Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship		
					Shares	Ratio of Shareholding (%)	Shares	Ratio of Shareholding (%)	Shares	Ratio of Shareholding (%)			Title	Name	Relationship
President	Republic of China	Hung-Liang Chiang	2022.03.01	Male	96,000	0.009	-	-	-	-	Graduate Institute of Finance of Fu Jen Catholic University	Director of Fu Jen Innovation Commercial Co., Ltd. Supervisor of InfoFab Inc.	None	None	None
Chief Auditor	Republic of China	Ching-Chu Pai	2018.11.06	Male	51,022	0.005	-	-	-	-	Graduate Institute of Finance of National Cheng Kung University	None	None	None	None
Senior Vice President of Compliance Department	Republic of China	Qi-Wei You	2023.10.23	Male	66,000	0.006	-	-	-	-	Department of Law of Soochow University	Director of King's Town Bank Securities Co, Ltd.	None	None	None
Senior President of the Information Technology Department	Republic of China	Hung-Sung Shen	2021.05.11	Male	51,000	0.005	-	-	-	-	Department of Information Engineering of National Yang Ming Chiao Tung University	Supervisor of King's Town Bank Securities Co, Ltd.	None	None	None
Senior Vice President	Republic of China	Chung-Cheng Lin	2022.10.03	Male	-	-	-	-	-	-	Department of Land Economics of National Chung-Hsing University	None	None	None	None
Vice President of Administration Management Department	Republic of China	Chien-Ko Yang	2018.10.02	Male	285,444	0.026	-	-	-	-	Graduate Institute of Finance of National Chung Cheng University	None	None	None	None
Vice President of the Credit Assessment Department	Republic of China	Chi-Chia Chang	2018.12.25	Male	100,000	0.009	-	-	-	-	Department of Business Mathematics of Soochow University	None	None	None	None
Vice President of Head Office	Republic of China	Ying-Shih Lu	2019.01.23	Male	35,000	0.003	-	-	-	-	Department of Finance and Banking of China University of Science and Technology	None	None	None	None
Vice President of Head Office	Republic of China	Kai-Ming Liu	2023.03.01	Male	116,000	0.010	-	-	-	-	Department of Economics of National Chung Hsing University	None	None	None	None
Senior Manager of Trust Department	Republic of China	Hui-Chen Yu	2022.04.12	Female	-	-	-	-	-	-	Finance Program of the National Yang Ming Chiao Tung University	None	None	None	None
Senior Manager of Human Resource Department	Republic of China	Wan-Hsin Liu	2023.02.07	Male	-	-	70,000	0.006	-	-	Financial Operations Institute of the National Kaohsiung University of Science and Technology	Director of Shopnet Homeshopping Co., Ltd.	None	None	None
Manager of International Banking Department and OBU and Operations Management Department	Republic of China	Olivia Tai	2019.11.26	Female	1,052,000	0.095	-	-	-	-	London School of Political and Economic Sciences Institute of Financial Risk Management	Director of Taiwan Pulp & Paper Corporation Director of Mentex Enterprise Co., Ltd. Director of AdvanPak Inc. Ltd. Director of TPPC Vietnam PH&L INTERNATIONAL LTD. Director	None	None	None
Manager of Digital Service & Channel Management Department	Republic of China	Yun-Chia Peng	2020.02.10	Female	45,000	0.004	-	-	-	-	Institute of International Business of National Chengchi University	Director of King's Town Bank Securities Co, Ltd.	None	None	None
Manager of Bancassurance Department	Republic of China	Hung-Pei Hsien	2021.07.20	Female	2,000	0.000	-	-	-	-	Department of International Business of Kunshan University	None	None	None	None
Manager of NPL Collection Department	Republic of China	Shui-Shan Huang	2022.04.26	Male	38,000	0.003	-	-	-	-	Department of Banking and Insurance of Shih Chien University	None	None	None	None
Manager of Risk Management Department	Republic of China	Hsiao-Tsung Chu	2022.06.01	Male	25,000	0.002	-	-	-	-	Institute of Finance of National Chengchi University	None	None	None	None
Manager of Treasury Department	Republic of China	Shih-Chi Chuang	2023.02.07	Male	5,000	0.000	-	-	-	-	Department of Finance, Institute of International Trade, Soochow University	None	None	None	None
Manager of Investment Service Department	Republic of China	Po-Heng Chen	2023.10.23	Male	-	-	-	-	-	-	Xingguo College of Management, Department of Finance	Director of King's Town Bank Securities Co, Ltd.	None	None	None
Manager of Customer Service & Operations Department	Republic of China	Hui-Chen Lu	2023.11.01	Female	-	-	-	-	-	-	Department of International Business of Soochow University	None	None	None	None
Accounting Executive	Republic of China	Yu-Hsuan Chen	2018.08.07	Female	9,000	0.001	-	-	-	-	Providence University Department of Accounting	King's Town Bank International Construction Management Co., Ltd.	None	None	None

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Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship		
					Shares	Ratio of Shareholding (%)	Shares	Ratio of Shareholding (%)	Shares	Ratio of Shareholding (%)			Title	Name	Relationship
												Supervisor King's Town Bank International Leasing Co., Ltd Supervisor			
Manager of Corporate Banking Center of Yu-Chia District	Republic of China	Jen-Hua Yang	2023.04.25	Male	-	-	-	-	-	-	Department of International Trade, Tamsui Vocational High School of Commerce and Industry	None	None	None	None
Manager of Corporate Banking Center of Technology Industry	Republic of China	Chun-Ching Chen	2023.04.25	Male	12,574	0.001	-	-	-	-	Senior Management Office of National Chung Cheng University	None	None	None	None
Manager of Corporate Banking Center of Tainan District	Republic of China	Mei-Lien Wu	2023.10.17	Female	28,784	0.003	5,000	0.000	-	-	Department of Accounting of National Tainan Commercial Vocational Senior High School	None	None	None	None
Manager of Head Office Operations	Republic of China	Ming-Jen Wu	2023.10.17	Male	100,244	0.009	-	-	-	-	Department of International Business and Trade of Ming Chuan University	None	None	None	None
Taipei Branch Manager	Republic of China	Yu-Jia Chen	2023.03.21	Male	-	-	-	-	-	-	Department of International Business, National Chengchi University	None	None	None	None
Neihu Branch Manager	Republic of China	Ping-Chao Ho	2018.12.25	Male	40,000	0.004	-	-	-	-	National Chengchi University Business Administration Program	None	None	None	None
Zhongxiao Branch Manager	Republic of China	Andy Feng	2023.03.21	Male	90,000	0.008	-	-	-	-	Department of Economics of Soochow University	None	None	None	None
Songshan Branch Manager	Republic of China	Ssu-Hao Chen	2023.03.01	Male	2,000	0.000	-	-	-	-	Department of Economics of Fu Jen Catholic University	None	None	None	None
Luzhou Branch Manager	Republic of China	Guo-Feng Gao	2023.12.26	Male	28,000	0.003	-	-	-	-	Department of Land Economics, National Chengchi University	None	None	None	None
Shuanghe Branch Manager	Republic of China	Hung-Chi Liu	2022.07.11	Male	-	-	-	-	-	-	Institute of Business Administration of National Chengchi University	None	None	None	None
Senior Manager of the Banqiao Branch	Republic of China	Kuang-Ti Yang	2023.03.21	Male	29,000	0.003	-	-	-	-	Department of Business Management of National Chung Hsing University	None	None	None	None
Xinzhuan Branch Manager	Republic of China	Shih-Hsun Chou	2019.12.30	Male	50,020	0.005	6,000	0.001	-	-	Graduate Institute of International Business Administration of Sheffield Hallam University	None	None	None	None
Senior Manager of the Xindian Branch	Republic of China	Kuo-Shun Liu	2023.03.01	Male	-	-	-	-	-	-	Department of Economics of Feng Jia University	None	None	None	None
Taoyuan Branch Manager	Republic of China	Sheng-Yuan Lo	2020.07.28	Male	8,000	0.001	-	-	-	-	Department of Statistics, Shih Chien University	None	None	None	None
Senior Manager of the Zhongli Branch	Republic of China	Ching-An Chen	2021.11.09	Male	-	-	-	-	-	-	National Central University EMBA Program	None	None	None	None
Nankang Branch Manager	Republic of China	Wen-Peng Mo	2023.01.03	Male	10,000	0.001	-	-	-	-	Graduate Institute of Finance of Fu Jen Catholic University	None	None	None	None
Hsinchu Branch Manager	Republic of China	Yen-Chao Chen	2023.10.23	Male	-	-	-	-	-	-	Da-Yeh University Graduate Institute of Business Administration	None	None	None	None
Eastern Hsinchu Branch Manager	Republic of China	Ping-Hua Chen	2022.10.03	Male	-	-	-	-	-	-	Department of Economics of Feng Jia University	None	None	None	None
Taichung Branch Manager	Republic of China	Ming-Joe Chiang	2019.11.01	Male	2,000	0.000	-	-	-	-	Department of International Business of Chung Yuan Christian University	None	None	None	None
Wenxin Branch Manager	Republic of China	Sheng-Tang Huang	2021.12.21	Male	-	-	-	-	-	-	Department of International Business Administration of Chinese Culture University	None	None	None	None
Dali Branch Manager	Republic of China	Chung-Cheng Li	2021.12.21	Male	350	0.000	-	-	-	-	Department of Business Management of National Chung Hsing University	None	None	None	None
Senior Manager of the Changhua Branch	Republic of China	Ming-Ching Yao	2020.05.12	Male	26,000	0.002	-	-	-	-	Department of Business Administration of Ling Tung University	None	None	None	None
Huwei Branch Manager	Republic of China	Wen-He Liao	2021.12.21	Male	20,748	0.002	-	-	-	-	Graduate Institute of Finance of National Yunlin University of Science and Technology	None	None	None	None
Douliu Branch Manager	Republic of China	Shu-Chueh Chen	2019.12.30	Female	86,000	0.008	-	-	-	-	National Tuku Vocational High School of Commerce and Industry	None	None	None	None
Beigang Branch Manager	Republic of China	Li-Fen Tu	2019.12.30	Female	-	-	-	-	-	-	Department of Business Management and Design of Tatung Institute of Commerce and	None	None	None	None

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Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship			
					Shares	Ratio of Shareholding (%)	Shares	Ratio of Shareholding (%)	Shares	Ratio of Shareholding (%)			Title	Name	Relationship	
											Technology					
Dounan Branch Manager	Republic of China	Li-Yu Liao	2019.12.30	Female	9,000	0.001	-	-	-	-	Department of Accounting and Statistics of Tatung Institute of Technology (Formerly Tatung Junior College of Commerce)	None	None	None	None	None
Xiluo Branch Manager	Republic of China	Fu-Chin Chen	2021.12.21	Female	22,083	0.002	-	-	-	-	Department of Business of National Chia-Yi Senior Commercial Vocational School	None	None	None	None	None
Lunbei Branch Manager	Republic of China	Mei-Ling Lin	2019.12.30	Female	7,000	0.001	-	-	-	-	Department of International Trade of Ling Tung University (Formerly Ling Tung Commercial Vocational School)	None	None	None	None	None
Chiayi Branch Manager	Republic of China	Ying-Feng Tsai	2023.04.25	Male	10,071	0.001	75,000	0.007	-	-	Department of Economics of Fu Jen Catholic University	None	None	None	None	None
Mingshiung Branch Manager	Republic of China	Yu-Mei Chen	2020.12.22	Female	33,379	0.003	-	-	-	-	Department of Accounting and Statistics of Tatung Institute of Technology (Formerly Tatung Junior College of Commerce)	None	None	None	None	None
Puzi Branch Manager	Republic of China	Yin-Shu Huang	2019.12.30	Female	21,006	0.002	-	-	-	-	Department of Accounting of San Sin High School of Commerce and Home Economics	None	None	None	None	None
Meishan Branch Manager	Republic of China	Shu-Chuan Kuo	2020.11.01	Female	22,000	0.002	-	-	-	-	Department of Comprehensive Business of National Hua-Nan Commercial Vocational High School	None	None	None	None	None
Zhongpu Branch Manager	Republic of China	Hsiu-Tuan Lin	2021.06.01	Female	-	-	-	-	-	-	Tainan Vocational High School Department of Accounting	None	None	None	None	None
Zhuqi Branch Manager	Republic of China	Man-Chun Chu	2023.03.01	Female	2,000	0.000	-	-	-	-	Department of Finance and Banking of Tatung Institute of Technology (Formerly Tatung Junior College of Commerce)	None	None	None	None	None
Xingye Branch Manager	Republic of China	Ping-Hsun Tsai	2020.12.22	Male	18,310	0.002	6,000	0.001	-	-	Department of Accounting and Statistics of Tatung Institute of Technology (Formerly Tatung Junior College of Commerce)	None	None	None	None	None
Shuishang Branch Manager	Republic of China	Ching-Mei Wu	2023.03.01	Female	-	-	-	-	-	-	Department of Business of National Chia-Yi Senior Commercial Vocational School	None	None	None	None	None
Dalin Branch Manager	Republic of China	Li-Wen Tsai	2023.03.01	Female	199	0.000	-	-	-	-	Department of Accounting and Statistics of Tatung Institute of Technology (Formerly Tatung Junior College of Commerce)	None	None	None	None	None
Taibao Branch Manager	Republic of China	Hui-Ju Lo	2023.03.01	Female	12,930	0.001	-	-	-	-	College of Management of National Chiayi University	None	None	None	None	None
Tainan Branch Manager	Republic of China	Chiu-Ching Kuo	2022.05.31	Female	10,000	0.001	-	-	-	-	College of Management of Chang Jung Christian University	None	None	None	None	None
Eastern Tainan Branch Manager	Republic of China	Mei-Wen Wang	2022.05.31	Female	33,513	0.003	-	-	-	-	Nantai University College of Business and Management	None	None	None	None	None
Senior Manager of the Yunong Branch	Republic of China	Ching-Chung Hsu	2023.12.26	Male	-	-	-	-	-	-	Department of Economics of Tunghai University	None	None	None	None	None
Kaiyuan Branch Manager	Republic of China	Chien-Hsun Tseng	2020.03.01	Male	2,000	0.000	-	-	-	-	Institute of Money and Banking of the National Kaohsiung University of Science and Technology	None	None	None	None	None
Annan Branch Manager	Republic of China	Chia-Hao Tien	2019.12.30	Male	10,000	0.001	-	-	-	-	Department of Economics of Feng Jia University	None	None	None	None	None
Senior Manager of the Anhe Branch	Republic of China	Yuan-Ping Tsai	2023.10.23	Male	-	-	-	-	-	-	Department of Business Administration of Southern Taiwan University of Science and Technology	None	None	None	None	None
Xingxing Branch Manager	Republic of China	Su-Chin Kuo	2022.05.31	Female	-	-	-	-	-	-	Department of Commercial Management of National Tseng-Wen Home Economics & Commercial Vocational High School	None	None	None	None	None
Zhonghua Branch Manager	Republic of China	Chao-Yang Wang	2023.08.01	Male	540,227	0.049	-	-	-	-	Department of Occupational Safety and Health, Chia Nan University of Pharmacy and Science	None	None	None	None	None
Fucheng Branch Manager	Republic of China	Chao-Hsien Chou	2021.12.21	Male	-	-	-	-	-	-	Department of Accounting of Feng Jia University	None	None	None	None	None
Yongkang Branch Manager	Republic of China	Chia-Jung Tsai	2021.12.21	Female	25,000	0.002	-	-	-	-	Department of Banking and Insurance of Feng Chia University	None	None	None	None	None



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Title	Nationality	Name	Date Elected	Gender	Shareholdings		Shares Held by Spouse & Dependents		Shareholding by Nominee Arrangement		Education	Other Position	Managers who are Spouses or Within the second degree of Kinship		
					Shares	Ratio of Shareholding (%)	Shares	Ratio of Shareholding (%)	Shares	Ratio of Shareholding (%)			Title	Name	Relationship
Rende Branch Manager	Republic of China	Chiung-Chiang Tsai	2020.09.01	Female	440	0.000	-	-	-	-	Bachelor Degree Program in Management of Chang Jung Christian University	None	None	None	None
Xinhua Branch Manager	Republic of China	Shu-Hui Chin	2023.12.26	Female	1,000	0.000	-	-	-	-	Department of Accounting Information of Tainan University of Technology (Formerly Private Tainan Junior College of Home Economics)	None	None	None	None
Guiren Branch Manager	Republic of China	Hsiu-Yueh Cheng	2021.04.27	Female	2,000	0.000	2,000	0.000	-	-	Department of Comprehensive Business of Tainan Nan Ying Senior Commercial & Industrial Vocational School	None	None	None	None
Guanmiao Branch Manager	Republic of China	Chien-Jung Lin	2019.12.30	Female	2,000	0.000	-	-	-	-	Department of Accounting Information of Tainan University of Technology (Formerly Private Tainan Junior College of Home Economics)	None	None	None	None
Yen Hang Branch Manager	Republic of China	Kao-Hui Lin	2023.01.03	Male	2,000	0.000	2,000	0.000	-	-	Department of Library Information of the World College of Journalism	None	None	None	None
Xinying Branch Manager	Republic of China	Mi-O She	2023.01.03	Female	1,000	0.000	-	-	-	-	Department of Accounting of National Tainan Commercial Vocational Senior High School	None	None	None	None
Yanshui Branch Manager	Republic of China	Chiung-Ying Huang	2023.04.25	Female	11,914	0.001	-	-	-	-	Wu Feng Industrial and Commercial Information Management Department	None	None	None	None
Madou Branch Manager	Republic of China	Kuo-Sung Kuo	2023.01.03	Male	1	0.000	-	-	-	-	Department of Economics of Feng Jia University	None	None	None	None
Senior Manager of the Jiali Branch	Republic of China	Li-Hsueh Hsu	2023.01.03	Female	-	-	-	-	-	-	Southern Taiwan University of Science and Technology EMBA	None	None	None	None
Shanhua Branch Manager	Republic of China	Chan-Chih Kang	2023.01.03	Male	2,000	0.000	-	-	-	-	Department of Economics of Soochow University	None	None	None	None
Xuejia Branch Manager	Republic of China	Yu-Chen Lin	2022.05.01	Female	-	-	-	-	-	-	Department of Finance of Tainan University of Technology	None	None	None	None
Xinshi Branch Manager	Republic of China	I-Sheng Liu	2021.12.21	Male	-	-	-	-	-	-	Department of Business Administration of Aletheia University	None	None	None	None
Liuja Branch Manager	Republic of China	Chun-Mi Wu	2019.12.30	Female	19,041	0.002	-	-	-	-	Department of Accounting of Open College of Continuing Education	None	None	None	None
Xigang Branch Manager	Republic of China	Hui-Ling Ko	2023.01.03	Female	14,000	0.001	-	-	-	-	College of Management of National Chiayi University	None	None	None	None
Baihe Branch Manager	Republic of China	Tsan-Chin Mao	2023.04.25	Male	7,171	0.001	3,056	0.000	-	-	Department of Applied Mathematics of Chung Yuan Christian University	None	None	None	None
Yujing Branch Manager	Republic of China	Mei-Hui Wu	2023.01.03	Female	5,004	0.000	-	-	-	-	Department of Accounting of National Tainan Commercial Vocational Senior High School	None	None	None	None
Senior Manager of the Kaohsiung Branch	Republic of China	Chih-Fu Huang	2020.09.01	Male	2,180	0.000	6,140	0.001	-	-	Department of Economics of National Chengchi University	None	None	None	None
Gangshan Branch Manager	Republic of China	Ta-I Shau	2021.12.21	Male	-	-	2,000	0.000	-	-	Department of Finance and Tax Planning of Aletheia University (Formerly Tamsui Institute of Industrial & Business Administration)	Director of Morley Industrial Corp. Director of Pei-Yu Co., Ltd.	None	None	None
Zhongzheng Branch Manager	Republic of China	Ying-Hsiang Wang	2021.12.21	Male	27,000	0.002	5,000	0.000	-	-	Department of Business Administration of Tunghai University	None	None	None	None
Northern Kaohsiung Branch Manager	Republic of China	Chen-Lin Lai	2021.12.21	Female	14,000	0.001	-	-	-	-	Department of Business Administration of Soochow University	None	None	None	None
Nanzi Branch Manager	Republic of China	Chin-Chuan Chang	2023.08.01	Male	3,000	0.000	-	-	-	-	Department of International Trade, Tamsui Vocational High School of Commerce and Industry	None	None	None	None

Note: The Bank does not have any cases where the Chairman and the President or their equivalent (the top manager) are the same person, spouses, or relatives within the first degree of kinship.



(III) Reappointment of Retiring Chairman and President as Consultants: None.

**III. Remuneration of Directors, Independent Director, Supervisors, President, Senior Vice President and Employees**

(I) Remuneration of Directors and Independent Directors

2023

Unit:NT\$

Title	Name	Remuneration								Total amount of A, B, C and D to after-tax net income ratio		Relevant remuneration received by directors who are also employees								Total amount of A, B, C, D, E, F and G to after-tax net income ratio		Compensation from any invested company other than the company's subsidiary
		Base compensation (A)		Resignation Pension (B)		Directors' Remuneration (C)		Business expense allowances (D)				Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Remuneration to employees (G)						
		the Bank	All Companies Mentioned In The Financial Statements	the Bank	All Companies Mentioned In The Financial Statements	the Bank	All Companies Mentioned In The Financial Statements	the Bank	All Companies Mentioned In The Financial Statements	the Bank	All Companies Mentioned In The Financial Statements	the Bank	All Companies Mentioned In The Financial Statements	the Bank	All Companies Mentioned In The Financial Statements	Cash Amount	Stock Amount	Cash Amount	Stock Amount	the Bank	All Companies Mentioned In The Financial Statements	
Chairman	Chen-Chih Tai	6,582,960	6,582,960	0	0	0	0	240,000	240,000	0.110%	0.110%	0	0	0	0	0	0	0	0	0.110%	0.110%	None
Vice Chairman	Chiung-Ting Tsai	4,842,960	4,842,960	0	0	0	0	240,000	240,000	0.082%	0.082%	0	0	0	0	0	0	0	0	0.082%	0.082%	None
Director	Ching-Shun Ou	480,000	480,000	0	0	0	0	290,000	290,000	0.012%	0.012%	0	0	0	0	0	0	0	0	0.012%	0.012%	None
Director	Chung-Chang Tsai	189,334	189,334	0	0	0	0	116,667	116,667	0.005%	0.005%	0	0	0	0	0	0	0	0	0.005%	0.005%	None
Director	Yi-Li Chuang	292,000	292,000	0	0	0	0	174,000	174,000	0.008%	0.008%	0	0	0	0	0	0	0	0	0.008%	0.008%	None
Independent Director	Chao-Long Chen	960,000	960,000	0	0	0	0	290,000	290,000	0.020%	0.020%	0	0	0	0	0	0	0	0	0.020%	0.020%	None
Independent Director	Chuan-Fu Hou	960,000	960,000	0	0	0	0	292,000	292,000	0.020%	0.020%	0	0	0	0	0	0	0	0	0.020%	0.020%	None
Independent Director	Ping-Sung Wu	960,000	960,000	0	0	0	0	292,000	292,000	0.020%	0.020%	0	0	0	0	0	0	0	0	0.020%	0.020%	None

Note: This table discloses the remuneration for the period of the employment in 2023.

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1. Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and working time.  
Independent Director remuneration policy: The remuneration of Independent Directors of the Bank shall be set out in the Articles of Association and may be subject to a reasonable remuneration different from that of the ordinary directors. Responsibilities of Independent Directors: At least one Independent Director shall attend in person any meeting of the Board. With respect to the following matters that must be approved by resolution at a Board meeting, all Independent Directors shall attend the meeting in person or appoint another Independent Director to attend the meeting as a proxy. Any objection or reservation made by an Independent Director shall be set forth in the minutes of the Board meeting; if an Independent Director is unable to attend the Board meeting in person to express his objections or reservations, he shall, unless he has valid reasons, give a written opinion in advance and set it out in the minutes of the Board meeting: I. the Bank's operating plan. II. Annual and semi-annual financial reports; III. Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchanges Act, and evaluate the effectiveness of the system; IV. The adoption of amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading. V. Matters bearing on the personal interest of a directors; VI. Material assets or derivatives trading; VII. Offering, issuance or private placement of any equity-based securities. VIII. Appointment, dismissal, or compensation of CPAs. IX. Appointment or dismissal of Finance Officer, Accounting Officer or Internal Chief Auditor. X. A donation to a related party, or a major donation to a non-related party. However, a charitable donation as disaster relief for a major natural disaster may be submitted to the next board meeting for ratification. XI. Other matters that shall be decided by the Shareholders' Meetings or submitted to the Board of Directors or major matters specified by the competent authority in accordance with the law or the articles of association. In addition to the duties and responsibilities of the Board of Directors, all of the Bank's Independent Directors serve as members of the Audit Committee, Compensation Committee, and Sustainable Development and Nominating Committee, which are functional committees with different responsibilities and time commitments from those of the ordinary directors. Therefore, they are entitled to a different level of remuneration than ordinary directors.
2. Except for information disclosed above, remuneration paid for services rendered by Directors of the Company to all companies in the financial report (e.g., serving as a non-employee consultant) in the most recent fiscal year:  
None

#### Explanation:

1. Net income after tax of the Bank in 2023 was NT\$6,207,101 thousand.
2. The remuneration contents disclosed are different from the concept of income specified in the Income Tax Act, thus, the purpose is for information disclosure only, rather than taxation purpose.

## (II) Remuneration of the President and Senior Vice Presidents

2023

Unit:NT\$

Title	Name	Salary(A)		Pension (B)		Bonus and allowance, etc. (C)		Remuneration to employees (D)				Total amount of A, B, C and D to after-tax net income ratio (%)		Compensation from any invested company other than the company's subsidiary
		the Bank	All companies mentioned in the financial statements	the Bank	All companies mentioned in the financial statements	the Bank	All companies mentioned in the financial statements	the Bank		All companies mentioned in the financial statements		the Bank	All companies mentioned in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Hung-Liang Chiang	5,564,700	5,564,700	0	0	6,652,496	6,652,496	290	0	290	0	0.20%	0.20%	None
Executive Vice President	Chien-Wei Pan	1,148,346	1,148,346	0	0	4,240,300	4,240,300	0	0	0	0	0.09%	0.09%	None
Senior Vice President	Chih-Cheng Yu	2,344,200	2,344,200	0	0	2,107,160	2,107,160	290	0	290	0	0.07%	0.07%	None
Senior Vice President	Qi-Wei You	2,057,161	2,057,161	0	0	1,482,800	1,482,800	290	0	290	0	0.06%	0.06%	None
Senior Vice President	Chung-Cheng Lin	3,994,650	3,994,650	0	0	1,608,000	1,608,000	290	0	290	0	0.09%	0.09%	None
Senior Vice President	Hung-Sung Shen	329,867	329,867	0	0	44,000	44,000	0	0	0	0	0.01%	0.01%	None
Chief Auditor	Ching-Chu Pai	1,425,580	1,425,580	0	0	1,029,680	1,029,680	290	0	290	0	0.04%	0.04%	None

## (III) Name of the managerial officers and employee bonus amount paid to managerial officers

2023

Unit:NT\$

Title	Name	Stock Amount	Cash Amount	Total	Total amount to after-tax net income ratio (%)
President	Hung-Liang Chiang	0	3,480	3,480	0.000056065%
Chief Auditor	Ching-Chu Pai				
Senior Vice President	Chung-Cheng Lin				
Senior Vice President	Hung-Sung Shen				
Senior Vice President	Qi-Wei You				
Senior Vice President	Chih-Cheng Yu				
Vice President	Ying-Shih Lu				
Vice President	Kai-Ming Liu				
Vice President	Chien-Ko Yang				
Vice President	Chi-Chia Chang				
Finance Manager	Shih-Chi Chuang				
Accounting Executive	Yu-Hsuan Chen				
Total					

- (IV) Analysis of the ratio of total remuneration paid to directors, supervisors, president, and senior vice presidents in the last two years to the net income on the parent company only financial report, remuneration policies, standards, and packages, procedure for determining remuneration, and linkage thereof to operating performance and future risk exposure

1. Analysis of the ratio to the net income on the parent company only financial report

Unit:NT\$

Title	2022		2023	
	the Bank	All companies included in the consolidated financial statements	the Bank	All companies included in the consolidated financial statements
Director	18,080,668	18,080,668	17,201,921	17,201,921
President, Senior Vice Presidents	32,347,421	32,347,421	34,028,940	34,028,940
Total	50,428,089	50,428,089	51,230,861	51,230,861
Ratio to the net income on the parent company only financial report	2.28%	2.28%	0.83%	0.83%

2. Remuneration policies, standards, and packages, procedure for determining remuneration, and linkage thereof to operating performance and future risk exposure:

(1) Director

According to Article 33 of the Articles of Association of the Company, not more than 2% of the earnings, if any, shall be allocated as remuneration to directors. However, when the company still has accumulated losses, an amount equivalent to the loss should be reserved for making up the loss. No remuneration has been paid to the directors in the last two years. In addition, according to Article 25-1 of the Articles of Association of the Company: "The remuneration of directors shall be determined by the Board of Directors with reference to the standards of the relevant industry and the listed companies." The Company determines the remuneration to Directors based on the evaluations on remuneration level of the peer companies, individual performances, Company's operating performance and Board performance.

(2) Independent Director

The procedures for determining the remuneration of Independent Directors of the Bank are enacted in accordance with Article 25-1 of the Articles of Association of the Company. The Board of Directors has agreed with reference to the standards of relevant industries and listed companies to pay a fixed monthly remuneration and a business practice fee same as the payment standards for Directors. Independent Directors will receive a fixed monthly remuneration, but will not receive the director remuneration that is paid in accordance with the Company's Articles of Association. In addition, according to Article 5 of the "Regulations Governing the Scope of Powers of Independent Directors" of the Company, a reasonable level of remuneration different from that of the Directors is resolved.

(3) President, Senior Vice Presidents, Chief Auditor, Managers and Employees

The performance evaluation and remuneration system of the Bank's President, Senior Vice President, Chief Auditor, managers and employees are handled in accordance with the "Employee Annual Evaluation Measures," "Employee Benefit Payment Methods" and "Annual Bonus Payment Methods" approved by the Board of Directors. Each year, the Compensation Committee discusses the compensation and benefits of the Bank's senior executives at the Compensation Committee meeting and submits them to the Board of Directors for approval. The bonus component is linked to the performance assessment of the Bank's units. The content of unit performance evaluation is divided into business indicators and non-business indicators, accounting for 80% to 88% and 12% to 20%, respectively. The business indicator items include financial profitability indicators, operational indicators, strategic development indicators, and sustainable development implementation indicators. The content and weight of each indicator are determined according to the responsibilities of each unit. It is stipulated that the weight of the assessment of the implementation of sustainable development in the overall unit of the Bank shall not be less than 5%. This is to integrate the resources of the entire Bank, formulate a unified sustainable development strategy, strengthen the Bank's commitment to sustainable development goals, and achieve sustainable development goals. Non-business indicators include regulatory compliance, internal audit and internal controls. While taking into account individual performance, responsibilities and contributions, appropriate compensation is provided so that pay is highly correlated with company performance. However, if major risk events involving malpractices are sufficient to cause financial losses to the Company or damage its goodwill, in addition to taking the necessary disciplinary action according to the law and regulations, the Board of Directors shall take measures, such as, dismissal, reassignment, termination, or reduction of remuneration, as necessary. The Company handles the salary to employees in accordance with "Employee Benefit Payment Methods," and the abide by Paragraph 1, Article 5 of the Employment Service Act: ".. employer is prohibited from discriminating against any job applicant or employee on the basis of race, class, language ..."

#### IV. Implementation of Corporate Governance

##### (I) Implementation of the Board

A total of 24 Board meetings were held in 2023. The attendance of the Directors was as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Chairman	Tiangang Investment Co., Ltd. Representative: Chen-Chih Tai	23	1	95.83%	
Vice Chairman	Tiangang Investment Co., Ltd. Representative: Chiung-Ting Tsai	19	5	79.16%	
Director	Fu Chiang Investment Co., Ltd. Representative: Ching-Shun Ou	24	0	100.00%	
Director	Fu Chiang Investment Co., Ltd. Representative: Chung-Chang Tsai	8	1	88.89%	As of May 23, 2023, directors who have resigned should attend 9 times.
Director	Fu Chiang Investment Co., Ltd. Representative: Yi-Li Chuang	15	0	100.00%	As of May 23, 2023 the newly appointed individual should attend 15 times
Independent Director	Chuan-Fu Hou	24	0	100.00%	
Independent Director	Chao-Long Chen	23	1	95.83%	
Independent Director	Ping-Sung Wu	24	0	100.00%	

Other mentionable items:

I. If any of the following events occurred, the dates of the meeting, sessions, summary of proposal, opinions of all the Independent Directors and the Company's responses should be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Proposal content and subsequent treatment
2023.01.09 64th meeting of the 15th Board of Directors	the Bank's 2022 annual bonus payment standards for the Chairman and Vice-Chairman of the Board of Directors
	Independent Directors' opinion: None.
	The Company's Response: None.
	Approved by the unanimous decision of the directors present
2023.02.06 65th meeting of the 15th Board of Directors	Changes of the Treasury Department Supervisor
	Independent Directors' opinion: None.
	The Company's Response: None.
	Approved by the unanimous decision of the directors present
2023.02.20 66th meeting of the 15th Board of Directors	(I) the Bank's 2022 parent company only financial statements and consolidated financial statements and business reports
	(II) Audit report for the second half of 2022
	(III) Appointment and replacement of the Bank's Certified Public Accountants and Results of Independence/Competence Evaluation
	Independent Directors' opinion: None.
	The Company's Response: None.
	Approved by the unanimous decision of the directors present
2023.03.20 68th meeting of the 15th Board of Directors	(I) The "Statement of Internal Control System of King's Town Bank" for 2022
	(II) the Bank "Statement on Internal Control System for Anti-Money Laundering and Counter-Terrorism" 2022
	Independent Directors' opinion: None.
	The Company's Response: None.
	Approved by the unanimous decision of the directors present
2023.04.10 69th meeting of the	The amendment to the Bank's "Procedures for Acquisition or Disposal of Assets"

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15th Board of Directors	Independent Directors' opinion: None.
	The Company's Response: None.
2023.08.14 6th meeting of the 16th Board of Directors	Approved by the unanimous decision of the directors present
	(I) the Bank's 2023 Q2 parent company only financial statements and consolidated financial statements
	(II) Amendments to the "Internal Control System of Securities Companies" and "Implementation Rules for Internal Audit of Securities Companies"
	(III) Report on the Regulatory compliance of the Bank in the first half of 2023
	(IV) Audit report of the first half of 2023
	(V) Approve the overall annual information security implementation for in the first half of 2023
	(VI) Amendment to "The Policy and Strategy of the Bank's Fair Customer Treatment Principle"
	Independent Directors' opinion: None.
	The Company's Response: None.
	Approved by the unanimous decision of the directors present

Note: The above-mentioned motions were opposed by the independent directors, with reservations or significant recommendations: None

(II) Any recorded or written Board resolutions to which Independent Directors have objections or reservations to be noted in addition to the above: None.

II. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motion, reasons for recusal, and results of voting shall be specified:

1. The 64th meeting of the 15th Board of Directors held on January 9, 2023 approved the terms and criteria for the annual bonus for the Chairman and Vice Chairman of the Board of Directors for 2022. Chairman Chen-Chih Tai and Vice Chairman Chiung-Ting Tsai recused themselves from the discussion and voting in accordance with Article 15 of the Board of Directors' Meeting Rules, and did not exercise their voting rights on behalf of other directors.

III. The execution of the Board's evaluation:

Frequency	Period	Scope	Method	Content
(Internal self-evaluation) Once a year	Performance evaluation of the Board of Directors, functional committees and members of the Board of Directors for the period from January 1, 2023 to December 31, 2023.	The Board of Directors, individual Board members, functional committees (including the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee).	(I) Internal evaluation by the directors. (II) Internal self-evaluation of functional committees. (III) Self-evaluation by the Board members	1. Content of performance evaluation of the Board of Directors of the Company: Participation in the Bank's operations, enhancement of the quality of Board decisions, Board composition and structure, selection and continuing education of Directors, and internal control. 2. The performance evaluation of the functional committees of the Bank is as follows: The level of participation in the Bank's operations, awareness of functional committee responsibilities, improvement of the quality of functional committee decisions, composition and selection of functional committee members, and internal control. 3. Content of performance evaluation of individual Board members of the Bank includes: the Bank's objectives and tasks, directors' awareness of their responsibilities, their involvement in the Bank's operations, internal relations and communication, directors' professionalism and continuing education, and internal controls.
(External evaluation) Every three years	The performance of the Board of Directors from January 1, 2021 to December 31, 2021 was evaluated.	Board of Directors	Appoint an external professional independent organization (Ernst & Young Corporate Management Consulting Services Co., Ltd.) to conduct performance evaluation	The Board of Directors' performance evaluation includes eight major aspects: 1. Board structure and process. 2. Composition of the Board of Directors. 3. Roles and responsibilities. 4. Legal and organizational structure. 5. Director training development. 6. Behavior and culture. 7. Supervision of risk control. 8. Reporting, disclosure and performance monitoring.

IV. Measures taken to strengthen the functionality of the Board in the current and the most recent year (e.g. Establishment of the Audit Committee, enhancement of information transparency), and implementation status:

1.	In 2023, the Company was valued and selected as the "Top 5% of Listed Companies" by the 8th (2022)_CORporation Governance Evaluation of the Securities and Futures Institute.
2.	All the Board Directors should attend 168 meetings in 2023 and they actually attended 160 meetings, representing an actual attendance rate of 95.23%.
3.	The continuing education hours of each director in 2023 were in compliance with the provision of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".
4.	In 2023, Independent Directors Chuan-Fu Hou and Ping-Sung Wu had an attendance rate of 100%, and Chao-Long Chen had an attendance rate of 95.83%, which complies with the requirement that at least one Independent Director should attend in person at each board meeting.

## (II) Implementation of the Audit Committee

the Bank's Audit Committee consists of three independent directors. The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its role of overseeing the quality and integrity of the Company in performing accounting, auditing, financial reporting processes and financial controls.

The Audit Committee had 11 meetings held in 2023. The attendance of the Independent Directors is as follows:

Title	Name	Professional Qualifications/Experience	Actual Attendance Times	Attendance by proxy	Attendance Rate (%)	Note
Independent Director	Chuan-Fu Hou	At least 5 years of working experience in banking, credit business, finance and risk management	11	0	100%	
Independent Director	Chao-Long Chen	At least 5 years of working experience in international development, technology development, business management and crisis management	11	0	100%	
Independent Director	Ping-Sung Wu	At least 5 years of working experience in banking, risk management, marketing business and financial management	11	0	100%	

The main deliberations and responsibilities of the Audit Committee of the Bank:

- Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- Assessment of the effectiveness of the internal control system.
- The adoption of amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading.
- Matters bearing on the personal interest of a director.
- Material assets of derivatives trading.
- Offering, issuance or private placement of any equity-based securities.
- Appointment, dismissal, or compensation of CPAs.
- Appointment or discharge of a finance officer, accounting officer or chief auditor;
- Annual financial statements signed or sealed by the Chairman, Mangers and Accounting Officer and the second quarter financial statements audited and attested by CPAs.
- Other significant matters set forth by the Company or the competent authority.

Other mentionable items:

- With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

(I) Circumstances referred to Article 14-5 of the Securities and Exchange Act:

Board of Directors	Proposal content and subsequent treatment
2023.01.09 64th meeting of the 15th Board of Directors	the Bank's 2022 annual bonus payment standards for the Chairman and Vice-Chairman of the Board of Directors Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on January 9, 2023.



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		The company has approved the handling of the opinions from the Audit Committee. All attending directors are in agreement.
2023.02.06 65th meeting of the 15th Board of Directors	Changes of the Treasury Department Supervisor Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on February 6, 2023.	The company has approved the handling of the opinions from the Audit Committee. All attending directors are in agreement.
2023.02.20 66th meeting of the 15th Board of Directors	(I) The Bank's 2022 parent company only financial statements and consolidated financial statements and business reports (II) Audit report for the second half of 2022 (III) Appointment and replacement of the Bank's Certified Public Accountants and Results of Independence/Competence Evaluation Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on February 20, 2023.	The company has approved the handling of the opinions from the Audit Committee. All attending directors are in agreement.
2023.03.20 68th meeting of the 15th Board of Directors	(I) The "Statement of Internal Control System of King's Town Bank" for 2022 (II) the Bank "Statement on Internal Control System for Anti-Money Laundering and Counter-Terrorism" 2022 Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on March 20, 2023.	The company has approved the handling of the opinions from the Audit Committee. All attending directors are in agreement.
2023.04.10 69th meeting of the 15th Board of Directors	The amendment to the Bank's "Procedures for Acquisition or Disposal of Assets" Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on April 10, 2023.	The company has approved the handling of the opinions from the Audit Committee. All attending directors are in agreement.
2023.08.14 6th meeting of the 16th Board of Directors	(I) The Bank's 2023 Q2 parent company only financial statements and consolidated financial statements (II) Amendments to the "Internal Control System of Securities Companies" and "Implementation Rules for Internal Audit of Securities Companies" (III) Report on the regulatory compliance of the Bank in the first half of 2023 (IV) Audit report of the first half of 2023 (V) Approve the overall annual information security implementation for in the first half of 2023 (VI) Amendment to "The Policy and Strategy of the Bank's Fair Customer Treatment Principle" Resolution of Audit Committee: Passed by the consent of all members of the Audit Committee on August 14, 2023.	The company has approved the handling of the opinions from the Audit Committee. All attending directors are in agreement.
<p>Note 1. Starting from 2021, in line with the promotion of "Corporate Governance 3.0 - A Blueprint for Sustainable Development", the Bank's "Consolidated Financial Statements;" will be submitted to the Audit Committee for discussion and to the Board of Directors for resolution on a quarterly basis in order to enhance information transparency and continuously improve the Bank's corporate governance.</p> <p>Note 2. The above-mentioned motions were opposed by the independent directors, with reservations or significant recommendations: None.</p> <p>(II) Except for the aforementioned matters, other resolutions which were not being approved by the Audit Committee but resolved by more than two-thirds of all the Directors: None.</p> <p>II. Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.</p> <p>III. Communications among the Independent Directors, Internal Chief Auditor, and CPAs (shall include the material items, methods, and results of audits of corporate finance or operations, etc.):</p> <p>(I) Communication between Independent Directors and Internal Chief Auditor</p> <p>1. the Bank's certified chief auditor meet with the independent directors at least semi-annually, and from 2022 onwards, they meet individually.</p>		

2. the Bank's chief auditor also reports to the Audit Committee on the performance of the audit operations and the annual audit plan.

Date	Key points of communication	Recommendations and Results
2023.02.20 Individual Communication Meeting	1. The Chief Auditor explained the results of the implementation of the audit plan and internal check system for the second half of 2022. 2. The Chief Auditor explained the results of the internal audit and check for the second half of 2022.	No recommendations
2023.02.20 Audit Committee	Audit report for the second half of 2022	Submitted to the Board after approval at the meeting
2023.08.14 Individual Communication Meeting	1. The Chief Auditor explained the results of the implementation of the audit plan and internal check system for the first half of 2023. 2. The Chief Auditor explained the results of the internal audit and check for the second half of 2023.	No recommendations
2023.08.14 Audit Committee	Audit report for the first half of 2023	Submitted to the Board after approval at the meeting
2023.12.25 Individual Communication Meeting	1. The Chief Auditor explained the results of the implementation of the audit work plan for 2023. 2. The Chief Auditor described the audit plan of 2024 and the key points for the audit.	No recommendations
2023.12.25 Audit Committee	Establish 2024 internal audit plan.	Submitted to the Board after approval at the meeting

(II) Communication between Independent Directors and CPAs

- the Bank's certified public accountants meet with the independent directors at least semi-annually, and from 2021 onwards, they meet individually.
- the Bank's certified public accountants also sit on the Audit Committee and, when necessary, state the results of their audit or review of the current financial statements.

Date	Communication Item	Results
2023.02.20 Individual Communication Meeting	1. The accountants' review of the financial statements for 2022 and the results of key events. 2. The accountant will provide an explanation on the recent updates to securities regulations and the major revisions to the International Code of Ethics for Professional Accountants.	No recommendations
2023.02.20 Audit Committee	The accountant shall explain matters relating to the audit of the financial statements for 2022.	Submitted to the Board after approval at the meeting
2023.08.14 Individual Communication Meeting	1. The accountants' review of the financial statements for the first half of 2023 and the results of key events. 2. The accountant will provide an explanation on the recent updates to securities regulations.	No recommendations
2023.08.14 Audit Committee	The accountant shall explain matters relating to the audit of the financial statements for the first half year of 2023.	Submitted to the Board after approval at the meeting

(III) Items disclosed in accordance with the Code of Corporate Governance Practices of the Banking Industry. However, the disclosed website address is only available on the Bank's global information website ([https://customer.ktb.com.tw/new/Corporate Governance](https://customer.ktb.com.tw/new/Corporate%20Governance)).

(IV) Information on Sustainable Development and Nomination Committee Members and Operation

- In order to implement corporate governance and achieve sustainable development goals, as well as to establish a sound nomination system for directors and senior executives, the Bank decided to establish the Corporate Governance and Nomination Committee on November 13, 2017, and renamed it the Sustainable Development and Nomination Committee on May 23, 2023. According to the Company's Sustainable Development and Nomination Committee charter, the Committee shall be composed of at least three directors selected by the Board of Directors from among themselves, and a majority of the committee members shall be Independent Directors. The Sustainable Development and Nomination Committee of the Company currently consists of three independent directors and one director.

Responsibilities of the Bank's Sustainable Development and Nomination Committee:

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- (1) Set out the standards of independence and diversity of background, such as in terms of expertise, skills, experience, gender, etc. required of board members and senior executives, and to search, review and nominate candidates for directors and senior executives based on such standards.
  - (2) Establish and develop the organizational structure of the board and each committee, and evaluate the performance of the board, each committee, and each director and senior executive, and the independence of the independent directors.
  - (3) Establish and review on a regular basis, further education plans for directors and the succession plans of directors and senior executives.
  - (4) Research, analysis, implementation, and recommendation of plans for the corporate governance system, and review on a regular basis of corporate governance standards and related regulations.
  - (5) Review of the effectiveness of the implementation of the corporate governance system.
  - (6) Set out and supervise the implementation of ethical corporate management policies and plans to prevent unethical conduct.
  - (7) Adopt corporate sustainability policies, systems, or related management approach.
  - (8) Supervise the implementation and status of corporate sustainability matters, and the management executives shall regularly report to the Board of Directors.
2. Professional qualifications and experience of the members of the Sustainable Development and Nominating Committee and their operations:
- (1) the Bank's Sustainable Development and Nomination Committee consists of 4 members.
  - (2) The term of office for this committee is from June 5, 2023 to May 22, 2026.

The Sustainable Development and Nomination Committee had 7 meetings in 2023, with the following attendance:

Title	Name	Professional Qualifications/Experience	Actual Attendance Times	Attendance by proxy	Attendance Rate (%)	Note
Independent Director	Chuan-Fu Hou	At least 5 years of working experience in banking, credit business, finance and risk management	7	0	100.00%	
Independent Director	Chao-Long Chen	At least 5 years of working experience in international development, technology development, business management and crisis management	7	0	100.00%	
Independent Director	Ping-Sung Wu	At least 5 years of working experience in banking, risk management, marketing business and financial management	7	0	100.00%	
Vice Chairman	Chiung-Ting Tsai	At least 5 years of working experience in investment decision making, financial analysis and product positioning	4	3	57.14%	

Other mentionable items:

With the authorization of the Board of Directors, the committee shall exercise the care of a prudent administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion. The implementation is as follows:

Board of Directors	Proposal content and subsequent treatment
2023.02.20 66th meeting of the 15th	(I) The Bank's "Report on the Implementation and Execution of Corporate Social Responsibility in 2022"

Board of Directors	(II) The Bank's "Report on the Implementation of the 2022 Director Development Plan and Succession Plan for Directors and Senior Managers"	
	(III) The Bank's " 2022 Annual Report on Corporate Governance and Integrity Performance "	
	(IV) Results of the "2022 Board of Directors and Functional Committee Internal Performance Evaluation" of the Bank	
	(V) To comply with the Task Force on Climate-related Financial Disclosures (TCFD), the Bank has established the "King's Town Bank Climate Risk Management Guidelines."	
	Resolution of Sustainable Development and Nomination Committee : Passed by the consent of all members of the Sustainable Development and Nomination Committee on February 20, 2023. The company has approved the handling of the opinions from the Sustainable Development and Nomination Committee. All attending directors are in agreement.	
2023.03.20 68th meeting of the 15th Board of Directors	(I) The Bank's report on the implementation of greenhouse gas (GHG) inventory Resolution of Sustainable Development and Nomination Committee : Passed by the consent of all members of the Sustainable Development and Nomination Committee on March 20, 2023. The company has approved the handling of the opinions from the Sustainable Development and Nomination Committee. All attending directors are in agreement.	
	(I) Resolution on the list of candidates for the 16th Session of the Directors (including Independent Directors) Resolution of Sustainable Development and Nomination Committee : Passed by the consent of all members of the Sustainable Development and Nomination Committee on April 10, 2023. The company has approved the handling of the opinions from the Sustainable Development and Nomination Committee. All attending directors are in agreement.	
	(I) The Bank's report on the implementation of greenhouse gas (GHG) inventory Resolution of Sustainable Development and Nomination Committee : Passed by the consent of all members of the Sustainable Development and Nomination Committee on June 19, 2023. The company has approved the handling of the opinions from the Sustainable Development and Nomination Committee. All attending directors are in agreement.	
2023.06.19 2nd meeting of the 16th Board of Directors	(I) The Bank's "Report on the Implementation and Execution of Corporate Social Responsibility in the First Half of 2023."	
	(II) The Bank's "2023 Dishonesty Risk Assessment Report"	
	(III) The Bank's report on the implementation of greenhouse gas (GHG) inventory Resolution of Sustainable Development and Nomination Committee : Passed by the consent of all members of the Sustainable Development and Nomination Committee on August 14, 2023. The company has approved the handling of the opinions from the Sustainable Development and Nomination Committee. All attending directors are in agreement.	
2023.12.25 15th meeting of the 16th Board of Directors	(I) The Bank's report on the implementation of greenhouse gas (GHG) inventory Resolution of Sustainable Development and Nomination Committee : Passed by the consent of all members of the Sustainable Development and Nomination Committee on December 25, 2023. The company has approved the handling of the opinions from the Sustainable Development and Nomination Committee. All attending directors are in agreement.	
	Note: The above-mentioned motions were opposed by the Sustainable Development and Nomination Committee, with reservations or significant recommendations:	

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(V) The implementation status of corporate governance of the Bank, deviations from "Corporate Governance Best Practices Principles for Banking Industry" and reasons for deviation

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
I. Shareholding structure and shareholder's interest				
(I) Did the Bank establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations, and were such matters handled according to the internal procedure?	✓		(I) In addition to regularly reporting important suggestions from investors to the Board of Directors, the Bank has also established the "Code of Practice for Handling Customer Grievance Cases" and set up a shareholder service contact on the company's website regarding King's Town Bank/shareholder services. When receiving suggestions, queries, or disputes from customers or shareholders, the Bank thoroughly investigates the matter and refers it to the relevant department for resolution, ensuring that customer complaints are handled within the specified time frame.	(I) No deviation.
(II) Did the Bank maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(II) the Bank keeps track of the list of major shareholders and ultimate controllers of major shareholders who effectively control the Company, and reports changes in information in accordance with relevant laws and regulations.	(II) No deviation.
(III) Did the Bank establish and enforce risk control and firewall systems with its affiliated businesses?	✓		(III) the Bank has formulated the "Enforcement Rules for Reporting Stakeholders' Information" and has established a database of stakeholder information with its affiliates in compliance with Articles 32 and 33 of the Banking Act and relevant law and regulations. In addition, the operation and financial business information and audit management of the investee subsidiaries are handled in accordance with the "Regulations Governing the Supervision and Management of Subsidiaries by King's Town Bank."	(III) No deviation.
II. Composition and responsibilities of the Board of Directors				
(I) Does the Board of Directors have a diversity policy and specific management objectives?	✓		(I) the Bank has established a policy of board diversity and complies with the "Procedures for Election of Directors" and the "Code of Corporate Governance Practices" to ensure the diversity of board members. To promote diversity on the Board, an additional female director will be elected at the 2023 shareholders meeting. Specific management objectives:	(I) No deviation.

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
(II) In addition to Salary and Compensation Committee and Audit Committee established according to law, has the Bank voluntarily established other functional committees?	✓		<p>At least three directors out of all Board Directors have any of the capabilities as specified in Article 3 of the "Procedures for Election of Directors."</p> <p>Individual directors shall possess at least five competencies as specified in Article 3 of the "Procedures for Election of Directors."</p> <p>Implementation: Currently, all Board Directors have fulfilled the objective of the diversity policy.</p> <p>(II) the Bank has established the Compensation Committee and Audit Committee, and established "Corporate Governance and Nomination Committee" (renamed the Sustainable Development and Nomination Committee in May 23, 2023) in November 2017 to formulate sustainable development policies, standards for the diversity of board members' backgrounds and independence, overseeing the implementation and execution of sustainable development initiatives, conducting performance evaluations of the Board of Directors and committees, and conducting research, analysis, execution, and evaluation of the effectiveness of corporate governance systems.</p>	(II) No deviation.
(III) Has the Bank established standards to measure the performance of the Board, and does the Company implement such annually? Does it report the results of the performance evaluation to the BOD and use them as a reference for each Director's remuneration and nomination of term renewal?	✓		<p>(III) the Bank has established the "Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committees" which perform internal performance evaluation of the Board of Directors and functional committees at least once a year in accordance with the evaluation procedures and evaluation indicators, and reports the evaluation results to the Board of Directors as a reference for individual directors' remuneration and nomination for re-election.</p>	(III) No deviation.
(IV) Has the Bank implemented evaluation on the independence of the CPAs regularly?	✓		<p>(IV) In accordance with Article 38 of the Bank's Code of Corporate Governance, the independence and suitability of the certified public accountants shall be evaluated annually and submitted to the Audit Committee and the Board of Directors for consideration, and the evaluation shall be conducted again if new appointments are made during the year.</p> <p>The Bank's Administration Department annually evaluates the independence and</p>	(IV) No deviation.

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
			<p>appropriateness of the certified public accountants in accordance with the "Appointed Accountants' Objectivity, Independence and Appropriateness Evaluation Form." The results of the items evaluated in accordance with the evaluation form are consistent with the results of the evaluation, and the certified public accountants' independence statement and Audit Quality Indicators (AQIs) information issued by the accounting firm is obtained to support the independence and appropriateness of the certified public accountants and then submitted to the Audit Committee and the Board of Directors for consideration. In addition, the important items listed in the aforementioned evaluation form are explained as follows.</p> <p>1. The CPA or CPA's spouse is not a relative within the second degree of kinship of the employees, directors, supervisors, or manager of the Bank or its affiliates also, he/she does not hold the Bank's shares in excess of the standard and has no other financial interests and business relationship within the Bank. 2. The CPA or CPAs is not subject to any disciplinary action by the competent authorities or the HKICPA, or any disciplinary action under Article 37, Paragraph 3 of the Securities and Exchange Act. 3. The CPA or CPAs is qualified as an accountant and is able to perform the business of an accountant. 4. The CPA or CPAs has not been continuously appointed for seven years.</p>	
<p>III. Has the Bank allocated a sufficient number of qualified corporate governance staff and appointed a person in charge of the affairs related to corporate governance (including but not limited to providing information required for Director/Supervisor's operations, assisting Directors and Supervisors in complying with laws and regulations, handling the matters concerning the Board and Annual General</p>	✓		<p>the Bank has appointed an appropriate number of corporate governance personnel to handle corporate governance matters. On March 20, 2023, the Board of Directors approved the appointment of Manager Tzu-Yun Chen, who is a qualified lawyer, as the Bank's dedicated corporate governance officer, will handle matters related to board meetings and shareholders' meetings in accordance with the law.</p> <p>Terms of reference:</p> <p>1. Handling the matters of the board meetings and the Audit Committee meeting in accordance with the law. All board directors shall be informed at least 7 days before the meeting with sufficient meeting information provided to help the</p>	No deviation.

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
Meeting in accordance with the law and making their records)?			<p>directors understand the content of relevant issues. If the issues are relevant to stakeholders and he/she should enter recusal appropriately, the counterparty will be given a reminder beforehand with the minutes of the meeting issued within 20 days after the meeting.</p> <ol style="list-style-type: none"> <li>2. Assisting in the agenda and compliance of resolutions from Board of Directors meetings and the Shareholders' Meeting.</li> <li>3. Assisting Independent Directors in arranging meetings with the Internal Chief Auditor or CPAs in accordance with the Corporate Governance Best Practice Principles when the need to understand the Company's financial operations arises.</li> <li>4. Handling the pre-registration of the Annual General Meeting date in accordance with the law; preparing the notice of meeting, the Meeting Handbook, the minutes within statutory period.</li> <li>5. Assisting Directors and Independent Directors in performing their duties by providing the necessary information and arranging for continuing education for Directors.</li> <li>6. Manager Tzu-Yun's Chen Continuing Education Situation in 2023: On January 12, 2023, attended the "Derivative Financial Products Business Regulations Workshop" at the Taiwan Financial Training Institute for 6 hours. On March 28, 2023, attended the "Financial Consumer Complaints Center" for 6 hours. On May 16, 2023, attended the "Board of Directors and Functional Committees (Audit, Compensation) Regulations Analysis and Audit Focus" at the Institute of Internal Auditors-Chinese Taiwan for 3 hours. On May 19, 2023, attended the "Business Secrets Protection and Non-competition" workshop at the Taiwan Corporate Governance Association for 3 hours. On May 23, 2023, attended the "Sustainable Development Action Plan for Listed Companies" seminar at the Taiwan Stock Exchange and Over-the-Counter Securities Trading Center for 3 hours. On June 2, 2023, attended the "Commercial Litigation and Dispute Resolution Practices" workshop at the Taiwan Corporate Governance Association for 3 hours. On June 28 and June 29, 2023, attended the "Anti-Money Laundering and Counter-Terrorism Financing In-Service</li> </ol>	



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Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
			<p>Training" at the Taiwan Academy of Banking and Finance for 12 hours. On June 30, 2023, attended the "Global Future Risks and Sustainable Transformation Opportunities" workshop at the Chinese Corporate Governance Association for 3 hours. On July 14, 2023, attended the "How Lighthouse Factories Achieve Sustainable Development through Digital Transformation" workshop at the Chinese Corporate Governance Association for 3 hours. On July 24 and July 25, 2023, attended the "In-Service Training for Compliance Personnel" at the Taiwan Financial Training Institute for 15 hours. On August 4, 2023, attended the "Roles of Directors and Compliance Responses to Management Rights Challenges under Corporate Governance 3.0" workshop at the Chinese Corporate Governance Association for 3 hours. On October 13, 2023, attended the "Prevention of Insider Trading Promotion Conference for 2023" at the Securities and Futures Market Development Foundation of the Republic of China for 3 hours. On October 16, 2023, attended the "Latest Trends in International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry" and "Principles of Fair Treatment and Business Integrity" workshops at the Securities and Futures Market Development Foundation of the Republic of China for a total of 6 hours. On October 27, 2023, attended the "Practical Seminar on Sustainable Development" at the Securities and Futures Market Development Foundation of the Republic of China for 3 hours.</p> <p>Total training hours in 2023: 72 hours</p>	
<p>IV. Has the Bank established communication channels for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) or created a stakeholders section on its corporate website? Does the Company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues?</p>	✓		<p>the Bank's corporate website has a stakeholder contact in the <u>King's Town Bank/Stakeholder Area</u>. Stakeholders can fully respond to the feedback through the service channels disclosed in each business unit or the Bank's website, and communication channels are smooth.</p>	No deviation.

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
V. Information disclosure				
(I) Does the Bank have a corporate website to disclose information of financial standing, business and the status of corporate governance?	✓		(I) The Bank has disclosed financial and business-related information on the Company's website About King's Town/Investor Relations, and corporate governance-related information on the Home page/Corporate Governance.	(I) No deviation.
(II) Does the Bank have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate website)?	✓		(II) The Bank has disclosed financial information, corporate briefing materials and procedures, and established a spokesperson system and internal procedures for handling material information on its website in both Chinese and English. An Investor Relations section has also been established for foreign investors to access relevant information.	(II) No deviation.
(III) Does the Bank publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?	✓		(III) The Bank announces and reports its financial statements and revenue for each month in advance of the prescribed deadline.	(III) No deviation.
VI. Is there any other important information which facilitates a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation standards, the implementation of customer policies, and purchasing of liability insurance for directors and supervisors)?	✓		(I) The Bank considers basic human rights and avoids sex discrimination for the recruitment of employees, and also hires persons with disabilities and indigenous peoples. In addition, the head office has labor-management meetings held and an employee welfare Committee organized to appropriately reflect the issues regarding employees' rights and interests and to have them resolved accordingly. (II) In order to stimulate employees' loyalty to the Company and encourage employees to save money, the board of directors resolved on December 2, 2009 to establish an employee welfare savings trust system with a fixed amount appropriated correspondently as a reward to employees. (III) The Bank has established a channel for stakeholders to contact, which provides a smooth communication channel with the suppliers and stakeholders to help	No deviation.

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Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
			<p>safeguard the rights and interests of all those involved.</p> <p>(IV) The Bank had acquired liability insurance for all directors since 2019, and renewed regularly every year, with the latest renewal occurring in June 2023.</p> <p>(V) According to Article 4 of the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies,” at least 12 hours of continuing education should be arranged for newly-elected directors on the year of reporting to duty and at least 6 hours of continuing education should be arranged annually thereafter. The directors had achieved the required hours of continuing education in 2023.</p> <p>(VI) The scope of "Regulations Governing the Performance Evaluation of the Board of Directors and Functional Committees by King's Town Bank" includes the performance evaluation of the entire Board, individual director, and the functional committees, and the evaluation is conducted in the first quarter of each year. The performance evaluations of the Board of Directors and all functional committees for the year 2023 were all rated as "excellent," and the reports of the Sustainable Development and Nomination Committee and the Board of Directors were submitted on February 26, 2024.</p> <p>(VII) The Bank is required to have a performance evaluation conducted by an external professional and independent organization or a team of external experts and scholars every three years. The most recent evaluation was conducted in February 2022 by Ernst &amp; Young Corporate Management Consulting Services Co., Ltd., which was appointed to conduct an external performance evaluation, and the evaluation result was "Advanced", and the report of the Sustainable Development and Nomination Committee and the Board of Directors was submitted on February 21, 2022. The next external performance evaluation is scheduled for the first quarter of 2025.</p>	

Evaluation Item	Implementation Status			The implementation status of Corporate Governance Best-Practice Principles for Banking Industry and reasons for deviation
	Yes	No	Summary	
<p>VII. Please explain the recent improvements in the corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange, and prioritize the areas and measures for further improvement for those that have not yet improved. Our Bank, which ranked in the top 5% of listed companies in the 9th Corporate Governance Evaluation, has reviewed and adjusted each of the latest indicators, such as conducting live online broadcasts of shareholders' meetings with uninterrupted audio and video recordings uploaded after the meetings, appointing a dedicated corporate governance officer, recording important shareholder questions and the Company's responses in the minutes of shareholders' meetings, revising the "Acquisition or Disposal of Assets Processing Procedures" to include written guidelines for financial transactions between related parties, and including transaction management procedures in the regulations that require approval by the Board of Directors and approval by shareholders.</p>				

## (VI) Operation of the Compensation Committee

## 1. Information on the members of the Compensation Committee

Criteria		Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member
By identity	Name			
Independent Director	Chuan-Fu Hou	At least five years of working experience in business, legal, finance or banking Experience: President of King's Town Bank	(I) Not an employee of the Company or any of its affiliates. (II) Not a Director or supervisor of the Company or any of its affiliates.	None
Independent Director	Chao-Long Chen	At least 5 years of working experience required for commerce, law, finance, accounting or banking profession. Experience: Chairman of the Board of Directors of Cho Pharma Inc.	(III) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.	2
Independent Director	Ping-Sung Wu	At least 5 years of working experience required for commerce, law, finance, accounting or banking profession. Experience: Manager of Kaohsiung Branch, Fengshan Branch, and Tainan Branch, Bank of Taiwan	(IV) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the managers stated in preceding paragraphs, (V) Not a director, supervisor or employee of the companies with which the Company has a specific relationship. (VI) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing	1

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By identity	Criteria	Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member
	Name			
			service for CHAINTECH or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration more than NT\$500,000 in the past two years.	

2. Information on the operation of the Compensation Committee

- (1) the Bank's Compensation Committee consists of 3 members.
- (2) The current term of members: From June 5, 2023 to May 22, 2026, the Compensation Committee had 7 meetings held in 2023. The qualifications and attendance of the members are as follows:

Title	Name	Actual Attendance Times	Attendance by proxy	Attendance Rate (%)	Note
Convener	Chuan-Fu Hou	7	0	100%	
Committee Member	Chao-Long Chen	7	0	100%	
Committee Member	Ping-Sung Wu	7	0	100%	

Other mentionable items:

I. Discussions and results of resolutions of the Compensation Committee and the Company's handling of opinions of the committee members:

Remuneration Committee	Proposal content and subsequent treatment	Resolution	The Company's treatment of the Compensation Committee's opinion
18th meeting of the 4th Board 2023.01.09	Proposal to revise the "Financial Services Assessment Method" in line with the promotion of the Bank's financial services business	Passed by the agreement of all committee members	Reported to the Board of Directors and approved by the unanimous decision of the directors present
	the Bank's 2022 annual bonus payment standards for the Chairman and Vice-Chairman of the Board of Directors	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
	the Bank's 2022 annual manager evaluation results and bonus payment criteria	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
19th meeting of the 4th Board 2023.02.20	Performance Evaluation Report for the Responsible Person and the Director/Supervisory Positions of the Investment Company, Concurrently Held by the Bank in 2022	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
	Report on the Remuneration Received by Directors of 2022	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
	Proposal on the review of Employee and Director compensation distributions for 2022	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
20th meeting of the 4th Board 2023.04.10	Manager Salary Adjustment Plan for 2023	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
	Promotion and Salary Adjustment for Managers in 2023	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
21st meeting of the 4th Board 2023.05.08	Proposal to revise the "Financial Services Assessment Method" in line with the promotion of the Bank's financial services business	Passed by the agreement of all committee members	Reported to the Board of Directors and approved by the unanimous decision of the directors present

1st meeting of the 5th Board of Directors 2023.06.19	Proposal for the Nomination of the convener of the Compensation Committee	All attending directors agreed to elect Chuan-Fu Hou as the convener and chairperson of the Remuneration Committee	Relevant operations have been handled in accordance with the resolution
2nd meeting of the 5th Board of Directors 2023.08.14	Reference Table for the Remuneration of Directors and General Managers and the Performance of the Company's Operations in the Financial Industry in 2022	Passed by the agreement of all committee members	Reported to the Board of Directors and approved by the unanimous decision of the directors present
	Revised "Regulations on the Annual Employee-Performance Evaluation"	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
3rd meeting of the 5th Board of Directors 2023.12.25	Proposal to review Bank's "Annual Employee Performance Evaluation Measures" and "Annual Bonus Measures"	Passed by the agreement of all committee members	Relevant operations have been handled in accordance with the resolution
<p>II. If the Board of Directors refuses to adopt or amend a recommendation of the remuneration committee, the date of the meeting, session, the content of the motion, resolution by the Board of Directors, and the Bank's response to the remuneration committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified) shall be specified: None</p> <p>III. When any of the members of the Compensation Committee holds objection or reservation to a resolution and such objection or reservation is on record or raised through a written statement, the date, term, content of proposals, opinion from every member and the Company's response to the members' opinions shall be provided in detail: None</p>			

### 3. Scope of responsibilities of the Compensation Committee

The Compensation Committee shall exercise the care of a prudent administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:

- (1) Periodically reviewing this Charter and making recommendations for amendments.
- (2) Establish and periodically review the annual and long-term performance goals, and the policies, systems, standards, and structure for the remuneration of the directors and managerial officers of the Company.
- (3) Regularly assess the degree to which performance goals for the directors, and managerial officers of the Bank have been achieved, setting the types and amounts of their individual compensation.

The Committee shall perform the functions referred to in the preceding paragraph in the following manners:

- (1) Ensure that the compensation arrangements of the Company comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
- (2) Performance assessments and compensation levels of directors, supervisors, and managerial officers shall take into account the general pay levels in the industry, individual performance assessment results, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.
- (3) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
- (4) For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.

### Chapter 3 Corporate Governance Report

- (5) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

The remuneration mentioned in the preceding two paragraphs includes cash remuneration, warrants, bonus and stock ownership, retirement benefits or severance pay, various allowances and stipends, and other substantive incentive measures; and it shall be consistent with the remuneration paid to Directors and managerial officers recorded in the Rules for Records in Annual Report of Public Companies. When the Board of Directors discuss the Committee's suggestions, it shall consider the amount of remuneration, payment methods, and the Company's future risks comprehensively.

If the Board does not accept or amends the recommendations of the Committee, it shall require a majority vote at a meeting attended by over two-thirds of the Directors. An explanation shall be provided in the resolution based on the aforementioned overall considerations and specifics and whether the remuneration passed in the resolution is superior to the recommendations of the Committee.

If the remuneration passed in the Board of Directors meeting is superior to the recommendations of the Committee, the differences and causes shall be recorded in the meeting minutes of the Board of Directors and published on an information reporting website designated by the competent authority within two days of the meeting.

If the decision-making and handling of any matter relating to the remuneration of directors and managerial officers of a subsidiary is delegated to the subsidiary but requires ratification by the Board of Directors of the Company, the Committee shall be asked to make recommendations before the matter is submitted to the Board of Directors for deliberation.

## (VII) Implementation of sustainable development and deviations from the Code of Practice for Sustainable Development of Listed and OTC Companies and Reasons

Evaluation Item	implementation			Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	Summary	
I. Has the Bank established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is delegated by the Board of Directors to senior management, and is supervised by the Board of Directors? (the Bank should report on the implementation status, which is not subject to compliance or interpretation.)	✓		<p>In 2017, the Bank established the functional committee on Corporate Governance and Nomination Committee as the highest guiding unit for the promotion of sustainable development. In 2023, it was renamed as the Sustainable Development and Nomination Committee in response to international trends. The Committee is composed of at least three directors selected by the board of directors from among themselves, and a majority of the Committee members shall be independent directors.</p> <p>In addition, the Bank has also established a "Sustainability Working Group" (also known as the ESG Task Force), which holds quarterly meetings with the Vice Chairman serving as the convener, and the Strategy and Operations Department is the integrating unit. Together with other departments and offices in the head office, the group is responsible for formulating and reviewing ESG policies, systems, and management guidelines, compiling and planning bank-wide ESG activities, and reporting on the implementation results and future plans for sustainable development to the Sustainable Development and Nomination Committee for discussion and presentation to the Board of Directors. The Board considers factors such as domestic and international trends, industry performance and regulatory changes to assess the feasibility of strategies and their actual implementation. It also requests the working group to make adjustments as necessary.</p> <p>A total of 4 meetings of the Sustainability Working Group were held in 2023. After discussing the implementation plans and results with the Sustainable Development and Nomination Committee on February 20, 2023 and August 14, 2023, the proposals were submitted to the Board of Directors. The contents of the proposals are as follows: revision of the guidelines for sustainable development practices, analysis of material issues, communication with stakeholders, implementation of sustainable development in 2022, planning for sustainable development in 2023, implementation of sustainable development in the first half of 2023, financial disclosure report on climate risk, and implementation of greenhouse gas inventory. The proposals were approved by all members of the Sustainable Development and Nomination Committee and all Board members present.</p>	No deviation.



Evaluation Item	implementation			Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons		
	Yes	No	Summary			
II. Does the Bank follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management-related policy or strategy? (the Bank should report on the implementation status, which is not subject to compliance or interpretation.) )	✓		This information is disclosed for the period from January 1 to December 31, 2023, focusing on the activities and services of all the Bank's operations and not including its subsidiaries. In order to effectively identify, assess and manage the Bank's material ESG issues, an annual review of international sustainable development trends, regulatory policy directions, key industry issues both domestically and internationally, and material positive and negative stakeholder impacts is conducted to establish a list of the Bank's material environmental, social and governance principles. And submit this list to the Sustainable Development and Nomination Committee and the Board of Directors for assessment of the risks and opportunities of each issue, and for formulation of appropriate management strategies and action plans to mitigate impacts and effects. After assessment, the risks, risk management policies, and strategies are as follows:	No deviation.		
			Material issue		Risk Assessment Item	Risk management policies and strategies
			Governance		Regulatory compliance	1. Raised the employees' awareness of regulatory compliance, and enhanced their ability to identify matters regarding anti-money laundering and countering the financing of terrorism. 2. Introduce technology aids to improve the effectiveness of regulatory compliance management.
			Governance		Risk management	1. Comprehensive risk management mechanism and structure. 2. Carry out regular internal inspections to ensure the operation of internal control.
Governance	Information security	1. Mitigate threats of cyber-attacks through internal information security advocacy and assessment,				

Evaluation Item	implementation			Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	Summary	
			social engineering email attack drills, and information security emergency response drills. 2. Pay attention to the development of information security, and establish key indicators.	
		Society	Service quality and customer experience 1. Optimize operation procedures and improve operation efficiency. 2. Improve customer experience with the aid of technology.	
		Society	Labor rights 1. Maintain a smooth labor-management communication channel. 2. Eliminate employment discrimination and sexual harassment, and establish an equal working environment.	
		Society	Talent attraction and retention 1. Focus on personal traits, professional abilities, and appropriate job arrangements, and treat all employees with fairness and respect. 2. Promote gender equality and provide equal opportunities for competition and development.	
		Society	Sustainable Finance 1. Support credit and investment targets that have a positive impact on the environment and society. 2. Promote inclusive finance to ensure that all segments of society have access to diverse financial services.	
		Society	Talent Training and 1. Organize education training that	

Chapter 3 Corporate Governance Report

Evaluation Item	implementation			Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons				
	Yes	No	Summary					
			<table border="1"> <tr> <td>Development</td> <td> <p>corresponds to the employees' work content and the organization's plans.</p> <p>2. Establish a clear and fair performance assessment policy.</p> </td> </tr> <tr> <td>Society</td> <td> <p>FinTech and innovation</p> <p>1. Expand FinTech business cooperation and application programming interface (API) services to provide innovative services and products.</p> <p>2. Initiate data bank projects, and proactively develop AI transformation.</p> </td> </tr> </table>	Development	<p>corresponds to the employees' work content and the organization's plans.</p> <p>2. Establish a clear and fair performance assessment policy.</p>	Society	<p>FinTech and innovation</p> <p>1. Expand FinTech business cooperation and application programming interface (API) services to provide innovative services and products.</p> <p>2. Initiate data bank projects, and proactively develop AI transformation.</p>	
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<p>III. Environmental issues</p> <p>(I) Has the Bank established proper environmental management systems based on the characteristics of the industries?</p>	✓		<p>(I) The Bank has completed a comprehensive greenhouse gas inventory in accordance with ISO 14064-1 standards and has had it verified by a third party. This data is also published in the Sustainability Report. Furthermore, it is expected to complete the inventory and verification of all related companies by the end of 2025. The headquarters building has also received third-party certification for the ISO 50001 Energy Management System and the ISO 14001 Environmental Management System to effectively manage energy consumption and ensure that the Bank considers the environmental impact of its business activities.</p>	(I) No deviation.				
<p>(II) Is the Bank committed to improving energy efficiency and using recycled materials that have a low impact on the environment?</p>	✓		<p>(II) The Bank gives priority to the purchase and use of building materials, equipment and consumables that have been awarded the Green Building Material Label and the Environmental Protection Label and that meet regulatory requirements. In addition, the Bank has effectively improved the energy efficiency of the entire Bank by replacing branch equipment with energy-efficient LED lamps, separate inverter air conditioners to effectively enhance the overall efficiency of the Bank.</p> <p>Due to the nature of the Banking service industry, paper consumption is high. the Bank is actively promoting paperless operations through its electronic document system, credit review system, and promotion of electronic billing to effectively reduce the use of paper. We are committed to reducing the impact on</p>	(II) No deviation.				

Evaluation Item	implementation			Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	Summary	
(III) Does the Bank evaluate current and future climate change potential risks and opportunities and take measures related to climate-related topics?	✓		<p>the environment by fully purchasing PEFC paper, promoting duplex printing, and conducting monthly reviews of paper usage per unit to reduce the environmental impact.</p> <p>(III) The Board of Directors is the highest governance unit for the Bank's risk management, overseeing the effective operation of the risk management system and mechanism, and approving policies and regulations related to risk management. The "Sustainable Development and Nomination Committee" under the Board of Directors is responsible for overseeing the implementation of the Bank's sustainable management, including climate governance-related issues.</p> <p>The "ESG Task Force" is established under the Sustainable Development and Nomination Committee, with the Vice Chairman serving as the convener. The ESG Working Group also includes the "Climate Action Team", which is responsible for promoting the Bank's environmental performance management and green finance strategies. The team will submit its implementation plan and results to the Sustainable Development and Nomination Committee every six months and report to the Board of Directors.</p> <p>The "Risk Management Committee" is established under the General Manager, with the General Manager serving as the chairman. The "Risk Management Department" is the executing and promoting unit, and it will report the Bank's risk management situation to the Board of Directors every quarter.</p> <p>In accordance with the TCFD proposal framework, the Bank identified a total of 12 climate risks and 8 climate opportunities associated with the Bank, and invited members of the Climate Action Team to assess the level of impact (influence) on the Bank's business, strategy or financial planning and the likelihood of occurrence, and to draw up a materiality matrix for the Bank's risks and opportunities.</p> <p>A detailed description of the Bank's climate change risk and opportunity analysis is disclosed in the sustainability report. (<a href="https://customer.ktb.com.tw/new/about/download">https://customer.ktb.com.tw/new/about/download</a>)</p>	(III) No deviation.
(IV) Does the Bank inspect its greenhouse gas (GHG) emissions, water consumption and total weight of wastes in the past	✓		<p>(IV) The Bank has set annual and five-year reduction targets for electricity consumption, greenhouse gas emissions, water consumption, and waste generation (the waste boundary is the Bank's main building, while the other boundary is the entire Bank): starting from 2022 as the baseline year, per</p>	(IV) No deviation.

Evaluation Item	implementation		Summary	Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons																																							
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two years? Does the Bank formulate policies on GHG reduction, water reduction or waste management?			<p>capita electricity savings, per capita carbon reduction, per capita water savings, and per capita waste reduction should decrease by 1% from the previous year; the cumulative per capita reduction from 2023 to 2027 should reach 5% of the baseline year.</p> <p>Greenhouse gas emissions and intensity in the last two years:</p> <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Scope I (t-CO<sub>2</sub>e)</td> <td>306</td> <td>304</td> </tr> <tr> <td>Scope II (t-CO<sub>2</sub>e)</td> <td>2,000</td> <td>1,892</td> </tr> <tr> <td>Total</td> <td>2,306</td> <td>2,196</td> </tr> <tr> <td>Unit Net Revenue Greenhouse Gas Emissions (t-CO<sub>2</sub>e/ Million)</td> <td>0.46</td> <td>0.23</td> </tr> <tr> <td>Per capita greenhouse gas emissions (t-CO<sub>2</sub>e/person)</td> <td>2.32</td> <td>2.27</td> </tr> </tbody> </table> <p>Note 1: The verification institution in 2023: Ernst &amp; Young Global Limited; for assurance report, please refer to: <a href="https://customer.ktb.com.tw/new/about/0e4ff2e5">https://customer.ktb.com.tw/new/about/0e4ff2e5</a></p> <p>Note 2: Energy reduction: In 2023, the per capita emissions decreased by 2.16% compared to the baseline year.</p> <p>Water consumption and electricity consumption and intensity in the last two years:</p> <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Electricity consumption (kWh)</td> <td>3,928,789</td> <td>3,821,580</td> </tr> <tr> <td>Unit Net Revenue Electricity Consumption (kWh/Million)</td> <td>785.74</td> <td>398.18</td> </tr> <tr> <td>Electricity consumption per capita (kWh/person)</td> <td>3,952.50</td> <td>3,947.91</td> </tr> <tr> <td>Water consumption (KL)</td> <td>18,707</td> <td>19,386</td> </tr> <tr> <td>Unit Net Revenue Water Consumption (kWh/Million)</td> <td>3.74</td> <td>2.02</td> </tr> <tr> <td>Water consumption per capita (KL/person)</td> <td>19.33</td> <td>20.58</td> </tr> </tbody> </table> <p>Note: The water consumption target for the year 2023 was not met. A review was conducted at the end of 2023, and relevant measures were implemented to further reduce water consumption.</p>		2022	2023	Scope I (t-CO <sub>2</sub> e)	306	304	Scope II (t-CO <sub>2</sub> e)	2,000	1,892	Total	2,306	2,196	Unit Net Revenue Greenhouse Gas Emissions (t-CO <sub>2</sub> e/ Million)	0.46	0.23	Per capita greenhouse gas emissions (t-CO <sub>2</sub> e/person)	2.32	2.27		2022	2023	Electricity consumption (kWh)	3,928,789	3,821,580	Unit Net Revenue Electricity Consumption (kWh/Million)	785.74	398.18	Electricity consumption per capita (kWh/person)	3,952.50	3,947.91	Water consumption (KL)	18,707	19,386	Unit Net Revenue Water Consumption (kWh/Million)	3.74	2.02	Water consumption per capita (KL/person)	19.33	20.58	
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		<p>Total weight of waste from the Bank's headquarter for the past two years:</p> <p style="text-align: right;">Unit: metric tons</p> <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>General waste</td> <td>10.11</td> <td>9.75</td> </tr> <tr> <td>Resource recycle</td> <td>2.20</td> <td>2.07</td> </tr> <tr> <td>Total weight</td> <td>12.31</td> <td>11.82</td> </tr> <tr> <td>Per capita waste generation(kg/person)</td> <td>42.80</td> <td>39.45</td> </tr> </tbody> </table> <p>Energy reduction: In 2023, per capita waste generation decreased by 7.83% compared to the baseline year, meeting the target.</p> <p><b>Specific actions are as the following:</b> Greenhouse gas emissions from the Banking services industry are generally low, so if we can effectively achieve energy saving and carbon reduction, it will help to reduce emissions, and the Bank will incorporate energy saving and carbon reduction measures simultaneously when formulating environmental management policies.</p> <p><b>Energy conservation and carbon reduction:</b></p> <ol style="list-style-type: none"> <li>1. Newly installed and replaced lighting fixtures are fully equipped with energy-saving LED light fixtures.</li> <li>2. the Bank installed variable speed air conditioners, which as a constant temperature control device, and sets the average indoor air temperature at no lower than 26 degrees Celsius.</li> <li>3. Regulate the billboard light on and off time period according to the daylight time and season.</li> <li>4. The use of some elevators will be suspended during non-peak hours.</li> <li>5. Electrical appliances or equipment, such as photocopiers, shredders, computers, lights, elevators, etc., are set to sleep, standby, or auto-sensing functions.</li> </ol> <p><b>Reduction of water use:</b></p> <ol style="list-style-type: none"> <li>1. Purchase and use products with the Water Conservation Label.</li> <li>2. Monthly review of the water consumption of the head office and each business unit for any irregularities.</li> <li>3. Launched a business unit water and electricity conservation competition to raise employee awareness of everyday water conservation and promote sustainable lifestyles.</li> </ol> <p><b>Waste disposal management:</b></p> <ol style="list-style-type: none"> <li>1. Eliminate individual garbage bins, enhance the promotion of garbage sorting and recycling, and advocate for waste reduction at the source. For example, the cafeteria at the head office has banned disposable utensils and established a food-saving LINE group to encourage colleagues to wrap leftover food to reduce food waste. They</li> </ol>		2022	2023	General waste	10.11	9.75	Resource recycle	2.20	2.07	Total weight	12.31	11.82	Per capita waste generation(kg/person)	42.80	39.45	
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Evaluation Item	implementation		Summary	Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons								
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			<p>also weigh garbage and keep accurate records to manage waste disposal in a data-driven manner.</p> <p>2. Through technology, we have reduced the extensive use of paper in our business operations. For example, in 2023, we implemented an online form system, fully implemented an electronic document system, and optimized the process of the credit investigation and review system.</p>									
<p>IV. Social issues</p> <p>(I) Does the Bank formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>(I) the Bank's "Code of Practice on Sustainable Development" stipulates that the Company shall comply with international human rights and related laws and regulations, and at the same time make reference to the spirit and basic principles of human rights protection as outlined in various international human rights conventions, including the United Nations "Universal Declaration of Human Rights", the "Global Covenant", the "Guiding Principles on Business and Human Rights", and the "International Labor Organization Declaration on Fundamental Principles and Rights at Work", and has established the "Human Rights Policy of King's Town Bank" to protect the basic human rights of all employees, customers and stakeholders, and commit to promoting gender equality and eliminating discrimination. Both of these policies are posted on the Bank's website. The Bank's policies and specific implementation:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">the Bank's policies</th> <th style="width: 50%;">implementation</th> </tr> </thead> <tbody> <tr> <td>Respect for workplace human rights Support for assembly and association</td> <td> <ol style="list-style-type: none"> <li>1. Abide by the Act of Gender Equality in Employment, and other employment-related laws and regulations</li> <li>2. Employees have the right to organize and join various types of social organizations</li> <li>3. Hold quarterly labor-management meetings to implement labor-management communication</li> </ol> </td> </tr> <tr> <td>Workplace safety and health</td> <td> <ol style="list-style-type: none"> <li>1. Establish safety and health measures</li> <li>2. Implement occupational safety and health education and training</li> <li>3. Relevant prevention measures are taken every year for abnormal workloads and human-related hazards</li> </ol> </td> </tr> <tr> <td>Enhancing Supplier</td> <td> <ol style="list-style-type: none"> <li>1. The contract includes provisions to safeguard</li> </ol> </td> </tr> </tbody> </table>	the Bank's policies	implementation	Respect for workplace human rights Support for assembly and association	<ol style="list-style-type: none"> <li>1. Abide by the Act of Gender Equality in Employment, and other employment-related laws and regulations</li> <li>2. Employees have the right to organize and join various types of social organizations</li> <li>3. Hold quarterly labor-management meetings to implement labor-management communication</li> </ol>	Workplace safety and health	<ol style="list-style-type: none"> <li>1. Establish safety and health measures</li> <li>2. Implement occupational safety and health education and training</li> <li>3. Relevant prevention measures are taken every year for abnormal workloads and human-related hazards</li> </ol>	Enhancing Supplier	<ol style="list-style-type: none"> <li>1. The contract includes provisions to safeguard</li> </ol>	(I) No deviation.
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Evaluation Item	implementation			Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	Summary	
(II) Does the Bank formulate and implement reasonable employee benefit measures (including remuneration, leave, and other benefits) and appropriately reflect operating performance or results in employee compensation?	✓		<p>Awareness of Human Rights Protection</p> <p>human rights.</p> <p>2. Promoted 27 suppliers to complete their corporate social responsibility self-assessments. The self-assessment results did not contradict the Bank's corporate social responsibility principles</p> <p>3. There were 9 field visits and inspections performed without any special or significant non-conformity detected.</p>	(II) No deviation.
			<p>The Bank holds regular education and training every year to promote awareness of human rights. In 2023, the total number of training hours reached 1,944 hours, and the promotion rate was 100%. Additionally, the Bank conducts due diligence investigations on human rights every year, identifies risks for potential issues and subjects, and discloses the implementation of subsequent risk mitigation measures.</p> <p>(II) <b>Employee compensation and operating performance reflected in employee compensation:</b> the Bank has established the "King's Town Bank Working Rules," "Annual Evaluation Rules for Employees of King's Town Bank," "Employee Compensation Payment Rules," and "Year-end Bonus Payment Rules" to evaluate employees' attitude, work performance, learning and growth, leadership and management, reward and punishment records every six months, and effectively link the evaluation results with employees' year-end bonuses, salary adjustments, and promotions. Overall compensation: In 2023, the Bank adjusted overall compensation based on factors such as employee performance, professional knowledge and skills, industry salaries, and inflation trends, with a basic adjustment rate of 3%.</p> <p><b>Staff benefit measures:</b></p> <p>1. the Bank has established the "Rules for the Implementation of King's Town Bank Employee Benefits," "Rules for Special Leave for King's Town Bank Employees," and "King's Town Bank Employee Stock Ownership Association Charter" to provide employees with various welfare measures, including employee stock ownership trusts, marriage and</p>	



Evaluation Item	implementation		Summary	Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No		
(III) Does the Bank provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<p>maternity benefits, childcare allowance, bonuses for three festivals, subsidies for diseases or injuries, and allowance for funeral.</p> <p>2. Retirement system: the Bank has established an employee stockholding association, and employees who have been employed for more than three months can apply for membership. Members are required to contribute a portion of their monthly salaries as personal savings, and the Bank also contributes its incentive funds as a trust fund for acquiring the Bank's stocks. the Bank has also established the "Regulations Governing Retirement of Employees" and provides for the payment of retirement benefits in accordance with the Labor Standards Act.</p> <p><b>Diversity and Equality in the Workplace:</b></p> <p>1. Female employee support plan: the Bank has legally established the number of days for maternity leave, prenatal examination leave, and paternity leave, as well as a childcare leave system. It also provides a childbirth subsidy of NT\$5,000 per birth, a Kingbaby childcare allowance for children aged 0-6, and offer family care leave, childcare leave, and breastfeeding breaks.</p> <p>2. The Bank implements the concept of gender equality and continues to build a gender-friendly workplace, with 64.36% female employees and 53.31% female supervisors in 2023.</p> <p>3. The Bank controls the number and percentage of employees with disabilities, personnel appointments, and management procedures. In 2023, it met the legal requirements for hiring employees with disabilities.</p> <p>(III) The Bank is committed to building a safe and healthy working environment and has obtained ISO 45001 certification for occupational health and safety management system to regularly implement relevant education and training to reduce the risk factors of employee safety and health.</p> <p><b>Health promotion:</b></p> <p>1. Health screening activities are held every two years, and consultation services are provided based on the results of the screening.</p>	(III) No deviation.

Evaluation Item	implementation		Summary	Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No		
(IV) Has the Banky established effective career development training plans?	✓		<p>2. In order to create a healthy workplace environment, we have established the "Abnormal Load-Promoting Disease Prevention Program," "Workplace Maternal Health Protection Program," "Sexual Harm Prevention Program," and "Unlawful Assault Prevention Program in the Performance of Duty" to prevent physical and mental damage caused by unsatisfactory working conditions, improper working hours, or other unlawful assaults in the workplace.</p> <p><b>Environmental safety:</b></p> <p>1. the Bank has established "Occupational Safety and Hygiene Code of Practice," which defines regular maintenance and inspection of equipment or apparatus, and clearly defines work safety and hygiene standards to reduce the probability of risk occurrence. Additionally, annual hazard identification and risk assessments are conducted to decrease the likelihood of personnel injuries, property damage, or accidents.</p> <p>2. Conducted 2 fire self-defense formation drills with a total of 66 participants; conducted 31 occupational safety trainings with a total of 225 participants; conducted 21 first aid personnel trainings with a total of 950 participants.</p> <p>3. Occupational safety and health education and training for new recruits.</p> <p>4. In 2023, there were 8 commuting accidents with 8 persons (0.8% of the total number of employees at the end of 2023), which occurred on their way to work, and we provided health education counseling and traffic safety promotion through follow-up telephone interviews. In addition, the Bank conducted a comprehensive road safety promotion course in early January 2024, accompanied by defensive driving awareness videos, with the goal of reducing employee traffic injuries.</p> <p>5. No fire incidents occurred in the year 2023.</p>	(IV) No deviation.

Evaluation Item	implementation		Summary	Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No		
(V) Does the Bank comply with relevant laws and regulations and international standards on customer health and safety, customer privacy, marketing and labeling of products and services? Does the Bank develop relevant consumer protection policies and complaint procedures?	✓		<p>abilities of employees.</p> <ol style="list-style-type: none"> <li>1. We organized various on-the-job training for new employees, operation managers and operation supervisors, and be familiar with practical operations.</li> <li>2. We sent our staff to participate in various professional courses conducted by external organizations to strengthen their abilities in the professional field.</li> <li>3. We hired external professional lecturers to train middle and senior executives and to improve leadership, execution, and organization.</li> </ol> <p>A total of 78,236 individuals participated in 2023 years of education and training, accumulating 67,394 hours.</p> <p>(V) Handle the Bank's marketing and labeling of products and services in accordance with the relevant regulations and circulars of the competent authorities and international standards, and the relevant fees, risks and other cautions are stated in the forms. Regarding customer privacy, we have established institute management policies such as "King's Town Bank Co., Ltd. Personal Data Management Goals and Policies," "King's Town Bank Co., Ltd. Mandatory Disclosure Regarding the Collection, Processing, and Use of Personal Data," "Measures for the Security and Protection of Personal Data Files", "Guidelines for Personal Data Risk Assessment Process", "Guidelines for Crisis Management during Personal Data Leakage," "Self-regulatory Guidelines for Customer Data Confidentiality," etc. to implement the protection, management, and utilization of customer personal information.</p> <p><b>Consumer Rights Policy and Implementations:</b> The Bank has established "King's Town Bank Policies and Strategies for Fair Treatment of Customers," "King's Town Bank Regulations for Consumer Protection" and "Operational Guidelines for Handling Customer Grievances" to set out the measures to be implemented in consumer protection policies, and has designated a dedicated unit to review the effectiveness of the consumer protection mechanism and report regularly to the Board of Directors.</p> <p>In addition, to ensure that customers are treated reasonably and fairly throughout the</p>	(V) No deviation.

Evaluation Item	implementation		Summary	Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No		
(VI) Does the Bank formulate supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? How is the implementation?	✓		<p>entire transaction process and to deepen the Bank's core corporate culture of fair customer treatment, the "Fair Customer Treatment and Friendly Service Promotion Team" has been established. Its main tasks include reporting on the implementation status of fair customer treatment principles and friendly service, analyzing significant consumer disputes or customer complaint cases, discussing preventive measures, and reporting to the Board of Directors on a regular basis each year.</p> <p><b>Consumer rights grievances procedures:</b> Consumer disputes are handled in accordance with the "Operational Guidelines for Handling Customer Grievances." We have set up a customer complaint service hotline and e-mail address to provide consumers with procedures for filing complaints, and a "Customer Service &amp; Operations Department" was established at the end of 2023 to oversee related matters.</p> <p>(VI) The Bank has established the "Supplier Management Regulations," which require suppliers to follow relevant regulations on environmental protection, labor health and safety, human rights and ethical risks, and to work with suppliers to promote sustainable development and demonstrate a quality image.</p> <p><b>Implementation:</b></p> <ol style="list-style-type: none"> <li>1. Contracts are signed only after having full comprehension of the status of implementation of ethical management of the other party and contract terms shall include clauses stipulating compliance to the Bank's ethical management policies to prevent any business transactions with agents, suppliers, or other business partners involved in unethical behavior.</li> <li>2. When we enter into contracts with suppliers, we stipulate human rights and environmental sustainability clauses in the contracts.</li> <li>3. We have established the "King's Town Bank Supplier CSR Self-assessment Form," which covers: Aspects such as energy conservation management, occupational safety and health, human rights protection and environmental protection, etc. We actively promote suppliers to conduct self-assessment, and through the self-assessment mechanism, we understand the status of</li> </ol>	(VI) No deviation.

Evaluation Item	implementation			Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	Summary	
			<p>suppliers' fulfillment of sustainable development, which serves as a reference item for continuous cooperation with suppliers. In 2023, 27 suppliers have completed the self-assessment, and all the self-assessment results were not in violation of the Bank's ESG philosophy.</p> <p>4. For suppliers, such as construction and renovation co-contractors, engaged in high-risk tasks, relevant advocacy was carried out in accordance with "King's Town Bank Contractor Handover Procedure Hazardous Factors Notice" during the kick-off meeting. In addition to requiring contractors to comply with Occupational Safety and Health Act, on-site personnel was provided with occupational safety and health training as well as outreach and guidance on preventing hazardous events to reduce workplace injuries. Total of 8 outreach sessions were organized in 2023 and there were no casualties due to workplace accidents.</p> <p>5. For suppliers engaged in high-risk work, such as, contractor for building construction and renovation, visit the worksite from time to time; also, the responsible personnel of the Bank shall conduct an onsite inspection with an inspection record kept in accordance with the inspection items of the "King's Town Bank Contractor Safety and Health Checklist." The main contents of the inspection include whether the provisions of the Occupational Safety and Health Act have been implemented, and the important safety propaganda of the Bank's contractor work hazardous factors notification form. There were 9 field visits and inspections performed in 2022 without any special or significant non-conformity detected.</p>	
V. Does the Bank refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Bank? Has the said Report acquire third	✓		2021 Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards Core Options issued 2022, Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, and the Standards Governing Commercial Banks issued by the Sustainability Accounting Standards Board. The report has been audited by an independent third-party assurance organization, SGS Taiwan, using the AA1000 AS v3 Type 1 Moderate level, focusing on	No deviation.

Evaluation Item	implementation			Deviations from the Code of Practice for Sustainable Development of Listed Companies and Reasons
	Yes	No	Summary	
party certification party verification or statement of assurance?			the inclusivity, materiality, responsiveness, and impact of the information disclosed in the report. We have also engaged EY Taiwan to provide limited assurance for the report in accordance with the International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information published by the Accounting Research and Development Foundation and the ISAE 3000 Assurance Standards issued by the International Auditing and Assurance Standards Board (IAASB).	
VI. If the Bank has its own code of ethics in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe the differences between its operation and the code: None				
VII. Other important information for understanding the implementation of sustainable development:				
1. The Bank has issued its first CSR report in 2015, which was renamed as the sustainability report in 2022, and has been issuing it for nine years since then. The tenth report is expected to be issued in June 2024. The report mainly covers corporate governance, customer value, social prosperity, workplace well-being and environmental sustainability, etc. Through the annual publication of the report, stakeholders and outsiders can better understand the Bank's sustainable development and operation.				
2. Please refer to the website of the Bank under the section of "Sustainable Development": <a href="https://customer.ktb.com.tw/new/about/b0b73fac">https://customer.ktb.com.tw/new/about/b0b73fac</a> .				

## (VIII) Climate-related Information of this Bank

Item	Implementation
1. The Board of Directors and senior management are responsible for monitoring and managing climate-related risks and opportunities.	<p>I. The Board of Directors' oversight: The Board of Directors is the highest governance unit for the Bank's risk management, overseeing the effective operation of the risk management system and mechanism, and approving policies and regulations related to risk management. The Board of Directors oversees the implementation of sustainable business practices, including climate governance issues, through the Sustainable Development and Nomination Committee.</p> <p>II. Management hierarchy roles: The "ESG Task Force" is established under the Sustainable Development and Nomination Committee, with the Vice Chairman serving as the convener. The ESG Working Group also includes the "Climate Action Team," which is responsible for promoting the Bank's environmental performance management and green finance strategies. The team will submit its implementation plan and results to the Corporate Governance and Nomination Committee every six months and report to the Board of Directors. The "Risk Management Committee" is established under the president, with the president serving as the chairman. The "Risk Management Department" is the executing and promoting unit, and it will report the Bank's risk management situation to the Board of Directors regularly.</p>
2. Explain how identified climate risks and opportunities impact the company's business, strategy, and finances (in the	<p>I. Risk level:</p> <p>(I) Transition risks: The political, legal, technological, consumer preference/market, and corporate reputation changes that may occur during the low-carbon transition process and the use of these changes</p>

Item	Implementation
<p>short, medium, and long term).</p>	<p>to mitigate and adapt to climate change.</p> <ol style="list-style-type: none"> <li>1. Short/Medium term: Government implementation of stricter sustainability regulations or carbon reduction targets has led to increased operating costs and the replacement of products or services with low-carbon technologies.</li> <li>2. Medium term: Policy restrictions have led to premature write-offs or scrapping of existing assets, as well as litigation risks arising from personnel injuries and deaths caused by climate-related damage to subsidiary assets. Financing and investment clients are unable to make low-carbon transitions, and government implementation of higher carbon taxes or carbon pricing affects the profitability and repayment capacity of subsidiary borrowers.</li> <li>3. Long-term: The involvement of the Investment and Financing Department in significant sustainability controversies has affected stakeholders' perception of the company.</li> </ol> <p>(II) Physical risks: The actual risks posed by immediate extreme weather events and long-term climate change. May have financial implications for the organization.</p> <ol style="list-style-type: none"> <li>1. Short-term: The operational facilities have been affected by natural disasters, resulting in damage to buildings and equipment.</li> <li>2. Short/Medium term: An increase in the number of hot days has led to an increase in electricity demand. Heavy rains and flooding have caused borrowers to suspend operations, resulting in damage to assets or loss of collateral value. The prolonged drought has also affected the production capacity of companies and incurred additional water costs, thereby eroding the profitability of the borrowers.</li> <li>3. Long-term: Rising sea levels expose operations to flooding.</li> </ol> <p>II. Opportunity aspect:</p> <p>(I) Short-term:</p> <ol style="list-style-type: none"> <li>1. Expanding the use of energy- and water-saving equipment and promoting electronic billing can help reduce operating costs.</li> <li>2. Delivering digital products and services that meet customers' growing demands for efficiency, convenience, and a low carbon footprint helps drive revenue growth.</li> </ol> <p>(II) Mid-term:</p> <ol style="list-style-type: none"> <li>1. Increasing the use of low-carbon energy and reducing reliance on fossil fuels to avoid potential price increases can help reduce operating costs.</li> <li>2. Increasing the number of electronic transactions and extending the reach to different customer segments can contribute to revenue growth.</li> </ol> <p>(III) Long-term:</p> <ol style="list-style-type: none"> <li>1. By implementing green financing and investment policies, we can seize new market opportunities, which will contribute to an increase in revenue.</li> </ol>
<p>3. Clarifying the Impact of Extreme Weather Events and Transition Actions on Finances.</p>	<p>In accordance with the "Guidelines for Climate Risk Financial Disclosure by Domestic Banks" issued by the Financial Supervisory Commission, the Bank disclosed financial information related to climate risk for the previous year. Based on the assessment results of the Bank's operational plan for climate change scenario analysis, the Bank disclosed the relevant data on the expected losses of general enterprises and individuals under the orderly transition, disorderly transition, and no policy scenarios in 2030 and 2050, expressed in terms of the ratio of net assets and pre-tax profit in the reference year. The results of the assessment indicate that all relevant</p>

Item	Implementation
	impacts are manageable. For more information on the relevant use scenarios, parameters, analysis factors and results, please refer to this year's Sustainability Report.
4. Clarify how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system.	<p>To ensure sustainable operations, the Bank has established the "King's Town Bank Risk Management Measures" to establish an independent and effective risk management mechanism. In conducting various business activities, the Bank assesses risk tolerance, monitors risk exposure, and determines risk response strategies, including climate risk. In addition, the "Climate Risk Management Guidelines" were promulgated in February 2023 to implement the Bank's assessment of the potential risks and opportunities of climate change, to develop mitigation and adaptation measures related to climate risks, and to enhance the Bank's risk management capabilities for climate change risks. Climate Risk Management Procedure is as follows:</p> <p>I. Identification: Linking with existing risks. The Climate Action Team is responsible for identifying the potential impact of climate entities and transition risks on the company's operations.</p> <p>II. Measurement: By analyzing the likelihood of climate risk events and the extent of their negative impacts, we aim to understand the impact of climate-related risks on various business operations of the company.</p> <p>III. Monitoring, reporting and internal controls: Regularly monitor overall daily operations and business performance for climate risks over different time periods. Adjust the management approach based on operational practices and report the sources and management status of climate risks to the Risk Management Committee. The Risk Management Committee oversees the implementation and coordination of overall climate risk management and reports regularly to the Board of Directors.</p>
5. If using scenario analysis to assess resilience to climate change risks, the context, parameters, assumptions, analysis factors, and major financial impacts should be explained.	<p>Based on the 2021 scenario framework produced by the Network for Greening the Financial System (NGFS), King's Town Bank selects Net Zero 2050, Delayed Transition and Current Policies as the main transformation scenario factors. It then integrates the physical risk factors produced by the IPCC's Representative Concentration Pathways (RCPs) accordingly.</p> <p>I. Situation Assumption Approach</p> <p>(I) Domestic and external credit positions are classified into six scenarios: "Orderly Transition," "Disorderly Transition," and "No Policy Scenario" for the years 2030 and 2050. Domestic and foreign bond and equity holdings are classified into four scenarios: "Orderly Transition" and "Disorderly Transition" for the years 2030 and 2050.</p> <p>(II) "The Orderly Transition" and "Disorderly Transition" scenarios both aim to achieve net zero carbon emissions by 2050. The "No Policy Scenario" assumes the addition of carbon reduction measures while maintaining existing policies.</p> <p>II. Types of climate risks, impact factors, and linkage elements:</p> <p>(I) Types of climate risks:</p> <ol style="list-style-type: none"> <li>1. Consideration of physical risks such as flooding, heavy rain and drought.</li> <li>2. The main risks of transformation are carbon pricing and policy development.</li> </ol> <p>(II) Impact factor:</p> <ol style="list-style-type: none"> <li>1. The macroeconomic approach focuses primarily on the impact of the "economic growth rate" and the "unemployment rate" on the benchmark default rate.</li> </ol>



Item	Implementation
	<p>2. The impacts of individual economic approaches are as follows:</p> <ul style="list-style-type: none"> <li>(1) "Heavy rain" and "flooding" will result in loss of work, asset damage, and loss of collateral value.</li> <li>(2) The "drought" has led to an increase in water costs for businesses.</li> <li>(3) "Carbon pricing" generates additional costs based on customer carbon emissions, further impacting their financial performance.</li> </ul> <p>III. Linkage elements: The above individual economic approaches will affect the borrower's loan-to-value ratio, full collateral coverage ratio, and current loan-to-collateral value (CLTV) ratio, thereby generating PDs under stress scenarios. In addition, collateral value impairment will affect the loss given default (LGD) under stressed scenarios.</p> <p>IV. Risk calculation: Based on the existing regulatory stress testing framework, the estimation is performed by incorporating the factors and approaches related to climate change mentioned above. Expected loss (EL) is calculated by combining probability of default (PD), loss given default (LGD) and exposure at default (EAD) under stressed scenarios.</p>
<p>6. If there is a transition plan to address climate-related risks, please provide a description of the plan's content, as well as the indicators and objectives used to identify and manage physical and transitional risks.</p>	<p>In response to global climate action, King's Town Bank signed up to the Task Force Climate-related Financial Disclosure (TCFD) in July 2021. the Bank has incorporated the TCFD framework into its 2021 Sustainability Report, disclosing information on governance, strategy, risk management, indicators and targets. Since 2013, climate risk reports have been submitted to the Risk Management Committee and the Board of Directors for reporting purposes. The related plans and targets are listed below:</p> <ul style="list-style-type: none"> <li>I. Complete the greenhouse gas inventory for the entire bank and obtain assurance, furthermore, it is expected to complete the inventory and verification of all related companies by the end of 2025.</li> <li>II. In the credit evaluation process for clients in high carbon emitting industries, we incorporate the 5Ps to assess their impact on our credit risk. We also regularly review the volatility of their profitability in post-lending management.</li> <li>III. Evaluate the overall digital development trends and characteristics of our customer base to create digital products that truly meet market demands.</li> </ul>
<p>7. If using internal carbon pricing as a planning tool, the basis for price determination should be explained.</p>	<p>None</p>
<p>8. If climate-related targets are set, the activities covered, the scope of greenhouse gas emissions, the planning schedule and annual progress should be explained. If carbon offsets or renewable energy certificates (RECs) will be used to meet targets, the source and quantity of carbon offsets or RECs should be identified.</p>	<p>As shown in Table 1-1 and 1-2.</p>
<p>9. Inventory and Confirmation of Greenhouse Gas Emissions, Reduction Targets, Strategies,</p>	<p>As shown in Table 1-1 and 1-2.</p>

Item	Implementation
and Action Plans.	

Table 1-1 Recent Two-Year Bank Greenhouse Gas Inventory and Verification Status

## (1) 1-1-1 Greenhouse Gas Inventory Information

(GHG emissions (in metric tons CO<sub>2</sub>e), intensity (in metric tons CO<sub>2</sub>e per million dollars), and data coverage for the past two years are shown. )

Greenhouse gas emissions (t-CO <sub>2</sub> e)	2022	2023
Scope 1 (Category 1)	306	304
Scope 2 (Category 2)	2,000	1,892
Total	2,306	2,196
Per capita emissions	2.32	2.27
Unit Net Revenue Greenhouse Gas Emissions (t-CO <sub>2</sub> e/ Million)	0.46	0.23
Scope 1 (Category 3)	4	3

Scope of Data Coverage: Parent Company of King's Town Bank

## (2) 1-1-2 Greenhouse Gas Assurance Information

A description of the confirmed engagements for the two most recent fiscal years preceding the date of printing of the annual report, including the scope of the engagement, the attesting entities, the confirming criteria, and the confirming opinions.

For the years 2022-2023, the scope of the assurance is the parent company of King's Town Bank. The assurance work was planned and performed by Ernst & Young Certified Public Accountants in accordance with engagement number 3410, "Assurance Engagement on Greenhouse Gas Statement", and resulted in a limited assurance conclusion.

Table 1-2: Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

Provide the baseline year and data, reduction targets, strategies, specific action plans, and the achievement of reduction targets for greenhouse gas emissions.

## I. Baseline year and data for greenhouse gas reduction, reduction targets, and achievement status:

2022 (Base Year)	2023			2027
Per capita carbon emissions	Per capita carbon emissions	Weight Reduction Target	Achievement Status	Weight Reduction Target
2.32 (t-CO <sub>2</sub> e)	2.27 (t-CO <sub>2</sub> e)	Per capita carbon emissions decreased by 1% from the baseline year.	Per capita carbon emissions decreased by 2.16% from the baseline year.	Cumulative per capita carbon reduction has reached 5% of the baseline year.

Note 1: Disclose the basic boundaries for Category 1 and Category 2 across the organization.

Note 2: The cumulative per capita carbon reduction target for the year 2027, with a cumulative time period from 2023 to 2027.

## II. Strategy

With the global trend toward net-zero emissions, King's Town Bank has formulated four key strategies to reduce its operational carbon emissions and plans to review them annually to gradually achieve the net-zero goal.

(I) Implementation of carbon reduction plans: Continuously reduce carbon emissions in operational processes.

(II) Greenhouse gas inventory: Understanding the Greenhouse Gas Emissions in the Operational Process.

(III) External verification: Verify the data obtained through rigorous methods of investigation.

(IV) Set carbon reduction/net-zero goals: Based on rigorous and scientific data, set net zero goals and

consistently implement practical carbon reduction measures.

### III. Specific Action Plan

In pursuit of the goal of sustainable environmental management, King's Town Bank has implemented the ISO 14001 Environmental Management System and the ISO 50001 Energy Management System to reduce environmental pollution risks and improve energy efficiency. Internally, the Bank has also issued the "Guidelines for Sustainable Development Practices," the "Implementation Guidelines for Energy Conservation and Environmental Protection Behavior," and the "Energy Operation Control Manual" as specific action guidelines to promote environmental protection and energy conservation.

In order to effectively reduce greenhouse gas emissions, our Company has formulated the following energy-saving measures:

- (I) Newly installed and replaced lighting fixtures are fully equipped with energy-saving LED light fixtures.
- (II) The Bank installed variable speed air conditioners, which as a constant temperature control device, and sets the average indoor air temperature at no lower than 26 degrees Celsius.
- (III) Adjust computer room space configuration and reorganize wiring to improve energy efficiency in the computer room.
- (IV) Regulate the billboard light on and off time period according to the daylight time and season.
- (V) The use of some elevators will be suspended during non-peak hours.
- (VI) Electrical appliances or equipment, such as photocopiers, shredders, computers, lights, elevators, etc., are set to sleep, standby, or auto-sensing functions.
- (VII) Prioritize purchasing products with the Water Efficiency Label and promote the correct concept of water usage.
- (VIII) Reduce the use of plastic or disposable utensils and cups, and implement proper waste sorting and resource recycling.
- (IX) Promote digital transactions and paperless operations, and encourage double-sided printing and paper recycling.
- (X) Join the green procurement campaign to support low-carbon products, green building materials, and sustainable goods enterprises.

In addition, to promote sustainable energy development, King's Town Bank is responding to Taiwan Power Company's pilot program for small-scale green energy sales. Starting in 2024, the Bank will switch to green energy for its main office. the Bank will also continue to evaluate suitable branch locations to expand solar power generation systems and gradually increase the proportion of renewable energy used.

- (IX) Implementation of the Bank’s ethical corporate management performance and its difference from the “Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies” and reasons for deviation

Evaluation Item	Implementation Status		Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No	
<p>I. Establishment of corporate conduct and ethics policy and implementation measures</p> <p>(I) Does the Bank have policies and practices for ethical corporate management passed by the BOD and clearly state them in regulations and publicly available documents? Do the BOD and management make commitments to actively implement those business policies?</p>	✓		(I) No deviation.
<p>(II) Does the Bank establish an evaluation mechanism for the risk of unethical conduct that regularly analyzes and evaluates business activities with higher risks of unethical conduct in the business scope? Does the Company formulate a plan to prevent unethical conducts, which at least covers the precautionary measures prescribed in Article 7 Paragraph 2 of the "Ethical Corporate</p>	✓		(II) No deviation.
		<p>(I) the Bank has formulated the “Ethical Corporate Management Best-Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” with the approval of the Board of Directors as the Company’s ethical corporate management policy. It clearly states that “directors, managers, employees, or persons with substantial control may not commit any unethical conduct in the course of business operations; there must be no unethical conduct. The directors, senior management, and all employees signed the “Ethical Conduct Statement”; also, the “ethical corporate management, anti-corruption, and anti-bribery policy and commitment” was disclosed on the Bank’s global website.</p> <p>(II) 1. The "Procedures for Ethical Management and Guidelines for Conduct" specify the prevention programs and measures for accepting improper benefits, political contributions, donations or sponsorships, infringement on intellectual property rights, conflict of interests, disclosure of confidential information, and insider trading. In August 2023, the Bank prepared</p>	

Evaluation Item	Implementation Status		Summary	Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No		
<p>Management Best-Practices Principles for TWSE/GTSM Listed Companies"?</p> <p>(III) Does the Bank establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequences of violation and complaint procedures in such policies?</p>	✓		<p>and the Board of Directors approved the Bank's "Dishonesty Risk Assessment Report 2023", which analyzes and assesses the business activities within the Bank's business scope that have a higher risk of dishonesty or are more prone to dishonesty, including the prevention mechanism and internal control measures related to the behaviors in Article 7, Paragraph 2 of the "Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies."</p> <p>(III) 1. In addition to the "Ethical Corporate Management Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct," the Bank has also established the "Code of Ethics and Conduct," "implementation Measures of the Whistleblowing System "Working Rules" and "Employee Service Ethics and Code of Ethical Conduct" that include reporting, disciplinary actions and appeals system, so that both employers and employees are committed to the establishment of corporate ethics and professional ethics, and request directors and managerial officers to lead and set a good example and strictly abide by the principle of good faith.</p> <p>2. The labor contract signed by the Bank and all employees contains confidentiality agreements. Employees are responsible for the absolute confidentiality of the business, matters, documents, and</p>	(III) No deviation.

Evaluation Item	Implementation Status		Summary	Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No		
			<p>customer information under their custody, and may not arbitrarily read or copy the accounting data and documents irrelevant with their job duty; also, that they may not have such information disclosed without complying with the law or being approved and the same requirement applies after their resignation.</p> <p>3.The Bank has formulated relevant disciplinary regulations; also, the personnel who have committed serious violations of ethical conduct will be dismissed or fired.</p> <p>4. The Bank has established a HR Evaluation Committee to conduct review and retrial of employee-related disciplinary action.</p> <p>5. The Bank has established a whistleblower system to encourage internal and external personnel to report unethical conduct or misconduct, and should regularly publicize and educate the subordinates about the whistleblowing system.</p> <p>6. In order to prevent the Directors, Managers, and Employees from conducting unethical conducts such as benefiting from information inaccessible to the public market, the Bank has formulated internal regulations including the “Corporate Governance Best-Practice Principles,” “Procedures for Handling Material Inside Information and Insider Trading Prevention Education Advocacy,”</p>	

Chapter 3 Corporate Governance Report

Evaluation Item	Implementation Status		Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No	
			and “Self-Regulatory Rules on Disclosure of Merger and Acquisition Information” stipulating that the insiders shall not use undisclosed information to buy or sell the securities, including (but not limited to) directors not trading their stocks during the 30 days before the annual financial report announcement and 15 days before each quarterly financial report announcement. Any organization or person outside of the Bank that is involved in any corporate action of the Bank relating to a merger or acquisition, major memorandum of understanding, strategic alliance, other business partnership plans, or the signing of a major contract shall be required to sign a confidentiality agreement, and carry out all matters accordingly. 7. The Bank regularly reviews and amends plans to prevent unethical conducts every year.
II. Implementation of ethical corporate management			
(I) Does the Bank evaluate business partners’ ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓		(I) The Bank does not engage in business activities with those who have a record of dishonest conduct, and when it enters into contracts with counterparties, the contracts include a statement of the relevant matters in the integrity management clause. The contracts are reviewed for good faith provisions during the contract review process.
(II) Has the Bank established an exclusively (or concurrently)	✓		(II) The Bank has designated the Sustainable Development and
			(I) No deviation.  (II) No deviation.

Evaluation Item	Implementation Status		Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No	
dedicated unit under the BOD to implement ethical corporate management, and report to the BOD on a regular basis (at least once per year) on ethnic operation policies as well as precautionary measures against unethical conduct and their implementation information?			Nomination Committee, which is under the Board of Directors as a dedicated unit to drive ethical management of the Bank. The Committee provided assistance in incorporating ethics and moral values into the Bank's business strategy and in adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations. The committee also reported on a regular basis to the Board of Directors on supervision of ethical management policy implementation and unethical behavior prevention plans. Last reported on August 14, 2023.
(III) Does the Bank establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?	✓		(III) The Bank's supervisors at all levels are responsible for assisting the Company in promoting the policy of ethical management. All employees may file complaints about conflicts of interest verbally or in writing to the supervisors at all levels, to the head of each business authority and responsibility department, to the head of the Human Resources Department, or to express their opinions directly through the President's mailbox.
(IV) To implement relevant policies on ethical conduct, has the Bank established effective accounting and internal control systems and assign an internal audit unit to develop relevant auditing plans according to the assessment results	✓		(IV) The Bank has established an effective accounting system in accordance with the "Regulations Governing the Preparation of Financial Reports by Listed Banks" by the competent authority, which is available for
			(III) No deviation.
			(IV) No deviation.



Evaluation Item	Implementation Status		Summary	Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No		
<p>of unethical conduct risks? Does the Bank inspect the implementation of such auditing plans or assign CPAs to implement the auditing?</p>			<p>audit. An unethical act, such as, bribing, bribed, profiteering, fraud and engaging in unfair competition is clearly prohibited in the Bank’s “Ethical Corporate Management Best-Practice Principles,” “Working Rules” and “Employee Service Ethics and Code of Ethical Conduct;” also, a clear appointment, dismissal, and punishment system are in place to maintain the Bank’s credibility. the Bank has indeed complied with the “Regulations Governing the Implementation of Internal Control and Audit System of Financial Holding Companies and Banking Industry” to establish an internal control system. An independent and impartial audit department establishes a rigorous annual audit plan to carry out inspections in order to ensure that the design and implementation of the system are effective continuously.</p>	
<p>(V) Does the Bank regularly hold internal and external educational trainings on operational integrity?</p>	✓		<p>(V) The Bank conducts regular education and training for directors, senior management and all employees related to integrity management, including: "Whistleblower System," "Ethical Corporate Management and Anti-Corruption, Anti-Bribery Policy," "Internal Major Information Processing Procedures and Insider Trading Prevention Related Laws and Regulations" (including promoting the prohibition of insider trading, and also promoting not trading its stocks during the 30 days before the annual financial</p>	<p>(V) No deviation.</p>

Evaluation Item	Implementation Status		Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations	
	Yes	No		Summary
			<p>report announcement and the 15 days before each quarterly financial report announcement closed period), "Merger and Acquisition Information Disclosure Self-Discipline Norms," "Anti-Money Laundering," "Fair Treatment of Customers Principle," "Compliance with Laws and Regulations," "Personal Data Protection Law", "Human Rights Policy," and "Information Security" courses.</p> <p>In 2023, there were a total of 15,087 visits, totaling 24,064 person-hours.</p>	
<p>III. Grievance System</p> <p>(I) Has the Bank established a grievance and rewards system and a reporting hotline? Can the employees with alleged violations be reached by an appropriate contact person for follow-up?</p>	✓	(I)	<p>The Bank has established the "King's Town Bank Regulations on the Implementation of the Whistleblower System" to regulate the specific reporting system and has set up two convenient reporting channels, including written and email, on the global information network and the Bank's internal network. The Compliance Department has been designated as the dedicated unit of the whistleblower system and is supervised by the Head of Compliance of the Head Office, responsible for receiving, assigning, replying, tracking and improving, and keeping records.</p>	(I) No deviation.
<p>(II) Has the Bank established standard operating procedures and confidentiality measures for the investigation of reported incidents?</p>	✓	(II)	<p>1. The special unit of the Bank shall review the types of reported cases and submit them to the investigation unit for investigation and report, and the special unit</p>	(II) No deviation.

Chapter 3 Corporate Governance Report

Evaluation Item	Implementation Status		Summary	Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No		
(III) Does the Bank have proper measures in place to protect whistleblowers from reprisals?	✓		<p>shall make a report on the reported cases, investigation results and review and improvement measures, and submit it to the president for review or report to the Audit Committee for review according to the subject of the report, and shall notify the complainant of the handling situation in writing or in other ways, and shall notify or report to the relevant authorities if a major incidental or illegal case is found after the investigation. Closing reports should also be compiled and presented to the Board of Directors on a regular basis.</p> <p>2. The Bank keeps the process of the whistleblowing cases confidential. The identity of the whistleblower, investigation procedures, and related documents are kept confidential and protected by the Bank. The personnel involved in the acceptance and investigation of a case shall declare in writing that the identity of the informant and the contents of the report shall be kept confidential and that no information identifying the informant shall be divulged. We will also keep records of the acceptance, investigation process, investigation results and related documents in confidential files for at least five years.</p>	(III) No deviation.

Evaluation Item	Implementation Status		Summary	Implementation of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviations
	Yes	No		
			salary, impairment of their rights and interests under law, contract or custom, or other adverse action as a result of the whistleblower.	
IV. Enhancing information disclosure Does the Bank disclose its ethical corporate management policies and results of implementation on the Company's website and the Market Observation Post System, and state its commitment to its integrity management policy?	✓		The Bank discloses the "Ethical Corporate Management Best Practice Principles," "Procedures for Ethical Management and Guidelines for Conduct" and "Corporate Governance Best-Practice Principles" on its website and the Market Observation Post System. the Bank also discloses its ethical management practices and measures through its website, annual reports, sustainability reports, and other external documents, and discloses its "Ethical Corporate Management, Anti-Corruption, and Anti-Bribery Policy and Commitment" on its website.	No deviation.
V. If the Bank has its own code of ethics in accordance with the "Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies," please describe the differences between its operation and the code: None				
VI. Other important information which facilitates a better understanding of the Company's ethical corporate management practices: None				

(X) Corporate governance best-practice principles and related rules inquiry

Please refer to the Corporate Governance section of the MOPS website (<http://mops.twse.com.tw/mops/web/index/>) or our global website (<https://customer.ktb.com.tw/new/>).

(XI) Other important information that is sufficient to enhance the understanding of the Bank's corporate governance operation

Please refer to MOPS (website: <http://mops.twse.com.tw/mops/web/index/>) or our official website (website: <https://customer.ktb.com.tw/new/>) for information about King's Town Bank.

(XII) Status of internal control

1. Declaration of internal control

京城商業銀行內部控制制度聲明書

謹代表京城商業銀行聲明本銀行於 112 年 1 月 1 日至 112 年 12 月 31 日確實遵循「金融控股公司及銀行業內部控制及稽核制度實施辦法」，建立內部控制制度，實施風險管理，由超然獨立之稽核部門執行查核，定期陳報董事會及審計委員會，並確實遵循前開辦法第三十八條第五款及第三十八條之一規定，與同業公會所定資訊安全自律規範；兼營證券業務部分，確實依據「證券暨期貨市場各服務事業建立內部控制制度處理準則」規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效；兼營保險代理人業務部分，確實依據「保險代理人公司保險經紀人公司內部控制稽核制度及招攬處理制度實施辦法」規定之內部控制制度有效之判斷項目，判斷內部控制制度之設計與執行是否有效。經審慎評估，本年度各單位內部控制、法規遵循情形及資訊安全整體執行情形，除附表所列事項外，均能確實有效執行。

本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。

謹致

金融監督管理委員會

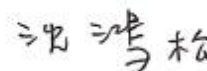

聲明人

董事長：   (簽章)

總經理：   (簽章)

總稽核：   (簽章)

總機構法令遵循主管：   (簽章)

資訊安全長：   (簽章)

中 華 民 國 113 年 3 月 25 日

## Matters to be improved for the internal control system of King's Town Bank and the improvement plan

Base date: December 31, 2023

Matters to be enhanced	Improvement Project	Projected date for completion
Enhance the unimproved items of “General deficiencies of finance institute inspection as of April 11, 2022,” regarding the specific hosts with weaknesses that have not been proposed for evaluation, upgrade, or replacement plans.	<p>I. Regarding the specific hosts with weaknesses that have not been proposed for evaluation, upgrade or replacement plans, the replacement operation for some specific hosts has been completed, while the replacement operation for others is still in the process and is expected to be completed by June 30, 2025</p> <p>II. Before the completion of the improvement, the monitoring, detection, early warning and treatment have been carried out through the firewall, endpoint and information security mechanism established by the Bank.</p>	Expected to be completed by June 30, 2025.

2. A separate audit report shall be disclosed where an independent registered public accounting firm has reviewed the Company's internal control system: None

(XIII) In the past two years and up to the date of the annual report published, the disciplinary action brought against the Bank and the Bank's major non-conformities and corresponding corrective action:

1. The responsible person or the employee was indicted by the prosecutor for a crime committed in the business: None
2. Violation of laws that resulted in the Financial Supervisory Commission imposing punishment in accordance with Article 61-1 of the Banking Act, or a penalty imposed by the Bank on its internal staff for violation of the internal control system, the result of which may have a material impact on shareholders' equity or securities prices, or for situations that apply to Article 2 of Regulations for FSC to handle violation of financial regulations, impose punishment.
  - (1) On March 19, 2021, the Financial Supervisory Commission (FSC) imposed two penalties on the Bank including a fine of NT\$1.8 million and given a one-month correction period or violating the Insurance Act in the merger and dissolution of Fusheng Property and Casualty Insurance Agency Co.
 

[Improvement] the Bank has revised relevant control measures and operational procedures to strengthen control.
3. Disclose any security incident arising from employee fraud or material contingencies or failure to faithfully abide by security maintenance work. If actual losses, whether singly or in aggregate, exceed NT\$50 million in any given year: None.
4. Other matters that must be disclosed pursuant to Financial Supervisory Commission designation: None

Chapter 3 Corporate Governance Report

(XIV) Significant Resolutions of the Shareholders' Meeting and the Board of Directors for the year of 2023 and as of the end of January 2024

Classification	Date	Case	Resolution	Implementation
Shareholders' Meeting	2023.05.23	Recognition of 2022 financial statements	721,988,962 rights voted in favor, and 510,099 votes against, 20,481,460 votes deemed invalid, abstained or not casted, so the proposal was passed as voted.	Relevant reports and statements have been filed with the competent authority for inspection and announcement in accordance with the law and regulations of the Company Act and the Securities and Exchange Act.
		Recognition of 2022 profit distribution plan	722,828,805 rights voted in favor, and 1,003,677 votes against, 19,148,039 votes deemed invalid, abstained or not casted, so the proposal was passed as voted.	The distribution base date was scheduled on June 13, 2023 and the payment date was scheduled on June 30, 2023. (Cash dividend per share: NT\$1.1. )
		Proposal of amendment to the Bank's Article of Incorporation	714,539,093 rights voted in favor, and 575,058 votes against, 27,866,370 votes deemed invalid, abstained or not casted, so the proposal was passed as voted.	The content of the revised document was published on May 26, 2023 on the Company's website and implemented according to the revised content
		Proposal of amendment to the Company's "Rules Governing the Proceedings of Shareholder Meetings"	714,538,170 rights voted in favor, and 575,998 votes against, 27,866,353 votes deemed invalid, abstained or not casted, so the proposal was passed as voted.	The content of the revised document was published on May 26, 2023 on the Company's website and implemented according to the revised content
		The amendment to the Bank's "Procedures for Acquisition or Disposal of Assets"	714,487,535 rights voted in favor, and 660,234 votes against, 27,832,752 votes deemed invalid, abstained or not casted, so the proposal was passed as voted.	The content of the revised document was published on May 26, 2023 on the Company's website and implemented according to the revised content
Board of Directors	2023.01.09	Proposal of 13 land acquisitions for Funong Section, including Lot #91, East District, Tainan, Taiwan	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2023.02.20	Produced and submitted the Bank's 2022 parent company only financial statements and consolidated financial statements and business reports	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
		Appointment and replacement of the Bank's Certified Public Accountants and Results of Independence/Competence Evaluation	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2023.03.06	Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2023.03.20	Discussion of the "Statement of Internal Control System of King's Town Bank" for 2022	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
		"Statement on Internal Control System for Anti-Money Laundering and Counter-Terrorism" 2022	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
		Proposal to rename the "Corporate Governance and Nomination Committee", amendment to the "Organizational Regulations of the Corporate Governance and Nomination Committee."	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
2023.04.10	2022 Earnings Distribution Case	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution	



Classification	Date	Case	Resolution	Implementation
	2023.04.24	Proposal of amendments to the Bank's organizational procedures and the breakdown of responsibilities by level	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2023.05.08	Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2023.06.05	Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2023.08.14	Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2023.09.11	Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2023.10.30	Establishment of the Customer service & Operations Department, the Bank's Organizational Chart, Proposal of amendments to the Bank's organizational procedures and the breakdown of responsibilities by level,	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution
	2023.12.11	Proposal of bad debts written-off	Passed by the attending directors unanimously by being consulted by the Chairman	Relevant operations have been handled in accordance with the resolution

(XV) During the 2023 and until the end of January 2024, there were recorded or written statements from directors or supervisors expressing different opinions on important resolutions passed by the Board of Directors. However, during 2023 and until the end of January 2024, there were no dissenting opinions from directors or independent directors.

(XVI) Summary of the resignation and dismissal of relevant personnel of the Bank (referring to the chairman, president, financial supervisor, accounting supervisor, internal chief auditor, and corporate governance officer) in 2023 and as of the end of January 2024:

1. On February 7, 2023, Manager Ya-Ting Li, the financial supervisor, underwent an internal job adjustment, and Manager Shih-Chi Chuang took over as the new financial supervisor.
2. On March 21, 2023, Mr. Chien-Ko Yang, Deputy Manager of the Administration Department, was relieved of his concurrent position as the Officer of Corporate Governance. The position of Officer of Corporate Governance will now be held exclusively by Manager Tzu-Yun Chen.

## V. Information on CPA Professional Fees

### (I) CPA Professional Fees

Unit:NT\$ thousand

Name of the CPA firm	Name of CPA	Audit Period	Audit fees	Non-audit fees	Total	Note
Ernst & Young Global Limited	Kuo-Sen Hung, Sheng-An Hsieh	2023.01.01~2023.12.31	3,310	3,660	6,970	

Note: Non-audit public expenses include: anti-money laundering and counter-terrorism financing mechanism NT\$700 thousand tax certification NT\$110 thousand ISO27001 verification service NT\$2,320 thousand sustainability report assurance service NT\$230 thousand greenhouse gas inventory assurance service NT\$300 thousand.

(II) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons for the change: None.

(III) Audit fees were 10% less than that of the previous year: None.

## VI. Information on replacement of CPAs within the past two fiscal years or any subsequent interim period

(I) Regarding the former CPAs:



Chapter 3 Corporate Governance Report

Date of Replacement	February 20, 2023		
Reason for replacement and explanation	Changes in internal job rotation of the CPA Firm		
Statement on whether the authorizing party or the CPA terminated or declined the engagement	Situation	Counterparty	The authorizing party
	Voluntarily terminated the engagement	CPA	Not applicable
	Declined (further) engagement	CPA	Not applicable
The opinion and reason for issuing an audit report expressing other than an unqualified opinion in the last two years	None		
Different opinions from the Bank	Yes	-	Accounting principles or practices
		-	Disclosure of financial statements
		-	Scope or procedure of auditing
		-	Others
	None	✓	
Explanation: None			
Other disclosures (where Article 10, Subparagraph 6, Item 1-4 of the Regulations shall be disclosed)	None		

(II) Regarding the succeeding CPAs:

CPA Firm	Ernst & Young Global Limited
Name of CPA	Kuo-Sen Hung, Sheng-An Hsieh
Date of appointment	February 20, 2023
Consultation matters and results on the accounting methods or accounting principles of certain transactions and possible opinions on the financial reports before the appointment of the CPA	None
The matters on which the succeeding accountant's opinion is different from the opinion of the predecessor accountant in writing	None

(III) The succeeding CPA's reply to Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Regulations: None

**VII. Information about Chairman, President, and Financial or Accounting Manager of the Company who has worked with the CPA firm which conducts the audit of the Company or affiliate to said firm in the most recent year:** None.

**VIII. Changes in the share transfer and share mortgage of the directors, supervisors, managerial officers and the individual or affiliated party holding a certain percentage of the voting shares of one bank met the requirements of reporting according to Article 11 of the regulations**

(I) Changes in shareholdings

Unit: shares

Title	Name	2023		As of January 31, 2024	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman (major shareholder)	Tiangang Investment Co., Ltd.	0	0	0	0
	Representative: Chen-Chih Tai (major shareholder)	0	0	0	0
Vice-Chairman (major shareholder)	Tiangang Investment Co., Ltd.	0	0	0	0
	Representative: Chiung-Ting Tsai	0	0	0	0
Director	Fu Chiang Investment Co., Ltd.	0	0	0	0
	Representative: Ching-Shun Ou	0	0	0	0
Director	Fu Chiang Investment Co., Ltd.	0	0	0	0
	Representative: Yi-Li Chuang	0	0	0	0

Title	Name	2023		As of January 31, 2024	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Independent Director	Chuan-Fu Hou	0	0	0	0
Independent Director	Chao-Long Chen	0	0	0	0
Independent Director	Ping-Sung Wu	0	0	0	0
President	Hung-Liang Chiang	63,000	0	0	0
Senior Vice President	Qi-Wei You	0	0	0	0
Chief Auditor	Ching-Chu Pai	0	0	0	0
Senior Vice President	Chung-Cheng Lin	0	0	0	0
Senior Vice President and Chief Information Security Officer	Hung-Sung Shen	0	0	0	0
Vice President	Chien-Ko Yang	0	0	0	0
Vice President	Ying-Shih Lu	0	0	0	0
Vice President	Kai-Ming Liu (Date of Appointment: 2023.01.03)	0	0	0	0
Vice President	Chi-Chia Chang (Date of Appointment: 2023.04.10)	0	0	0	0
Finance Supervisor	Shih-Chi Chuang (Date of Appointment: 2023.02.07)	0	0	0	0
Accounting Supervisor	Yu-Hsuan Chen	0	0	0	0
Corporate Governance Officer	Tzu-Yun Chen (Date of Appointment: 03/21/2023)	0	0	0	0
Executive Vice President	Chien-Wei Pan (Date of Termination: 2023.03.01)	0	0	-	-
Senior Vice President	Chih-Cheng Yu (Date of Termination: 2023.10.31)	0	0	-	-
Vice President	Shu-Chen Tsai (Date of Appointment: 2023.02.01) (Termination Date: 2023.04.25)	0	0	-	-
Finance Supervisor	Ya-Ting Li (Termination Date: 2023.02.07)	0	0	-	-

(II) Transfer of Equity Interests: No equity interests were transferred to/from related parties, thus it is not applicable.

(III) Pledge of equity: The counterparties of equity pledge are not related parties, thus it is not applicable.

**IX. Relationship information, if among the Company's ten largest shareholders anyone is a related party or a relative within the second degree of kinship of another**

Relationships among the company's ten largest shareholders

Base date: 2024.04.09

Name	Share Ownership		Shares Held by Spouse & Dependents		Shares Held under Nominee Accounts		Among ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Note
	No. of shares (shares)	Ratio of Shareholding	No. of shares (shares)	Ratio of Shareholding	No. of shares (shares)	Ratio of Shareholding	Title/name	Relationship	
Chen-Chih Tai (*)	78,209,000	7.04%	5,890,000	0.53%	0	0%	None	None	
Tien-Tsan Tsai	72,752,033	6.55%	10,346,139	0.93%	0	0%	Tiangang Investment Co., Ltd.	Spouse of the representative	
							Tianye Investment Company	Representative's relative within the second degree of kinship	
							Hsien-Tsund Wang Yi-Ying Chen	Kinship within second-degree	
Hsinray Investment Co., Ltd.	55,205,869	4.97%	0	0%	0	0%	None	None	
The aforementioned company representative Yi-Li Chuang	0	0%	0	0%	0	0%	None	None	
Yuanta/P-shares Taiwan Dividend Plus ETF account	52,377,689	4.71%	0	0%	0	0%	None	None	
Jincheng Construction Co., Ltd.	48,340,000	4.35%	0	0%	0	0%	None	None	
The aforementioned company representative Chiu Chun-chun	0	0%	0	0%	0	0%	None	None	
Tiangang Investment Co., Ltd. (*)	39,399,025	3.55%	0	0%	0	0%	None	None	
The aforementioned company representative Tsai Hsueh Mei-yun	10,346,139	0.93%	72,752,033	6.55%	0	0%	Tien-Tsan Tsai	Spouse	
							Hsien-Tsund Wang Yi-Ying Chen	Kinship within second-degree	
							Tianye Investment Company	Representative's relative within the second degree of kinship	
Tianye Investment Company	34,690,325	3.12%	0	0%	0	0%	None	None	
The aforementioned company representative Yi-Ying Chen	23,756,000	2.14%	0	0%	0	0%	Tien-Tsan Tsai	Kinship within second-degree	
							Tiangang Investment Co., Ltd.	Representative's relative within the second degree of kinship	

Name	Share Ownership		Shares Held by Spouse & Dependents		Shares Held under Nominee Accounts		Among ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Note
	No. of shares (shares)	Ratio of Shareholding	No. of shares (shares)	Ratio of Shareholding	No. of shares (shares)	Ratio of Shareholding	Title/name	Relationship	
Hsien-Tsund Wang	29,277,882	2.63%	12,419,667	1.12%	0	0%	Tien-Tsan Tsai	Kinship within second-degree	
							Tiangang Investment Co., Ltd.	Representative's relative within the second degree of kinship	
Yi-Ying Chen (*)	23,756,000	2.14%	0	0%	0	0%	Tien-Tsan Tsai	Kinship within second-degree	
							Tianye Investment Company	Representative	
							Tiangang Investment Co., Ltd.	Representative's relative within the second degree of kinship	
CTBC Bank Trust Account for King's Town Bank Employee Stock Ownership Trust.	23,000,976	2.07%	0	0%	0	0%	None	None	

Note: (\*) denotes the number of shares held reported to the regulatory authority by internal personnel,

**X. Quantity of shareholdings of the same investee by the Bank and directors, supervisors, presidents, senior vice presidents, vice presidents, supervisors of the various departments and branches, and direct or indirect subsidiaries in proportion to the combined holdings of all**

Base date: 2023.12.31

Invested Companies	Investment made by the Bank		Investment made by directors, supervisors, presidents, vice presidents, assistant vice presidents, heads of branches, and direct or indirect subsidiaries		Total Ownership	
	No. of shares (shares)	Shareholding ratio	No. of shares (shares)	Shareholding ratio	No. of shares (shares)	Shareholding ratio
Taiwan Depository and Clearing Corp.	2,382,764	0.36%	0	0%	2,382,764	0.36%
Taipei Forex Inc.	80,000	0.40%	0	0%	80,000	0.40%
Taiwan Futures Exchange	2,728,267	0.50%	0	0%	2,728,267	0.50%
Financial Information Co., Ltd.	6,472,215	1.24%	0	0%	6,472,215	1.24%
Taiwan Stock Exchange Corporation	33,242,867	2.87%	0	0%	33,242,867	2.87%
Sunshine Asset Management Co., Ltd.	37,211	0.62%	0	0%	37,211	0.62%
King's Town Bank International Leasing Co., Ltd.	159,787,196	100%	0	0%	159,787,196	100%
King's Town Bank Securities Co., Ltd.	90,000,000	100%	0	0%	90,000,000	100%
Taiwan Incubator SME Development Co.	3,417,440	4.84%	0	0%	3,417,440	4.84%

## Chapter 4 Capitalization

### I. Capital and Shares

#### (I) Sources of capital

Base date: 2024.04.09

Unit: NT\$

Year and month	Issue price	Authorized capital		Paid-in share capital		Note	
		Shares	Amount	Shares	Amount	Sources of capital	Others
1978.01		20,000,000	200,000,000	20,000,000	200,000,000		Reformed as a bank by order
1980.03		24,000,000	240,000,000	24,000,000	240,000,000	Shareholder dividend of NT\$30.4 million, special reserve of NT\$9.6 million	MOEA (69) Commerce No. 19797 dated 06.19.1980
1981.05		30,000,000	300,000,000	30,000,000	300,000,000	Dividends of NT\$14.4 million, bonus of NT\$25.2 million, special reserve of NT\$20.4 million	MOEA (71) Commerce No. 09006 dated 03.18.1982
1983.03		40,200,000	402,000,000	40,200,000	402,000,000	Value-added reserve of NT\$45.9 million and special reserve of NT\$56.1 million	MOEA (71) Commerce No. 47072 dated 12.17.1983
1983.10		42,500,000	425,000,000	42,500,000	425,000,000	Special reserve of NT\$23 million	MOEA (72) Commerce No. 51587 dated 12.29.1983
1984.09		45,000,000	450,000,000	45,000,000	450,000,000	Special reserve of NT\$25 million	MOEA (73) Commerce No. 43814 dated 11.10.1984
1985.07		47,500,000	475,000,000	47,500,000	475,000,000	Special reserve of NT\$25 million	MOEA (74) Commerce No. 40767 dated 09.17.1985
1986.06		50,000,000	500,000,000	50,000,000	500,000,000	Special reserve of NT\$25 million	MOEA (75) Commerce No. 37468 dated 08.25.1986
1987.07		52,500,000	525,000,000	52,500,000	525,000,000	Special reserve of NT\$25 million	MOEA (76) Commerce No. 41397 dated 08.18.1987
1988.05		63,000,000	630,000,000	63,000,000	630,000,000	Special reserve of NT\$105 million	MOEA (77) Commerce No. 18642 dated 06.30.1988
1989.06		80,000,000	800,000,000	73,080,000	730,800,000	Special reserve of NT\$100.8 million	MOEA (78) Commerce No. 123964 dated 06.14.1989
1989.11	NT\$180 per share	80,000,000	800,000,000	80,000,000	800,000,000	Capital increase in cash for NT\$69.2 million	MOEA (78) Commerce No. 134390 dated 12.16.1989
1990.06		200,000,000	2,000,000,000	120,350,000	1,203,500,000	Additional paid-in capital of NT\$240 million, special reserve of NT\$160 million, and employee bonus of NT\$3.5 million	MOEA (79) Commerce No. 115085 dated 07.13.1990
1991.06		200,000,000	2,000,000,000	171,500,000	1,715,000,000	Earnings and special reserve of NT\$228.665 million, additional paid-in capital of NT\$277.835 million, and employee bonus of NT\$5 million	MOEA (80) Commerce No. 1199766 dated 09.10.1991
1992.11		227,300,000	2,273,000,000	227,300,000	2,273,000,000	Earnings and special reserve of NT\$274.4 million, additional paid-in capital of NT\$277.83 million, and employee bonus of NT\$5.77 million	(81) MOF. Sec. (I) No. 02348 dated 09.14.1992
1993.08		270,000,000	2,700,000,000	270,000,000	2,700,000,000	Earnings and special reserve of NT\$281.232 million, additional paid-in capital of NT\$144.768 million, and employee bonus of NT\$1 million	(82) MOF. Sec. (I) No. 01649 dated 05.17.1993
1994.03	NT\$53 per share	335,000,000	3,350,000,000	335,000,000	3,350,000,000	Earnings of NT\$390.415 million, additional paid-in capital of NT\$9.585 million, and capital increase in cash of NT\$250 million	(83) MOF. Sec. (I) No. 28035 dated 07.05.1994
1995.03	NT\$43 per share	440,130,000	4,401,300,000	440,130,000	4,401,300,000	Capital increase in cash of NT\$100 million, earnings of NT\$599.204 million, additional paid-in capital of NT\$332.096 million, and employee bonus of NT\$20 million	(84) MOF. Sec. (I) No. 31862 dated 06.10.1995
1996.10		545,762,200	5,457,622,000	545,762,200	5,457,622,000	Earnings of NT\$624.985 million and additional paid-in capital of NT\$431.327 million	(85) MOF. Sec. (I) No. 41979 dated 07.12.1996
1997.11		646,727,022	6,467,270,220	646,727,022	6,467,270,220	Earnings of NT\$578.507 million and additional paid-in capital of NT\$431.151 million	(86) MOF. Sec. (I) No. 65313 dated 08.16.1997

## Chapter 4 Capitalization

Year and month	Issue price	Authorized capital		Paid-in share capital		Note	
		Shares	Amount	Shares	Amount	Sources of capital	Others
1998.12		724,334,265	7,243,342,650	724,334,265	7,243,342,650	Earnings of NT\$523.849 million and additional paid-in capital of NT\$252.223 million	(87) MOF. Sec. (I) No. 79377 dated 09.15.1998
2005.10	NT\$10.7 per share	1,800,000,000	18,000,000,000	1,084,334,265	10,843,342,650	Capital increase in cash of NT\$3.6 billion	(94) FSC. I. Tzi No. 0940132082 dated 08.15.2005
2008.11		1,800,000,000	18,000,000,000	1,069,334,265	10,693,342,650	Treasury stock shares canceled for an amount of NT\$150,000,000	(97) FSC. III Tzi No. 0970050338 dated 09.17.2008 (97) FSC. III Tzi No. 0970055145 dated 10.20.2008
2008.12		1,800,000,000	18,000,000,000	1,051,234,265	10,512,342,650	Treasury stock shares canceled for an amount of NT\$181,000,000	(97) FSC. III Tzi No. 0970068208 dated 12.15.2008
2013.03	NT\$10 per share	1,800,000,000	18,000,000,000	1,201,234,265	12,012,342,650	Private placement of convertible financial bonds converted into equity for NT\$1,500,000,000	(102) MOEA. So.Sun.Tzi No. 10201059550 dated 04.01.2013
2016.02		1,800,000,000	18,000,000,000	1,164,234,265	11,642,342,650	Treasury stock shares canceled for an amount of NT\$370,000,000	(105) MOEA. So.Sun.Tzi No. 10501037030 dated 02.24.2016
2016.03		1,800,000,000	18,000,000,000	1,151,234,265	11,512,342,650	Treasury stock shares canceled for an amount of NT\$130,000,000	(105) MOEA. So.Sun.Tzi No. 10501053730 dated 03.18.2016
2019.02		1,800,000,000	18,000,000,000	1,141,234,265	11,412,342,650	Treasury stock shares canceled for an amount of NT\$100,000,000	(108) MOEA. So.Sun.Tzi No. 10801016600 dated 02.27.2019
2019.10		1,800,000,000	18,000,000,000	1,131,234,265	11,312,342,650	Treasury stock shares canceled for an amount of NT\$100,000,000	(108) MOEA. So.Sun.Tzi No. 10801141640 dated 10.21.2019
2020.05		1,800,000,000	18,000,000,000	1,121,234,265	11,212,342,650	Treasury stock shares canceled for an amount of NT\$100,000,000	(109) MOEA. So.Sun.Tzi No. 10901076840 dated 05.22.2019
2022.10		1,800,000,000	18,000,000,000	1,111,234,265	11,112,342,650	Treasury stock shares canceled for an amount of NT\$100,000,000	(111) MOEA. So.Sun.Tzi No. 11101198600 dated 10.18.2022

### Type of shares

Base date: 2024.04.09

Unit: shares

Type of shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Ordinary share	1,111,234,265	688,765,735	1,800,000,000	Common stock
Preference stock	0	0	0	

### (II) Composition of Shareholders

Base date: 2024.04.09

Unit: person; shares; %

Composition of Shareholders	Government agencies	Financial institutions	Other juridical	Foreign institutions and foreigners	Individuals	Treasury stock	Total
Number of people (persons)	1	14	187	285	43,593	0	44,080
Number of Shares Held (share)	3,181	38,706,347	347,127,408	188,608,828	536,788,501	0	1,111,234,265
Shareholding ratio (%)	0.00%	3.48%	31.24%	16.97%	48.31%	0%	100%

## (III) Diversification of Shareholdings

NT\$10 per share

Base date: 2024.04.09

Range of shares	No. of shareholders	Shareholding (shares)	Shareholding ratio (%)
1 to 999	17,300	4,209,647	0.38%
1,000 to 5,000	19,677	41,284,947	3.72%
5,001 to 10,000	3,429	26,736,303	2.41%
10,001 to 15,000	1,058	13,446,694	1.21%
15,001 to 20,000	660	12,135,260	1.09%
20,001 to 30,000	586	15,035,774	1.35%
30,001 to 40,000	289	10,383,990	0.93%
40,000 to 50,000	195	9,063,320	0.82%
50,001 to 100,000	350	25,470,011	2.29%
100,001 to 200,000	214	30,319,436	2.73%
200,001 to 400,000	116	33,001,258	2.97%
400,001 to 600,000	53	25,783,655	2.32%
600,001 to 800,000	22	15,156,731	1.36%
800,001 to 1,000,000	21	18,988,352	1.71%
Over 1,000,001	110	830,218,887	74.71%
<b>Total</b>	<b>44,080</b>	<b>1,111,234,265</b>	<b>100%</b>

Note: Distribution of preferred shares: None

## Chapter 4 Capitalization

### (IV) List of major shareholders

Base date: 2024.04.09

Name of major shareholders	Shareholding (shares)	Ratio of Shareholding (%)
Chen-Chih Tai	78,209,000	7.04%
Tien-Tsan Tsai	72,752,033	6.55%
Hsinray Investment Co., Ltd.	55,205,869	4.97%
Yuanta/P-shares Taiwan Dividend Plus ETF account	52,377,689	4.71%
Jincheng Construction Co., Ltd.	48,340,000	4.35%
Tiangang Investment Co., Ltd.	39,399,025	3.55%
Tianye Investment Company	34,690,325	3.12%
Hsien-Tsund Wang	29,277,882	2.63%
Yi-Ying Chen	23,756,000	2.14%
CTBC Bank Trust Account for King's Town Bank Employee Stock Ownership Trust.	23,000,976	2.07%

Note: The top ten shareholders are listed.

### (V) Information on stock price, net value, earnings, dividends per share for the last two years

Unit:NT\$

Item	Year	2022	2023	As of January, 2024
Market price per share	Highest	41.9	40.45	41.5
	Lowest	29.75	33.35	39.7
	Average	36.37	36.35	40.62
Net value per share	Before distribution	38.17	45.10	45.46
	After distribution	37.07	-	-
Earnings per share	Weighted average shares (thousand shares)	1,111,234	1,111,234	1,111,234
	Earnings per share	1.98	5.59	0.56
Dividends per share	Cash dividend	1.1	-	-
	Stock dividends		-	-
			-	-
	Accumulated undistributed dividend	-	-	-
Return on investment	Price / Earnings Ratio (Note 1)	18.37	6.5	-
	Price / Dividend Ratio (Note 2)	33.06	-	-
	Cash dividend yield rate (Note 3)	3.02	-	-

Note 1: P/E Ratio = Average Market Price per Share / Earnings per Share

Note 2: Price/Dividend Ratio = Average Market Price per Share / Cash Dividend per Share

Note 3: Cash Dividend Yield = Cash Dividend per Share / Average Market Price per Share

Note 4: The dividend payment for 2023 has not been approved by the shareholders' general meeting.

Note 5: In January 2024, the net value per share and earnings per share were calculated by the Bank internally.

### (VI) Dividend Policy and Implementation

#### 1. Dividend policy

The Bank's dividend policy is specified in Article 33-1 of the Articles of Incorporation as follows:  
If there is a surplus in the Company's annual final accounts after all taxes have been paid, it should be applied to make up for the losses of previous years, and then appropriate 30% legal reserve; also, after having the special reserve appropriated according to law, for the balance amount, if any, thereafter, along with the retained earnings, the Board of Directors shall propose a distribution plan to the shareholders meeting for approval. For the distribution of dividends, the cash dividends must



not be less than 10% of the total dividends of the current year. The aforementioned dividends distribution principles regarding the cash dividend ratio may be adjusted depending on the Company's business operation requirements and major legal amendments. However, the cash dividend ratio must not be less than 1% of the total dividend. If the distribution of cash dividends per share is for less than NT\$ 0.1, no dividends will be distributed.

If the Company's accumulated legal reserve equals or exceeds the Company's paid-in capital, or when it meets the sound financial standard set by the competent authority under Article 50, Paragraph 2 of the Banking Act, and the legal reserve is provided in accordance with the Company Act, the legal reserve restrictions on deposits and maximum cash surplus distribution shall not apply.

Before the accumulated legal reserve equals or exceeds the Company's paid-in capital or the ratio of equity fund to risk assets meets the requirements of the Banking Act, the maximum cash dividends distribution shall be handled in accordance with the Banking Act and the requirements of the competent authority.

In summary, the Company's dividend distribution policy is to apply the annual net income to pay tax lawfully, make up for the losses of previous years, and appropriate legal reserve and special reserve, then for the remaining distributable earnings net of the fund reserved for business operation planned is to be distributed as dividend to the shareholders of common stock; also, 0% ~ 60% of the distributable amount shall be appropriated for distribution according to the proposal plan presented by the Board of Directors to be resolved in the shareholders meeting.

In addition, if there is one of the situations listed in Article 44-1, Paragraph 1 of the Banking Act, it is prohibited to have cash profit distributed or shares repurchased. Before the accumulated legal reserve equals or exceeds the Company's paid-in capital, the maximum cash dividends distribution shall not exceed 15% of the total capital.

2. Proposed dividends distribution at this shareholders' meeting: the Bank's proposed final distribution of cash dividends of 2023 is NT\$3 per share.

(VII) The impact of the stock dividends proposed at the shareholders' meeting on the Bank's operating performance and earnings per share: there was no stock dividend distributed in 2023, so, no impact on the Bank.

(VIII) Remuneration of employees, directors and supervisors

1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the Bank's Articles of Incorporation:  
According to Article 33 of the Company's Articles of Incorporation, if there are earnings in current year, an amount no less than 0.01% of the earnings shall be appropriated as remuneration of employee and an amount no more than 2% of the earnings shall be appropriated as remuneration of directors. However, when the company still has accumulated losses, an amount equivalent to the loss should be reserved for making up the loss. The employees with stock or cash received as remuneration as stated in the preceding paragraph include employees of subsidiary companies that meet certain conditions.
2. Basis for the estimation of the remuneration of employees, directors and supervisors in current period, basis for the calculation of stock shares distributed to employees as remuneration, and accounting treatment for the difference between the actual distribution amount and the estimated amount: The difference is treated as changes in accounting estimates in the next year.
3. Proposal of distribution passed by the Board:

## Chapter 4 Capitalization

- (1) Amount of remuneration to employees and directors and supervisors with cash or stock distributed: It was resolved in 2023 to issue cash remuneration for NT\$730,000 to employees, NT\$0 to directors and supervisors that has no significant difference from the estimated annual expense amount.
  - (2) The ratio of the employee remuneration amount with stock distributed to the net income and total employee remuneration on the parent company only or individual financial report in the current period: None
4. Actual distribution of employee, director, and supervisor remuneration for the previous year: the Bank, through a resolution passed at the shareholders' meeting on May 23, 2023, approved the distribution of director and supervisor remuneration of NT\$0 and employee cash bonus of 290,000 yuan for 2022 surplus distribution.
- (IX) The Bank's stock shares repurchased:
1. Repurchase of the Bank's stock shares in 2023 and as of the end of January 2024
  2. the Bank's stock shares repurchased (transaction not yet completed): None
- II. Issuance of financial bond:**None.
- III. Issuance of preferred shares:**None.
- IV. Issuance of overseas depositary receipt:**None
- V. Issuance of employee stock warrant and restricted employee shares:**None
- VI. Merger and acquisition or transfer of other financial institutions:**None
- VII. Implementation of the Bank's capital allocation plans**
- (I) Plan content: the Bank did not issue financial bonds or handle cash replenishment in 2023.
  - (II) Implementation: None.

## Chapter 5 Operational Overview

### I. Business activities

#### (I) Principal business of the Bank by business type:

##### 1. Deposit Business

Accept check deposits, savings deposits, time deposits, general deposits, agency collection/payment, and domestic exchanges.

##### 2. Loan Business

It is classified as corporate finance and consumer finance. Corporate financing business deals with various lending, bill discounting, issuance of domestic letters of credit, and domestic guarantee businesses; also, consumer financing business deals with personal home mortgage loans and consumer financial operations.

##### 3. Foreign Exchanges Business

Handle foreign exchange deposits, exchanges, imports, exports, foreign currency loans, and guarantee services for foreign currency guarantee payments.

##### 4. Investment Service Business

Help position the risk attributes of customers and provide customers with customized financial planning (including insurance and funds) through the analysis of investment attributes.

##### 5. Trust Business

Handle specific money trust investments in domestic and foreign securities, advance receipt trusts and property trust business.

##### 6. Financial and Investment Operations

Handle capital movement in New Taiwan Dollar and foreign currency, investment in securities and issuance of financial bonds.

##### 7. Insurance Agent Business

Agent selling life insurance products and property insurance products, etc.

#### (II) The ratio of each business asset and/or revenue to total assets and/or revenue and its growth and changes

##### 1. Asset by business and its growth and changes

Unit:NT\$ thousand; %

Item	2023.12.31	2022.12.31	Amount of increase/decrease	Growth rate (%)
Taiwan Dollar Deposit Business balance	264,520,709	255,394,205	9,126,504	3.57%
Foreign Currency Deposit Business balance	33,307,866	28,798,200	4,509,665	15.66%
Loan Business balance	233,672,114	245,875,220	(12,203,107)	(4.96%)
Balance of trust	45,939,233	41,523,080	4,416,153	10.64%

Unit:NT\$ million %

Item	2023.12.31	2022.12.31	Amount of increase/decrease	Growth rate (%)	
Investment Business	CD of Central Bank of the Republic of China (Taiwan)	19,400	17,600	1,800	10.23%
	Domestic treasury bonds	41,927	38,368	3,559	9.28%
	Domestic treasury bonds	300	0	300	-
	Domestic corporate bonds	1,100	1,100	0	0.00%
	Stock	2,589	1,210	1,379	113.97%
	Foreign currency securities (excluding foreign stocks)	33,561	40,141	(6,580)	(16.39%)
	Long-term equity investments	3,463	3,463	0	0.00%
	Total	102,340	101,882	458	0.45%

## Chapter 5 Operational Overview

### 2. Proportion of Revenue by Business Segment (Note: Operating income is the number of individual financial statements)

Unit:NT\$ thousand; %

Item	2023		2022	
	Amount	Ratio (%)	Amount	Ratio (%)
Operating revenue	9,597,572	100.00%	5,000,121	100.00%
Loan Business	6,280,706	65.44%	5,832,852	116.65%
Corporate Banking	6,001,969	62.54%	5,541,523	110.83%
Consumer Banking	278,737	2.90%	291,329	5.83%
Trust Business	39,391	0.41%	38,863	0.78%
Foreign Exchanges Business	535,925	5.58%	553,642	11.07%
Wealth Management	235,417	2.45%	248,944	4.98%
Investment Business	2,467,252	25.71%	(1,724,604)	(34.49%)
Others	38,881	0.41%	50,423	1.01%

### (III) 2024 Business Plan

#### 1. Deposit Business

- (1) We deeply cultivate and manage our core deposit customers, combining the advantages of localized branches and industry development characteristics. We provide a variety of localized and personalized customer services, continuously pursue innovation, and complement them with digital service products to better serve our customers and strengthen their loyalty to our bank.
- (2) With a customer-centric approach, we design products that meet market needs and provide exclusive goods and services to large, medium and small business customers to meet their financial needs and increase satisfaction.
- (3) It offers a variety of online cash management services for corporate customers to attract payment and collection businesses, such as domestic and international transfers and payments, payroll deposits, foreign exchange services, and collection services, to increase the Bank's demand deposit ratio and deposit scale, and enhance its competitiveness in the financial industry.
- (4) To enhance the efficiency of over-the-counter operations and the convenience of digital business, meeting the daily financial service needs of customers to improve the customer experience, nurture customer relationships, and better meet the needs of the general public.
- (5) In response to the digital finance trend, continuously innovate digital models, and integrate digital marketing methods to expand operations to different demographic groups, establishing new consumer endorsements.
- (6) By integrating the securities business, we are providing customers with the convenience of accessing both deposit and securities financial services, broadening our range of service channels to better meet customer needs, and ultimately increasing demand for checking deposits.
- (7) To provide more user-friendly financial services, the Bank has organized sign language classes and dementia care programs to strengthen support for elderly customers, customers with disabilities, and economically disadvantaged groups. This is part of the Bank's ongoing efforts to create a more inclusive and customer-friendly financial environment.
- (8) To implement and strengthen fair customer treatment, we have launched exclusive deposit programs for the young generation, called "I'm Still Young, I'm Still Young," and for the elderly, called "Enjoy Life with Advantageous TWD Savings." We have also enhanced financial education to safeguard customer assets.
- (9) To implement the principle of fair treatment of customers, we work with industry, government, and academia to educate our bank's customers, school-age children, and community elders about

fraud techniques and prevention, to promote financial literacy, and to work together to protect the public's asset security.

- (10) To create a user-friendly automated service environment, we will introduce large-screen ATMs and design related services to meet the needs of visually impaired and color-blind users. We will also incorporate accessibility voice functions to promote the widespread adoption of our ATM-friendly services and enhance our corporate brand image.

2. Credit Business

- (1) The strategy for expanding the credit business will continue to provide customized and diversified professional financial services while taking into account risk management. It will generate returns that are commensurate with the risks, and use revenue streams to respond to future changes in the financial market. It will also review the yield of credit products and continuously develop innovative financial products to enhance the functionality and value of our credit products.
- (2) Focus on financing for both large businesses and SME, continue to promote financing for SME in line with government policies, and increase the financing limit for SME and micro-enterprises, assist small and medium-sized enterprise fintech industry leaders (including startups in biotech, microelectronics, and optoelectronics) in obtaining working capital and actively promote the Bank's green credit services to help enterprises acquire the necessary funds for energy-saving and carbon reduction initiatives. Fulfilling our social responsibility, we aim to contribute to the development of the domestic economy through government policies.
- (3) In terms of corporate finance business, we continue to promote sources of self-liquidating repayment and business projects like transactional financing in addition to our existing business. In terms of consumer finance business, we promote consumer mortgage business with projects to increase the volume of our mortgage business, so as to continue to have stable income and to achieve a balanced development of credit business.

3. Foreign Exchanges Business

- (1) Continue to develop foreign currency digitalization products for Internet banking and mobile banking in response to the epidemic and the increasing demand for digital financial services.
- (2) Continue to promote foreign exchange deposit products to attract and maintain stable foreign exchange funds.
- (3) Promote and optimize our foreign exchange digital platform "King's Pay" to provide customers with the most innovative foreign exchange product solutions.
- (4) Continue to streamline the foreign exchange operation process and various application forms for the public in order to enhance operational efficiency and service satisfaction.
- (5) In line with regulatory efforts to promote fair treatment of customers, we conduct caring inquiries when handling foreign exchange transactions for specific demographics, assisting customers in avoiding fraud or losses.

4. Investment Service Business

- (1) Plan the function of the financial management system to increase the efficiency of business management and improve customer satisfaction.
- (2) Cultivate and train personnel for branch business development and headquarters planning and operations.
- (3) Continuously digitize the internal audit and control management mechanism.
- (4) Cooperate with our securities subsidiary to promote business.
- (5) Conduct customer investment seminars or briefings to convey financial concepts.

## Chapter 5 Operational Overview

### 5. Insurance Agent Business

- (1) In response to changes in the development strategies and market environment of the financial management business, we return to the essence of insurance and strengthen the promotion of insurance products, launching products that meet the diverse needs of customers.
- (2) Strengthen consumer protection as well as strengthen the professional knowledge of our sales staff regarding insurance products to provide appropriate insurance products for customers to meet their insurance needs.
- (3) Strengthen fair treatment of elderly and disabled customers by collaborating with high-quality insurance companies to offer financial-friendly insurance products that meet their needs.
- (4) In accordance with the supervisory authorities' efforts to promote measures for the protection of the rights and interests of the elderly, we conduct caring phone calls to our elderly customers and regularly invite middle-aged and elderly customers to participate in promotional activities to promote financial insurance concepts.

### 6. Trust Business

- (1) Build a new commodity trading platform in line with the development of financial services.
- (2) Meet the diversified needs of personal or corporate financial planning, transaction security, asset transfer and property preservation through trust functions.
- (3) To fulfill the fiduciary duty of the trustee in the Real Estate Investment Trust, and to provide long-term stable rental income returns and pursue long-term capital gains for the beneficiaries.
- (4) In line with the regulatory authorities' promotion of the Trust 2.0 comprehensive trust promotion plan, we will integrate internal resources and engage in cross-industry collaborations to develop tailored trust services that are accessible to the general public.
- (5) Utilizing trust mechanisms to assist vulnerable groups such as the elderly, people with dementia, and people with physical and mental disabilities in their daily care and asset preservation activities, fulfilling our corporate social responsibility and creating a niche for sustainable development in our organization.
- (6) To increase the familiarity of trust business personnel with service processes and provide friendly financial services based on the principle of "fair treatment of customers" to meet the service needs of the aging society.

### 7. Financial operations business

- (1) Strengthen asset and liability management, strictly control liquidity risks and improve the efficiency of the Bank's overall capital utilization.
- (2) Maintain a smooth and stable capital movement business in order to cope with the development of branch deposits business.
- (3) Clearly stipulate the operating specifications and authorization scope of various securities investment and derivative financial instrument transactions in order to strictly control various transaction risks.

## (IV) Market Analysis

### 1. The Bank's business operation regions

The Bank has 66 domestic business bases and 1 international financial business branch currently that are located in Yunlin and Chiayi region and major metropolitan areas with 14 offices in the northern region, 4 offices in the central region, 43 offices in the Yunlin and Chiayi region, and 5 offices in the Kaohsiung and Pingtung region. All of the offices of the Bank are full-featured branches for a diversified business operation, including wealth management, personal finance and corporate finance,

and other diversified banking businesses to provide customers with the highest quality financial services.

2. Future market supply/demand and growth potentials

In 2023, Taiwan's financial industry experienced a significant improvement in its operating environment compared to 2022, as the U.S. Federal Reserve entered the final phase of interest rate hikes and inflation rates declined slightly. Both the domestic stock and foreign exchange markets rallied. On the export side, however, global inflation and interest rate effects, as well as international geopolitical uncertainties, have dampened final demand. Fortunately, the domestic market has shown active consumption, supporting the overall domestic economy. Looking ahead to 2024, the export market is expected to regain momentum as the inventory of the electronics manufacturing industry is gradually depleted. In particular, the rise of artificial intelligence (AI) has led to a significant demand for AI chips, resulting in a flourishing export of the related semiconductor supply chain. In the realm of the financial market, there remain several risks: the tightening of monetary policy by central banks, elevated inflation rates, and geopolitical disruptions. These factors have the potential to amplify financial market volatility and affect bank profitability.

After the pandemic, the digital transformation of financial institutions has continued to drive the development of financial technology. Customers have become accustomed to relying on digital financial services for their digital financial lives. The increasing number of financial services that used to involve face-to-face interactions are gradually transitioning to online digital financial services. Friendly and efficient tellers are being replaced by artificial intelligence machines, including chatbots and virtual customer service. However, whether it is physical or digital financial services, customers continue to demand high-quality and personalized services. Therefore, financial institutions must continuously collect customer behaviors and preferences, build comprehensive databases, and meet customer needs in all aspects to face the advent of the digital and AI financial era.

3. Advantages and disadvantages of competitive niche and development prospects

(1) Competitive favorable factors of the Bank

A. With the gradual easing of global inflationary pressures and the central bank's decision to temporarily postpone interest rate hikes, pressure on corporate financing costs has eased. In addition, the recovery of exports and the continued vitality of domestic demand industries have contributed to the restoration of business confidence and an increase in commercial activity, which is expected to provide momentum to bank lending.

B. In response to the trend of digital finance development, the Bank has established relevant units in 2015 and launched a variety of digital financial services to meet the constantly changing needs of market technology and customers. Focuses on SME customers compared with its peers' digital finance strategies, assisting SMEs in managing funds, financing, and reducing operating costs through customized financial solutions, thereby improving the stickiness and return rate of SME customers, which in turn promote long-term profitability.

(2) Competitive unfavorable factors of the Bank

A. The lagged effects of the high interest rate environment are still fermenting in the real economy and the corporate sector. The high cost of corporate funding, if not accompanied by a clear profit outlook, may lead to a slowdown in credit demand and should be monitored for credit default risks.

B. Geopolitical risks continue to escalate, coupled with important elections taking place in over 50 countries around the world in 2024, including the United States, Europe, India, and

Taiwan. The election results may alter current policies on trade barriers, regulatory controls, energy transition, foreign investment, and immigration, and have far-reaching implications for the international situation.

4. Response measures
  - (1) Adjust the composition of our credit business, and provide customized and diversified professional financial services with good risk management to obtain business with better yield.
  - (2) Continuously monitor and adjust asset portfolios in response to changes in domestic and international financial conditions, while maintaining strict control over asset quality.
  - (3) Design a variety of deposit products by anticipating future interest rate trends, and stabilize deposit sources by utilizing our unique geographical advantages to manage deposit spread.
- (V) Financial Instruments Research and Business Development Overview
  1. Major financial instruments and new business units, the operation scale, profit, and loss in the last two years
    - (1) Corporate finance:
      - A. Support the government's economic revitalization policy and strengthen corporate loans. For small and medium-sized enterprises with insufficient guarantee capabilities, they will be transferred to the SME Credit Guarantee Fund of Taiwan (Taiwan SMEG) for loans. As of the end of 2023, the balance of loans to SMEs was NT\$144,765,365 thousand.
      - B. Remain to focus on corporate finance in terms of the main objective of the credit business, assisting SME owners, as well as the financial technology industry (biotechnology, optoelectronics, etc.), to obtain short- and medium-term credit and working capital with tangible/intangible assets, cooperate with the SME credit guarantee projects promoted by the credit guarantee fund to increase the financing amount and improve loan terms for SME owners, maintain the quality of credit loans and avoid over-concentration of risks through the credit guarantee fund, so as to ensure the soundness of credit business.
      - C. Actively promote supply chain financing business and regional core industry credit business to enhance product competitiveness.
    - (2) Consumer finance:
      - A. Continue to promote consumer mortgage business and offer competitive mortgage projects for the public to choose from, aiming to increase the volume of mortgage business and further promote correlative businesses. As of the end of 2023, the overall mortgage balance was NT\$16,453,827 thousand.
      - B. The home mortgage loan business is aimed at a stable development, providing customers with product requirements at different stages, developing local customers in-depth, strengthening customer relationship maintenance and service quality, etc., which is conducive to the long-term and stable development of the home mortgage loan business.
    - (3) Trust business:

Overview of the trust business for the year of 2023: as of the end of December 2023, the balance of specific money trust (fund business) asset was NT\$10,411,109 thousand, and the balance of other trust (including real estate trust and other money trust businesses) asset was NT\$35,528,124 thousand. The total trust assets were NT\$45,939,233 thousand, and the total trust fee income was NT\$100,425 thousand.
    - (4) Investment Service Business:
      - A. Provide comprehensive services to meet customers' overall needs for investment and wealth management as the core business objective.



- B. Prioritize the introduction of ESG-related financial products to support the concept of sustainable business operations.
- C. Expanding overseas bond products and protection-type insurance products to enhance the concept of comprehensive personal or family wealth planning and risk diversification management.
- D. The wealth management service fee income in 2023 was NT\$227,944 thousand.
2. Research and development expenses and results incurred over the last two years, and future research and development plans

## (1) Research and development expenses

Unit:NT\$ thousand

Year	2023	2022
Amount	68,904	66,481

## (2) Research and development results

- A. Completed KING's Pay MGM.
- B. Optimized the legal compliance integration platform.
- C. HSM EOS Retirement Upgrade.
- D. Completed the ATM Interface Upgrade.
- E. Completed the project of online formation of warranty contract.
- F. Optimize the review and approval system.
- G. Completed the Online Repayment Project
- H. Implement BPM business process management system.
- I. Completed the Foreign Exchange Preferential Deposit Monthly Interest Project.
- J. Completed the Voucher form digitization project
- K. Completed the Certified Public Accountant (CPA) letter project.
- L. Implement ELK AP system.
- M. Adjust the program's version control mechanism.
- N. Enterprise Network Performance Tuning.
- O. Optimize MAIL's immediate and validity review mechanism.
- P. Completed Securities Online Opening project.
- Q. Completed the Jinghao Qian Shareholder Project.

## (3) Future research and development plans and estimated research cost

Project in the most recent year	Further R&D expense (NT\$ thousand)	Projected date for completion
Wealth Management System Upgrade	0	June 2025
Fund System Upgrade	0	June 2025
Upgrade of the Joint Inquiry System	4,500	December 2024
Jinghao Qian Employee Project	0	January 2024
Cross-border Remittance MS Collaboration Project	0	April 2024
Cross-border Remittance PP Collaboration Project	0	July 2024
Digital Multimedia Calling System Replacement	5,940	February 2024
The statement provides transaction details	0	March 2024
Text and AI Intelligent Customer Service System Implementation	8,036	December 2024
Jinghao Qian Financing Project	0	February 2024
Review System Implementation	0	February 2025
Systematization of Bad Debt Handling Process	0	April 2024

## Chapter 5 Operational Overview

Project in the most recent year	Further R&D expense (NT\$ thousand)	Projected date for completion
Audit System Implementation	0	December 2024
Adjustment of numerical format in Financial STAN document	200	December 2024
Seal System Upgrade	980	December 2024
Terminal Digital Signature Project	0	December 2024
Improvement of E-commerce System Resource Efficiency	9,000	December 2024

Note: The estimated completion time is based on the original planning and design, and will be adjusted depending on business process changes or other project schedules.

### (VI) Long-term and short-term business development plans

#### 1. Short-term business development plan

- (1) Continue to enhance digital financial development to meet the evolving customer needs and consumption habits, including optimizing user interfaces, providing more diversified mobile services, and strengthening information security measures.
- (2) Grasping interest rate trends, diversify funding sources and improve the stability of funding sources in response to the rising interest rate environment, and dynamically adjust loan pricing strategies based on market conditions, credit risks, and competition, in order to continue improving overall performance of deposit spread.

#### 2. Long-term business development plan

- (1) Focus on niche financial instruments and promote businesses that focus on service fee income in response to changes in the financial environment and business needs.
- (2) Support sustainable finance and promote financial inclusion, working with society to address climate change issues and promote sustainable growth.
- (3) Continuously introduce digital systems and streamline operational processes, to reduce operational risks, improve service efficiency, and provide customers with quality financial services.
- (4) Value the cultivation of talents at all levels, to embrace the challenges of the digital era, and to attract outstanding talent and promote innovative thinking.

## II. The information of employees within the past two years and up to the printing date of the annual report

### (I) Information on Employees

Year		2022	2023	As of January 31, 2024.
Number of Employees	Managerial positions	302	305	302
	Employees	692	690	670
	Total	994	995	972
Average age		40.1	40.1	40.28
Average year of services		12.37	12.32	12.65
Education	Master degree and above	9.96%	10.15%	10.08%
Background Ratio	College, Institute and University	83.3%	83.14%	84.47%
	Below senior high school	6.24%	6.73%	5.45%
Names of professional certifications held by employees	Qualification exams for Securities Specialists	218	225	230
	Qualification exams for Senior Securities Specialists	94	96	97
	Professional qualification exams for Securities Investment Analysts	3	3	3
	Securities Investment Advisory Salesperson	64	66	65

Year	2022	2023	As of January 31, 2024.
Qualification exams for Futures Trading Analysts	71	73	71
Proficiency Test for Trust Operations Personnel	716	719	710
Proficiency Test for Financial Planning Personnel	160	163	154
Proficiency Test for Bank Internal Control and Audit	668	673	686
Basic Proficiency Test for International Banking Personnel	104	107	100
Basic Proficiency Test for Bank Lending Personnel	237	241	225
Advanced Proficiency Test for Bank Lending Personnel	7	7	6
Qualification exams for Personal insurance agent	4	4	5
Qualification exams for Property insurance agent	3	3	4
Qualification exams for Personal insurance broker	3	3	3
Qualification exams for Property insurance broker	3	3	3
Qualification exams for Personal insurance representative	839	851	839
Qualification exams for Property insurance representative	821	828	825
Qualification exams for Investment-orientated insurance product representative	507	508	495
Qualification exams for Foreign Currency Payment and Non-Investment Commodity Test	540	544	523
Certified Financial Specialist for Small and Medium Enterprises	23	23	21
Qualifications of structured product sales personnel	126	128	117
Professional Exam for Anti-Money Laundering and Countering Terrorism Financing Specialist	290	291	297
Basic Competency Test for Risk Management	12	12	19
Basic Test on the FinTech Knowledge	37	38	47
Basic Competency Test for Corporate Governance	8	8	10
Chartered Financial Analyst (CFA)	5	5	5
Financial Risk Management Analyst (FRM)	2	2	3
Advanced Financial Management Associate (AFMA)	0	2	1
Certified Anti-Money Laundering Specialist	4	4	4
Lawyer	2	2	1
International Certified Internal Auditor	1	1	1
Certified Information Systems Auditor	1	1	1

Chapter 5 Operational Overview

Year	2022	2023	As of January 31, 2024.
ISO 27001 Lead Auditor	3	3	4
ISO 22301 Operations Continuity Management	1	1	2
Certificate in Corporate Sustainability Management	3	3	3
ISO14064-1:2018 internal auditor and carbon management personnel training	3	3	4
Sustainable Development Carbon Management Associate	1	1	1
ISO50001:2018 energy management system internal auditor training	3	3	4

(II) The Bank's personnel related to the transparency of financial information have obtained the relevant licenses specified by the competent authorities as follows:

Relevant department	Relevant certifications specified by the competent authority	No. of person obtained
Auditing Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	15
	CIA International Internal Auditor	1
	Certified Information Systems Auditor	1
	Certified Anti-Money Laundering Specialist	1
Administration Management Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	13
	Enterprise Internal Controller Competency Test (Securities and Futures Institute)	2
	Basic Competency Test for Corporate Governance	6
	Certificate of Competence for Energy Manager Training	1
	Sustainable Development Carbon Management Associate	1
Treasury Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	11
	Chartered Financial Analyst (CFA) Level 3	2
Risk Management Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	16
	Basic Competency Test for Risk Management (Taiwan Academy of Banking and Finance)	7
	ISO 27001 Lead Auditor (SGS Academy)	4
	ISO 22301 Operations Continuity Management	2
Compliance Department	Bank Internal Controller and Internal Auditor Test (Taiwan Academy of Banking and Finance)	6
	Anti-Money Laundering and Counter-Terrorism Financing personnel test (Taiwan Academy of Banking and Finance)	6

## (III) Employee education and training

In response to changes in the financial environment and to maintain corporate competitiveness, the Bank has strengthened the development of its human resources and promoted the concept of lifelong learning, encouraged employees to pursue growth through learning and stimulated their personal potential, and continued to commit resources training courses. The goal is to use training activities to improve knowledge and skills required for jobs, improve efficiency and service quality and facilitate personal career development of employees. Our results for 2023 education and training courses are as follows:

Courses	Number of classes	Total number of persons	Total hours	Total Cost (\$)
Profession training	512	47,833	11,737	4,325,733
Training for new recruits	2	39	2,244	
Compliance and Anti-Money Laundering Act Compliance Course	25	244	3,453	
Legal Compliance Course for Trustees	50	861	5,431	
Information security education training	43	2,275	3,529	
Financial Consumer Protection Act/Principles for Fair Treatment of Customers	79	10,734	19,656	
Training on Communication Functions	2	70	354	
Labor safety/health education training	31	225	2,941	
Self-defense firefighting team training	2	66	264	
ESG/Sustainable Development	119	15,889	17,785	
Total	865	78,236	67,394	

## (IV) Managers participating in continuing education and training related to corporate governance

In 2023, 43 managers participated in a total of 130 hours of classes in corporate governance.

Title	Name	Training date	Organizer	Course name	Continuing Education Hours
President	Hung-Liang Chiang	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
		2023.09.26	Chinese Association of Business and Intangible Assets Valuation	Evaluation of "Fairness Opinion" and "Fair Price at the Time" under the New Enterprise Merger Law	4
Senior Vice President	Chih-Cheng Yu	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
				Principle of Fair Treatment of Customers and Business Integrity	3
Senior Vice President	Qi-Wei You	2023.11.29	Taiwan Stock Exchange, Taipei Exchange	Carbon Market Takes Off: Summit on Sustainable Future	3
		2023.12.11	Taipei Financial Research and Development Foundation	Measurement and management of the impact of sustainable development goals	2
		2023.11.13		Carbon risk in corporate supply chains and case studies introduction	2
		2023.10.30		Green and Sustainable Finance: Tools and Markets	2

## Chapter 5 Operational Overview

Title	Name	Training date	Organizer	Course name	Continuing Education Hours
Senior Vice President	Hung-Sung Shen	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Chief Auditor	Ching-Chu Pai	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Corporate Governance Officer	Tzu-Yun Chen	2023.10.27	Securities and Futures Institute	Sustainable Development Practices Promotion Association	3
		2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
		2023.08.04	Taiwan Corporate Governance Association	The Role of Directors and Compliance Responses to Challenges in Corporate Governance 3.0	3
		2023.07.14		How Lighthouse Factory Achieves Sustainable Development through Digital Transformation	3
		2023.06.30		Global Future Risks and Opportunities for Sustainable Transformation	3
		2023.06.02		Exploring Business Litigation and Dispute Resolution Practices	3
		2023.05.23	Taiwan Stock Exchange	"Promotional Meeting for Sustainable Development Action Plan or TWSE and TPEX Listed Companies"	3
		2023.05.19	Taiwan Corporate Governance Association	Protection of Trade Secrets and Non-Competition	3
		2023.05.16	The Institute of Internal Auditors-Chinese Taiwan	Board of Directors and Functional Committees (Audit, Compensation) Regulatory Analysis and Audit Focus	6
Vice President	Chien-Ko Yang	2023.10.27	Securities and Futures Institute	Sustainable Development Practices Promotion Association	3
Manager	Hung-Pei Hsien	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Shui-Shan Huang	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Shih-Chi Chuang	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Yun-Chia Peng	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
		2023.12.04	Taipei Financial Research and Development Foundation	Detection and Prevention of Digital Fraud and Digital Financial Crimes	3
Senior Manager	Wan-Hsin Liu	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3

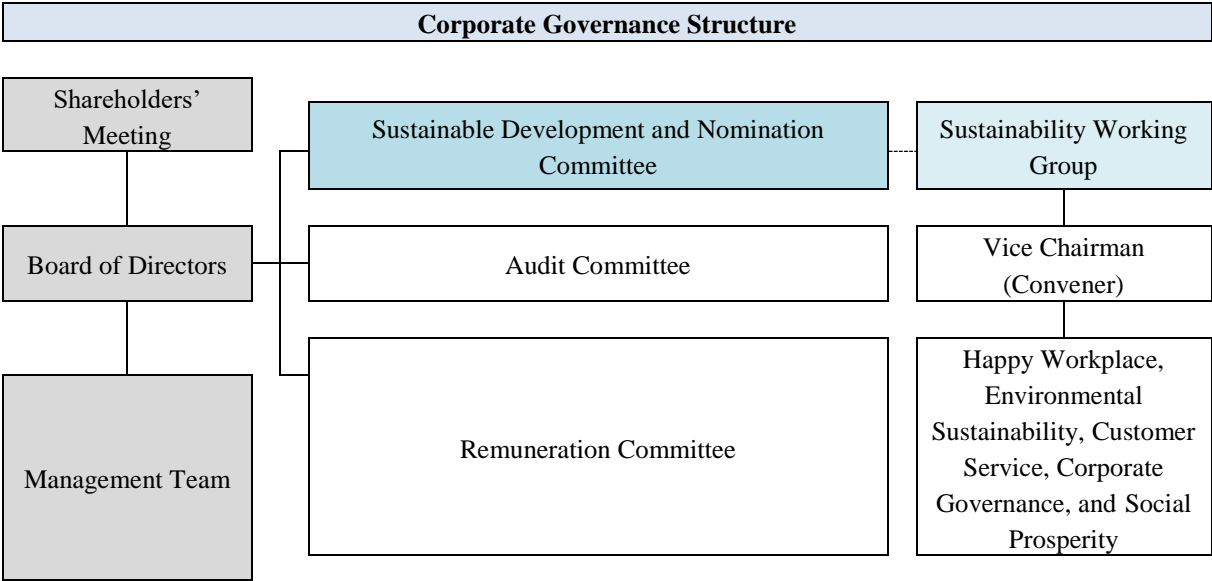
Title	Name	Training date	Organizer	Course name	Continuing Education Hours
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Senior Manager	Hui-Chen Yu	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Po-Heng Chen	2023.12.22	Taipei Financial Research and Development Foundation	Financial Friendly Service Guidelines	2
				Introduction to Natural Carbon Sink	2
				International Financial Reporting Standards (IFRS) No. S1 and No. S2	2
Manager	Chiu-Ching Kuo	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Yu-Mei Chen	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Senior Manager	Li-Hsueh Hsu	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Yu-Chen Lin	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	I-Sheng Liu	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Chun-Mi Wu	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Su-Chin Kuo	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Chao-Yang Wang	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Hsiu-Yueh Cheng	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Hui-Ju Lo	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Mei-Hui Wu	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Ching-Chung Hsu	2023.10.16	Taiwan Securities Association	Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3
Manager	Jen-Hua Yang	2023.10.16	Taiwan Securities Association	Principle of Fair Treatment of Customers and Business Integrity	3
				Trends in the Latest International Carbon Tariffs and Sustainable Business Strategies for the Securities and Financial Industry	3

- (V) Protection measures for employees' working environment and employees' personal safety
  1. the Bank has security systems and security personnel at its business premises to maintain the safety of the workplace and its employees.
  2. Establish occupational safety and health rules and hold occupational safety and health training for employees every year to achieve the goal of zero workplace accidents and ensure the safety and health of all employees.
  3. In 2023, we held two firefighting self-defense team exercises to enhance employees' general knowledge of firefighting and disaster prevention. In addition, we conducted 31 labor safety training sessions, with a total of 225 person-times, and 21 first-aid training sessions with a total of 950 person-times, totaling 1,154 hours.

**III. Corporate social responsibilities and ethical conduct**

The goal of "becoming a better company" is the goal that King's Town Bank strives to achieve. A successful company does not only pursue the growth of profits, but in the process, through the influence of the Company, allows the effective distribution of resources, the stability of society, and the vitality of the environment. In addition to the Sustainable Development and Nomination Committee, which is the supervisory unit for ESG, King's Town Bank has also established the Sustainability Working Group, with the Vice-Chairman as the convener, to plan, execute, promote and review the implementation of sustainable development. King's Town Bank's implementation of sustainable development is reflected in five aspects:

- (I) Strengthen corporate governance, implement compliance with laws and regulations, and optimize risk control.
- (II) Emphasizing fair treatment of customers, developing digital finance, and enhancing customer experience.
- (III) Cultivate local talents, constructing a happy workplace, and affirm gender equality.
- (IV) Serve the community, bridge the gap between urban and rural areas, and support arts and cultural activities.
- (V) Promote sustainable finance, create a green environment, and mitigate climate change.





### King's Town Bank Summary of 2023 Sustainable Development Initiatives

#### Customer care

1. In recent years, the Bank has been committed to improving digital customer engagement. In 2023, the overall satisfaction of customer service in digital channels reached 94 points, an improvement of 0.6 points compared to last year. A total of 20,060 valid questionnaires were collected.
2. To promote inclusive finance and financial friendliness, in 2023 we collaborated with the Taiwan Association of Sign Language Interpreters (TASLI) to provide on-site sign language video translation services. We also incorporated the needs of color-blind customers into the planning of ATM usage processes and interface redesign. In addition, we enhanced and optimized "Web Accessibility" by adding dedicated sections for "Youth" and "Elderly" demographics, where we share various common financial product knowledge and anti-fraud tips tailored to each customer group.
3. To actively promote the concept of sustainable finance, we launched the "Sustainable Deposit Project" in December 2023, which aims to connect with our customers to create a sustainable environment. In addition, in line with our bank's policy of fair treatment of customers and financial friendliness, we have launched exclusive insurance products for specific ethnic groups. A total of 55 insurance products were introduced in 2023, of which 4 met the ESG criteria.
4. King's Pay is a Western Union remittance channel jointly launched by the Bank and Western Union to enhance the convenience of overseas remittance services for local people. In 2023, King's SPEED PAY registered 10,530 people and made 61,626 remittances, a significant increase from the same period last year.
5. King's Town Bank values the customer experience and takes every feedback from our customers seriously, for which we continue to optimize our products and services. A total of 1,616 valid questionnaires were collected in the customer satisfaction survey conducted in October 2023, and the overall satisfaction reached 91.9%. 90.3% of the customers were satisfied with the digital services provided by King's Town Bank. A total of 41 complaints were received in 2023, all of which were completed with an average processing time of 1.61 days.

#### Environmental protection

1. Received the Bronze Award in the Non-Manufacturing Category of the 5th National Enterprise Environmental Protection Award in 2023
2. To promote environmental friendliness and support local revitalization, our Bank held a one-day agricultural experience event in cooperation with Tainan Xuejia Food Healthy Limited company. A total of 50 managers participated in this event, demonstrating our commitment to corporate social responsibility.
3. The head office building has implemented the Bank introduced ISO 14001 and obtained third-party certification.
4. The Bank received the "Outstanding Green Procurement Enterprise Award" from Tainan City for three consecutive years, with a total green procurement amount of NT\$11,394,326 in 2023.
5. Greenhouse gas emissions of 2,196 (metric tons of CO<sub>2</sub>e/year) in fiscal 2022 were 2.16%.% lower than the base year of 2023.
6. The average amount of waste per person in the head office building is 39.45 kilograms, a decrease of 7.83% compared to the baseline year of 2022.
7. In response to World Earth Day, we organized a used-goods exchange event where 172 items were successfully exchanged in 2023, a 72% increase from 2022.
8. Since 2012, we have installed solar energy installations at the head office and Taibao branch and are planning to build solar energy branches. At the end of 2023, King's Town Bank generated 40,478 kWh of green electricity.

### King's Town Bank Summary of 2023 Sustainable Development Initiatives

#### Social welfare and community participation

1. Utilizing the characteristic of localization, the Bank actively invests in social resources, focusing on three main activities: academic education, caring for the underprivileged, and promoting humanities and arts. The Bank aims to positively influence every corner of society and realize the vision of social prosperity. In 2023, the total social investment amounted to NT\$51.87 million, representing a year-on-year growth of 21.02%.
2. In 2023, the Bank organized and participated in 298 community care activities, with 2,102 volunteers, 3,654 volunteer hours, and 12,730 beneficiaries. 4 financial education seminars for children and university students were held, bringing together its outstanding bank staff from to serve as lecturers, allowing students to gain a better understanding of financial knowledge and business and benefiting 231 students.
3. In 2023, the Bank successfully stopped 134 frauds with a value of approximately NT\$57.08 million, and the Bank's meritorious officers have been repeatedly awarded by local police units.
4. "2023 Financial Services Charity Carnival - Kaohsiung" through practical actions, promotes social welfare. A total of 17 volunteers from the head office and Kaohsiung branches participated. The interactive booths at the event engaged around 300 people, and a donation of NT\$100,000 was made to a social welfare organization, aligning with the policy of inclusive finance and further enhancing interaction between our bank and local communities.
5. The Bank has collaborated with 6 universities and colleges, including Chang Jung Christian University, Southern Taiwan University of Science and Technology, Chaoyang University of Technology, Nanhua University, Shih Chien University and National Kaohsiung University of Science and Technology, to offer career development courses, workshops, and internship programs for students.
6. Since August 2020, the Bank has participated in the "Youth's Employment Ultimate Program" of the Workplace Development Agency, with senior staff of the Bank serving as workplace training instructors to provide a "learning-by-doing" pathway for fresh graduates, helping young people to gain practical and useful professional skills for their future career development. As of December 31, 2023, a total of 177 people have been recruited.

#### IV. Number of full-time employees other than supervisors, full-time employee average salary and means

	2022	2023	Growth rate
Number of full time employees (person)	843	843	0%
Full-time employee average salary (Thousands)	831	892	7.34%
Full-time employee salary means (Thousands)	759	805	6.06%

#### V. Information equipment

- (I) Configuration and maintenance of major information systems
  1. Taiwan Foreign Currency Core Host
    - (1) Hardware: Use IBM i Series P9 model 9009-41A host.
    - (2) Software: Use IBM OS/400, DB2/400.
  2. Open system Microsoft platform part
    - (1) Hardware:
      - Open system servers: Use IBM, Lenovo or HP servers.
      - Disk drives: Use HP, IBM and Lenovo disk drives.
    - (2) Software:
      - Operating systems: Windows Server, Red Hat Enterprise Linux.
      - Database: Mainly MSSQL DB.
- (II) Future development and purchase plan
  1. Server host section: Establish FCB Financial Institution Configuration Standards.

2. Network
  - (1) Bandwidth manager replacement and upgrade.
  - (2) Endpoint management system enhancement.
  - (3) Strengthen the information security monitoring system.
- (III) Emergency backup and security protection measures
  1. Emergency backup measures
    - (1) Host: use IBM POWER HA off-site redundancy solution to synchronize the local data to the DR redundancy center to ensure the DR data synchronization.
    - (2) Open system platform part: important servers use Storage Area Network (SAN) technology for data redundancy offsite to ensure DR data synchronization.
    - (3) Network: Build the important routers and switches in HA mode in terms of network system redundancy to ensure the quality of network connection. Use fiber optic MPLS line with 4G redundancy for business unit line.
  2. Safety protection measures
    - (1) In addition to implementing general security measures in the server room, strengthening fire safety facilities, environmental monitoring, and early warning functions, the Bank has strengthened its information security measures by using firewalls, anti-virus systems, intrusion detection, and other information security equipment from major international manufacturers, and by layering security measures in the external service system according to the service area of influence. We continue to build a safe and efficient internal operational management and external collaborative trading environment to enhance our core competencies.
    - (2) Network traffic contract with ISP to adopt information security fleet solution, and activate traffic cleaning service for website malicious attack protection when necessary.
    - (3) Cooperate with the automatic information security monitoring system mechanism to achieve effective monitoring and timely protection and maintain the security of the network and system environment.

## VI. Information Security Management

Digital technology innovation changes people's life style, especially financial technology (FinTech); web application, mobile application, digital currency, block chain, mobile payment, API, biometrics..., prompting huge changes in the financial industry and creating many new opportunities, however, they also face many information security risk issues, such as: Cyber attacks, inadequate identification of users, money laundering or fraud, and leakage of personal information...etc.

In order to properly respond to the risks and opportunities brought about by digital technology, Bank of Nova Scotia has established a sound management structure and system, improved hardware and software, and provided education and training to prevent beforehand and respond in the event. 2023 results are as follows:

1. Management Structure and System
  - (1) Obtained ISO 27001 international information security management standard
  - (2) Information Security Committee will be held in 2023: 6 sessions
  - (3) Annual report to the Board of Directors on the overall implementation of information security in the previous year
2. Continuity of information system operation
  - (1) Number of core accounting server crashes: 0 times.
  - (2) Personal Internet Banking / Mobile Internet Banking / Corporate Internet Banking Usage Rate: 99.99%

## Chapter 5 Operational Overview

3. Education, Training and Certification
  - (1) Held 2 internal information security advocacy sessions, 1 information security course evaluation, with 100% advocacy rate, 2,895 participants, average test score: 98 points
  - (2) International Information Security Licensees: 5 persons.
- (I) Ares security risk management framework, ares security policy, specific management plan and resources invested in ares security management.

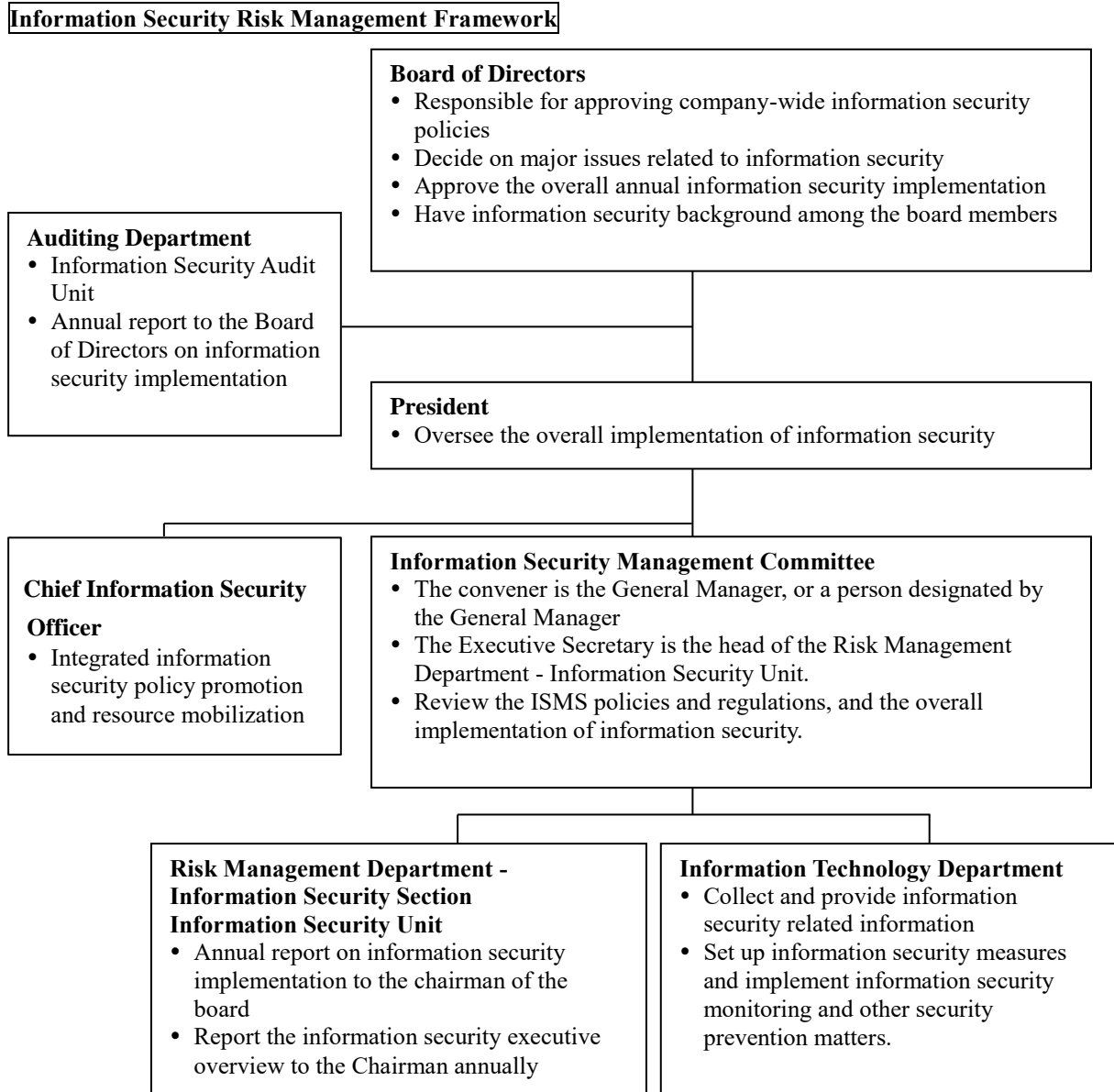
1. Information Security Risk Management Framework

The Bank's Information Office is the information security enforcement unit and the first line of defense for information security internal control. In August 2015, the Board of Directors approved the establishment of the Information Security Section of the Risk Management Department as a special unit for information security, which is the second line of defense for information security internal control and is responsible for planning, promoting, monitoring and managing the information security management system (ISMS) in order to enhance information security management. The Audit Department, an independent information security audit unit under the Board of Directors, plays the role of the third line of defense for information security internal control and is responsible for information security audits to ensure the implementation of management practices.

In order to improve the Bank's ISMS and comply with all changes in information security regulations and government regulations, and to reduce the impact of risks arising from information security, the Information Security Management Committee was established in November 2015 to review the policies and regulations of the ISMS and the overall implementation of information security, and the Information Security Section of the Risk Management Department, a dedicated unit for information security, reports annually to the Chairman of the Board of Directors. The Information Security Management Committee is responsible for reviewing the policies and regulations of ISMS and the overall implementation of ISMS. The Committee has a convener, who is appointed by the President or designated by the President, and members are appointed by or from the Risk Management Department, Information Technology Office, Digital Service and Business Department, Legal Compliance Department and the department head of the unit designated by the convener. The Committee holds a regular management review meeting at least once a year, or from time to time as necessary. The main tasks are as follows:

- (1) Propose the information security policy of the Bank.
- (2) Promote the information security management system.
- (3) Assess the infrastructure of the information security management system.
- (4) Handle and review major information security incidents.
- (5) Major issues or discussions related to information security proposed by each unit.
- (6) Annual review of the overall implementation of information security measures.
- (7) Discussion of other information security issues.

To strengthen the information security management structure, the Bank has established the post of Chief Information Security Officer on December 21, 2021 to oversee the promotion of information security policies and resource allocation.



2. Information security policies

KTB has formulated the “Information Security Policy” in order to protect the confidentiality, integrity, and availability of KTB’s information assets, to prevent risks including, inappropriate use, leakage, alteration, and damage, and to ensure the safety of the collection, handling, transmission, storage, and distribution of information. In addition, we formulate relevant procedures and instructions in accordance with the "Information Security Policy" for all employees, outsourced service providers and visitors to follow, and report on the implementation of relevant regulations at the Information Security Management Committee.

3. Specific Management Solutions

the Bank has obtained the "Information Security Management System (ISMS) ISO/IEC 27001:2013" certification in December 2022 (valid until 2025-10-31). We will continue to review and improve to comply with the latest trends in information security-related laws, technologies, organizations, and operations. In addition, in accordance with the requirements of the competent authorities, laws and regulations, and the Bank's ISMS regulations, we will implement relevant control measures to build and strengthen the full range of information security capabilities. The specific management plan is as follows.

(1) Information Security Protection and Inspection Analysis

- Establish the information security monitoring center platform for real-time information monitoring and presentation of statistical data.
- Establish backup routes and “distributed denial-of-service (DDoS) attack monitor and traffic cleaning protection” mechanism for Internet network of major businesses.
- Regular information security evaluations are conducted by external professional vendors, including information architecture review, network activity testing, security settings review, vulnerability scanning, penetration testing, compliance review, etc. In accordance with the internal information security management regulations established by King's Town Bank, the risky items in the evaluation report are regularly reviewed and improvement measures are tracked in the Information Security Management Committee to ensure information security is not compromised.
- Regularly update the information security hardware and software to effectively and instantly detect and block network attacks.
- Join the Financial Information Sharing and Analysis Center (F-ISAC) to become a member of the domestic information security joint defense system and establish a joint defense mechanism to obtain financial security information in real time.

(2) Information Security Emergency Response Exercise

In order to minimize the impact on business and resume operation in the shortest time in case of major disasters occurring to the information service, KTB has formulated regulations including, “Business Continuity Management Manual,” “Info-Communications Security Incident Management Procedure Guide,” “ATM Info-Communications Security Emergency Response Procedure,” “Information Office Handling of Denial-of-Service Attack Guide,” and “Open System Backup Exercise Plan,” etc. Also, KTB conducts annual drills to minimize possible information security impacts through correct operation procedures. A total of 31 exercises have been conducted during the year, and a summary of the exercises is as follows, which have been submitted to the Information Security Committee for review:

Personal Information Breach Exercise	System host redundancy drill
ATM information security incident emergency response procedure drill	DDos attack emergency response procedure drill
ATM Front-end Operating System Backup Switching Drill	SWIFT Information Security Incident Emergency Response Procedure Drill
Social Engineering Exercise	SWIFT System Backup Drill

4. Investing in resources for information and communications security management

- (1) Human resources: There are 99 employees in total, including a Chief Information Security Officer, 4 employees in the second line of defense information security promotion unit, and 94 employees in the first line of defense information security implementation unit.
- (2) Cost: A total of NT\$45,601 thousand has been invested in information security.
- (3) Education and training: the Bank's participation rate in information security testing and passing rate is 100%, and 3,529 hours of internal and external information security-related courses are completed, with 87% being internal training and 13% being external training courses. In addition, the information security promotion unit conducts information security awareness training twice a year for the whole company. The topics of the awareness training are planned

according to the laws and regulations and current internal and external threat events, and the topics are as follows:

- A. Risky Internet Behavior
  - B. Social engineering (email) attacks
  - C. IoT Internet of Things
  - D. What is Information Security
  - E. The importance of information security education training
  - F. Include a reminder to be cautious when sending emails containing personal information to external recipients
  - G. Social Engineering Exercise Guidelines and Case Study Sharing
  - H. Notification Letter Regarding Information Security
- (II) List the losses, possible impacts and responses to major information and communications security incidents suffered in 2023 and up to 2024, and if it is not reasonably estimable, state the fact that it is not reasonably estimable: From 2023 the end of January, 2024, there were no significant information and communication security incidents.

## **VII. Labor-management relations**

### **(I) Employee benefits**

#### 1. Company's welfare measures

- (1) Welfare: Employee deposit and loan privileges, group insurance, sports, recreational activities, etc.
- (2) In addition to the establishment of Employee Benefits Committee by the Bank for handling related welfare matters, employees of the Bank may also apply for subsidies for marriage, childbirth, funeral, etc. in accordance with the regulations.

#### 2. Employee Benefits Committee

We have established "Employee Benefits Committee." We deduct 0.5% from employees' salary and allocate 0.1% of our operating income to pool for the employee welfare funds. The Committee is responsible for handling matters related to employee benefits, such as:

- (1) Subsidies for marriage, childbirth, funeral, illness or injury.
- (2) Bonus for Spring Festival, Dragon Boat Festival and Mid-Autumn Festival.
- (3) Club subsidies for activity clubs.

#### 3. Employee benefit savings trust program

Our employees have formed the King's Town Bank Employee Stock Ownership Committee which withdraws a certain amount from members' salary to deposit into a trust to acquire and manage the Company's stocks on a long-term basis. The Company also allocates funds as bonuses to reinforce team cohesion, help members to accumulate wealth, and ensure their welfare after retirement or resignation.

### **(II) Retirement system**

#### 1. The Bank had instituted Regulations for Employee Retirement in accordance to Labor Standards Act and Labor Pension Act to handle employees' retirement matters. Employees who met any of the following criteria below may apply for voluntary retirement:

- Having served in the Bank for more than 15 years, and reached the age of 55 years old.
- Having served in the Bank for more than 25 years.
- Having served in the Bank for more than 10 years. and reached the age of 60 years old.

## Chapter 5 Operational Overview

2. The Regulations for Employee Retirement instituted in accordance to Labor Standards Act is a defined benefit plan. Since 2012, 15% of the total salary has been allocated to the pension fund on a monthly basis and deposited in the Bank of Taiwan in the name of Supervisory Committee of Labor Retirement Reserve. When an employee retires, pension is calculated according to the base number of years of service and the average monthly salary of the half year before retirement.
  3. The Regulations for Employee Retirement is a defined contribution plan instituted in accordance to Labor Pension Act, where 6% of employees' salary is allocated to labor pension every month. In 2023 and 2022, the amount of expenses recognized for defined contribution plan was NT\$36,122 thousand and NT\$34,722 thousand respectively.
- (III) Employer-employee agreements and measures taken to safeguard employee interests
1. Employer-employee meetings: We hold employer-employee meetings on a quarterly basis in accordance with Article 83 of the Labor Standards Act and the Regulations for Implementing Labor-Management Meeting to facilitate harmony in the employer-employee relationship.
  2. In order to clearly define the rights and obligations of both employees and employer, so that both parties can work together to create business sustainability, we have established the Work Rules in accordance with Article 70 of the Labor Standards Act with which both parties shall comply.
  3. The results of labor condition inspections conducted in 2023 have not shown violation of the Labor Standards Act, the Act of Gender Equality in Employment, and others, showing that we have fulfilled the maintenance of employees' rights and interests.
- (IV) Losses due to labor disputes in 2023 and as of the end of January 2024, and the estimates expected currently and for the future to be disclosed and their corresponding measures: None.



**VIII. Important contracts**

Nature of contract	Counterparty	Term of contract	Major contents	Restriction clauses
Contract of mandate	Leader International Asset Management Service Co., Ltd.	2023.10.27-2024.10.26	Outsourced collections for overdue accounts	None
Contract of mandate	Jungshin Asset Management Co., Ltd.	2023.10.27-2024.10.26		None
Contract of mandate	Asia Credit Management Co., Ltd.	2023.10.27-2024.10.26		None
Contract of mandate	United Credit Services	2023.10.27-2024.10.26		None
Contract of mandate	Taiwan APA Corporation	2023.05.01-2024.04.30	Printing and packaging of comprehensive account statements	None
Contract of mandate	Yuen Foong Paper Co., Ltd.	2024.01.01-2025.12.31	Printing and packaging of withholding tax vouchers	None
Contract of mandate	The Guardian Of Your Valuables Lee Bao Security Co., Ltd.	2023.08.01-2026.07.31	Cash transportation and ATM cash replenishment and troubleshooting	None
Contract of mandate	Chunghwa Express Co., Ltd.	2021.10.01-2024.09.30	Collection and delivery of bills and documents	None

**IX. Types and the related information regarding securitization products approved under the financial asset securitization act and the clauses of the real estate securitization act in recent years**

Name of beneficiary securities fund	Type	Date of being publicly listed (on OTC)	Total issued
Millerful No. 1 REIT	Real estate investment trust (REIT)	2018.12.05	10.5817 billion
Millerful No. 1 REIT	Real estate investment trust (REIT) Additional Recruitment	2021.12.05	6 billion

## Chapter 6 Financial Overview

### I. Condensed balance sheets and income statements for the past five years

#### (I) Condensed consolidated balance sheets

Unit:NT\$ thousand

Item	Year	Financial information for the past five years				
		2019	2020	2021	2022	2023
Cash and cash equivalents, due from the Central Bank and call loans to other banks		14,711,349	16,524,929	17,556,571	20,314,250	29,786,621
Financial assets at fair value through profit and loss		34,979,793	45,032,063	39,942,021	37,246,775	43,326,946
Financial assets at fair value through other comprehensive income		50,891,550	48,819,322	46,552,136	42,854,431	39,930,790
Investments in debt instruments measured at amortized costs		17,698,135	18,897,382	18,199,019	17,598,455	19,397,863
Bonds and securities purchased under agreements to resell		150,022	200,248	-	-	-
Receivables - net		4,907,384	5,933,698	8,598,238	11,863,381	12,979,400
Discounts and advances - net		155,350,678	184,901,230	206,356,935	242,334,911	230,086,122
Other financial assets - net		4,396	363	776	42	369
Real estate and equipment - net		2,713,818	3,376,707	3,643,607	4,623,593	4,973,435
Right-of-use assets		215,683	217,504	329,537	328,716	310,546
Investment property - net		-	115,036	140,964	265,602	991,524
Deferred tax assets		145,188	185,987	170,475	446,615	438,546
Other assets - net		974,912	1,253,470	1,659,001	2,110,025	2,125,897
<b>Total assets</b>		<b>282,742,908</b>	<b>325,457,939</b>	<b>343,149,280</b>	<b>379,986,796</b>	<b>384,348,059</b>
Central Bank and inter-bank deposits		14,533,849	21,117,468	18,451,547	24,092,259	13,308,286
Loans from the Central Bank and other banks		4,395,830	4,597,650	4,767,450	5,049,000	5,399,000
Financial liabilities at fair value through profit and loss		6,002	13,062	14,692	35,203	35,936
Securities sold under Repurchase Agreements		28,218,020	21,990,934	12,129,935	15,827,129	7,098,943
Payables		1,252,826	1,601,260	2,519,489	2,526,626	3,487,260
Current tax liabilities		78,459	573,272	610,911	774,596	551,676
Deposits and remittances		191,798,662	226,932,674	251,036,564	283,510,034	297,684,898
Other financial liabilities		500,000	890,000	3,534,057	4,628,693	5,535,065
Liability reserve		383,414	394,957	357,754	268,501	268,912
Lease liability		217,256	219,898	333,056	333,935	317,098
Deferred tax liabilities		135,832	299,314	188,861	52,560	54,940
Other liabilities		291,249	244,360	323,936	471,524	491,479
Total liabilities	Before distribution	241,811,399	278,874,849	294,268,252	337,570,060	334,233,493
	After distribution	243,488,750	280,893,071	296,622,844	338,792,418	Note 2
Profit and/or loss attributable to the owners of parent company		40,931,509	46,581,457	48,881,028	42,416,736	50,114,566
Equity	Before distribution	11,312,343	11,212,343	11,212,343	11,112,343	11,112,343
	After distribution	11,312,343	11,212,343	11,212,343	11,112,343	Note 2
Capital reserve		56,095	55,622	77,735	55,192	55,192
Retained earnings	Before distribution	25,553,798	29,159,013	32,991,696	32,715,328	37,676,980
	After distribution	23,876,447	27,140,791	30,637,104	31,492,970	Note 2
Other equity		4,107,695	6,252,901	4,599,254	(1,466,127)	1,270,051
Treasury Stock		(98,422)	(98,422)	-	-	-
Non-controlling interest		-	1,633	-	-	-
Total equity	Before distribution	40,931,509	46,583,090	48,881,028	42,416,736	50,114,566
	After distribution	39,254,158	44,564,868	46,526,436	41,194,378	Note 2

Note 1: Financial information from 2019 to 2023 has been verified by CPAs.

Note 2: The dividend payment for 2023 has not been approved by the shareholders' general meeting.

## (II) Condensed individual balance sheet

Unit:NT\$ thousand

Item	Year	Financial information for the past five years				
		2019	2020	2021	2022	2023
Cash and cash equivalents, due from the Central Bank and call loans to other banks		14,667,749	16,362,037	17,361,656	20,244,004	29,338,501
Financial assets at fair value through profit or		34,733,596	44,721,848	39,422,088	36,707,318	42,511,519
Financial assets at fair value through other comprehensive income		50,810,145	48,717,089	46,442,931	42,292,760	39,377,870
Investments in debt instruments measured at amortized costs		17,698,135	18,897,382	18,199,019	17,598,455	19,397,863
Bonds and securities purchased under agreements to resell		150,022	200,248	-	-	-
Receivables - net		1,270,450	891,330	850,565	1,269,696	1,133,020
Discounts and advances - net		155,350,678	184,901,230	206,356,935	242,334,911	230,086,122
Investments accounted for using equity method - net		699,890	1,167,990	2,429,721	2,673,570	3,223,125
Other financial assets - net		4,396	363	776	42	369
Real estate and equipment - net		2,706,831	3,373,133	3,639,520	4,614,394	4,950,842
Right-of-use assets		215,683	217,504	329,537	290,400	280,835
Deferred tax assets		142,041	180,966	158,494	410,995	399,247
Other assets - net		956,932	1,204,398	1,579,941	1,963,820	2,012,721
Total assets		279,406,548	320,835,518	336,771,183	370,400,365	372,712,034
Central Bank and inter-bank deposits		14,533,849	21,117,468	18,451,547	24,092,259	13,308,286
Loans from the Central Bank and other banks		1,655,830	907,650	567,450	-	-
Financial liabilities at fair value through profit and loss		6,002	13,062	14,692	35,203	35,936
Securities sold under Repurchase Agreements		28,218,020	21,990,934	12,129,935	15,827,129	7,098,943
Payables		1,223,956	1,432,333	2,290,680	2,221,563	3,013,082
Current tax liabilities		71,953	566,736	598,742	730,764	531,106
Deposits and remittances		191,812,314	227,147,197	252,815,445	284,191,511	297,825,619
Other financial liabilities		-	-	-	-	-
Liability reserve		383,414	394,957	357,754	268,501	268,912
Lease liability		217,256	219,898	333,056	295,487	287,140
Deferred tax liabilities		135,832	299,314	188,861	52,560	54,940
Other liabilities		216,613	164,512	141,993	268,652	173,504
Total liabilities	Before distribution	238,475,039	274,254,061	287,890,155	327,983,629	322,597,468
	After distribution	240,152,390	276,272,283	290,244,747	329,205,987	Note 2
Profit and/or loss attributable to the owners of parent company		40,931,509	46,581,457	48,881,028	42,416,736	50,114,566
Equity	Before distribution	11,312,343	11,212,343	11,212,343	11,112,343	11,112,343
	After distribution	11,312,343	11,212,343	11,212,343	11,112,343	Note 2
Capital reserve		56,095	55,622	77,735	55,192	55,192
Retained earnings	Before distribution	25,553,798	29,159,013	32,991,696	32,715,328	37,676,980
	After distribution	23,876,447	27,140,791	30,637,104	31,492,970	Note 2
Other equity		4,107,695	6,252,901	4,599,254	(1,466,127)	1,270,051
Treasury Stock		(98,422)	(98,422)	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	40,931,509	46,581,457	48,881,028	42,416,736	50,114,566
	After distribution	39,254,158	44,563,235	46,526,436	41,194,378	Note 2

Note 1: Financial information from 2019 to 2023 has been verified by CPAs.

Note 2: The dividend payment for 2023 has not been approved by the shareholders' general meeting.

## Chapter 6 Financial Overview

### (III) Condensed consolidated income statement

Unit:NT\$ thousand

Item	Year	Financial information for the past five years				
		2019	2020	2021	2022	2023
Interest revenue		6,833,454	6,513,084	6,464,907	8,224,689	10,567,323
Less: Interest expense		(2,078,065)	(1,267,131)	(871,680)	(2,211,428)	(4,831,680)
Net interest income		4,755,389	5,245,953	5,593,227	6,013,261	5,735,643
Net Revenue Other than Interest		3,737,595	3,660,967	4,668,731	(660,891)	4,236,373
Net revenue		8,492,984	8,906,920	10,261,958	5,352,370	9,972,016
Bad debt expenses, commitment and guarantee liability provisions		(2,655,404)	(744,664)	(1,732,076)	(216,683)	(83,837)
Operating expenses		(1,933,699)	(1,899,734)	(2,024,864)	(2,191,456)	(2,529,174)
Net income before tax from continuing operating units		3,903,881	6,262,522	6,505,018	2,944,231	7,359,005
Income tax (expense) profit		(504,194)	(771,551)	(874,715)	(733,809)	(1,151,904)
Net income from continuing operations		3,399,687	5,490,971	5,630,303	2,210,422	6,207,101
Profit or loss from discontinued operations		-	-	-	-	-
Net profit (net loss) for the current period		3,399,687	5,490,971	5,630,303	2,210,422	6,207,101
Other comprehensive income (after tax) for the current period		4,469,693	2,113,257	(1,433,045)	(5,969,611)	2,713,087
Total comprehensive income (after tax) for the current period		7,869,380	7,604,228	4,197,258	(3,759,189)	8,920,188
Net profit attributable to the owners of parent company		3,399,687	5,490,966	5,630,303	2,210,422	6,207,101
Net profit attributable to non-controlling interest		-	5	-	-	-
Total comprehensive income attributable to parent company		7,869,380	7,604,223	4,197,258	(3,759,189)	8,920,188
Comprehensive income attributable to non-controlling equity		-	5	-	-	-
Earnings per share (NT\$)		2.99	4.90	5.02	1.98	5.59

Note: Financial information from 2019 to 2023 has been verified by CPAs.

### (IV) Condensed individual income statement

Unit:NT\$ thousand

Item	Year	Financial information for the past five years				
		2019	2020	2021	2022	2023
Interest revenue		6,649,901	6,233,702	6,120,160	7,668,647	9,873,545
Less: Interest expense		(2,046,344)	(1,217,287)	(821,747)	(2,111,836)	(4,662,841)
Net interest income		4,603,557	5,016,415	5,298,413	5,556,811	5,210,704
Net Revenue Other than Interest		3,676,700	3,692,430	4,666,752	(556,690)	4,386,868
Net revenue		8,280,257	8,708,845	9,965,165	5,000,121	9,597,572
Bad debt expenses, commitment and guarantee liability provisions		(2,553,305)	(636,327)	(1,594,999)	(71,756)	(8,733)
Operating expenses		(1,881,401)	(1,841,317)	(1,905,269)	(2,058,496)	(2,336,725)
Net income before tax from continuing operating units		3,845,551	6,231,201	6,464,897	2,869,869	7,252,114
Income tax (expense) profit		(445,864)	(740,235)	(834,594)	(659,447)	(1,045,013)
Net income from continuing operations		3,399,687	5,490,966	5,630,303	2,210,422	6,207,101
Profit or loss from discontinued operations		-	-	-	-	-
Net profit after tax for the current period		3,399,687	5,490,966	5,630,303	2,210,422	6,207,101
Other comprehensive income (after tax) for the current period		4,469,693	2,113,257	(1,433,045)	(5,969,611)	2,713,087
Total comprehensive income (after tax) for the current period		7,869,380	7,604,223	4,197,258	(3,759,189)	8,920,188
Earnings per share (NT\$)		2.99	4.90	5.02	1.98	5.59

Note: Financial information from 2019 to 2023 has been verified by CPAs.

## (V) Name of CPAs and audit opinions

Item \ Year	2019	2020	2021	2022	2023
CPAs	Shih-Chieh Huang, Cheng-Tao Chang	Shih-Chieh Huang, Cheng-Tao Chang	Shih-Chieh Huang, Cheng-Tao Chang	Cheng-Tao Chang, Kuo-Sen Hung	Kuo-Sen Hung, Sheng-An Hsieh
Audit opinion	Unqualified opinion (emphasis on items or other matters)	Unqualified opinion (Other Items)	Unqualified opinion (Other Items)	Unqualified opinion (Other Items)	Unqualified opinion (Other Items)

**II. Financial analysis and capital adequacy for the past five years**

## (I) Financial Analysis - Consolidated

Descriptions	Year	Financial analysis for the past five years				
		2019	2020	2021	2022	2023
Operating ability	Loan-to-deposit ratio (%)	82.18	82.78	83.47	86.74	78.51
	Non-performing loans ratio (%)	0.01	0.01	0.02	0.02	0.02
	Interest expense to average deposits balances ratio (%)	1.11	0.62	0.37	0.83	1.66
	Interest income to average credit loan balances ratio (%)	4.46	3.86	3.26	3.65	4.35
	Total asset turnover (times)	0.03	0.03	0.03	0.01	0.03
	Average operation revenue per employee (NT\$ thousand)	8,501	8,819	9,905	4,866	9,276
	Average profit per employee (NT\$ thousand)	3,403	5,437	5,435	2,009	5,774
Profitability	Return on Tier I Capital (%)	11.24	16.16	14.81	6.66	15.99
	Return on assets (%)	1.21	1.81	1.68	0.61	1.62
	Return on equity (%)	8.93	12.55	11.80	4.84	13.42
	Net profit rate (%)	40.03	61.65	54.87	41.30	62.25
	Earnings per share (NT\$)	2.99	4.90	5.02	1.98	5.59
Financial structure	Liabilities to total assets ratio (%)	85.48	85.63	85.70	88.80	86.92
	Ratio of real estate and equipment to equity (%)	6.63	7.25	7.45	10.90	9.92
Growth rate	Asset growth rate (%)	0.59	15.11	5.44	10.74	1.15
	Profit growth rate (%)	9.25	60.42	3.87	(54.74)	149.95
Cash flow	Cash flow ratio (%)	(3.01)	22.46	32.37	2.44	66.91
	Cash flow adequacy ratio (%)	137.28	118.55	214.93	191.89	334.72
	Cash flow for operating to cash flow from investing ratio (%)	377.62	1,052.44	4,479.70	100.27	1,749.24
Liquidity reserve ratio (%)		25.26	21.97	22.94	19.45	23.95
Total credit loan balances for Stakeholders (NT\$ thousand)		198,132	244,286	247,028	214,062	165,159
Total credit extension balance of the stakeholder as a percentage of total credit balance (%)		0.13	0.13	0.12	0.09	0.07
Operation scale	Asset market asset (%)	0.48	0.51	0.51	0.53	0.51
	Market share of net worth (%)	0.95	1.04	1.06	0.91	0.96
	Market share of deposits (%)	0.50	0.54	0.55	0.58	0.58
	Market share of loans (%)	0.54	0.61	0.63	0.68	0.61
Reasons for changes in financial ratios for the past two years	1. The ratio of interest expense to the average annual deposit balance increased compared to the previous period, due to the impact of interest rate hikes, resulting in an increase in the ratio of interest expense to the average annual deposit balance compared to the previous period.					
	2. The turnover rate of total assets, average employee earnings, profit amount, profit ability, and profit growth rate have all increased compared to the previous period. This is mainly due to the recovery of financial asset prices, increased gains from disposal, increased valuation benefits, and reduced losses from impairment of financial assets, resulting in an increase in net income and after-tax net profit for this period.					
	3. The asset growth rate decreased compared to the previous period, mainly due to the decrease in the scale of loans, real estate and equipment, and accounts receivable compared to the previous period.					
	4. The cash flow ratio increased compared to the previous period as a result of the increase in pre-tax profit and deposits, which led to an increase in cash provided by operating activities compared to the previous period. The decrease in interbank borrowings and repurchase agreements contributed to the reduction in liabilities.					
	5. The cash flow adequacy ratio increased compared to the previous period, due to an increase in net cash inflow from operating activities in the current period.					
	6. The cash flow adequacy ratio increased compared to the previous period, due to the increase in the net cash inflow from operating activities in the current period compared to the previous period over the past five years.					

Note: Financial information from 2019 to 2023 has been verified by CPAs.

## Chapter 6 Financial Overview

### (II) Individual financial analysis

Descriptions		Year	Financial analysis for the past five years				
		2019	2020	2021	2022	2023	
Operating ability	Loan-to-deposit ratio (%)	82.18	82.70	82.88	86.53	78.47	
	Non-performing loans ratio (%)	0.01	0.01	0.02	0.02	0.02	
	Interest expense to average deposits balances ratio (%)	1.10	0.60	0.34	0.79	1.60	
	Interest income to average credit loan balances ratio (%)	4.34	3.70	3.08	3.40	4.07	
	Total asset turnover (times)	0.03	0.03	0.03	0.01	0.03	
	Average operation revenue per employee (NT\$ thousand)	8,493	9,072	10,263	4,995	9,844	
	Average profit per employee (NT\$ thousand)	3,487	5,720	5,798	2,208	6,366	
Profitability	Return on Tier I Capital (%)	11.20	16.27	15.02	6.59	15.76	
	Return on assets (%)	1.22	1.83	1.71	0.63	1.67	
	Return on equity (%)	8.93	12.55	11.80	4.84	13.42	
	Net profit rate (%)	41.06	63.05	56.50	44.21	64.67	
	Earnings per share (NT\$)	2.99	4.90	5.02	1.98	5.59	
Financial structure	Liabilities to total assets ratio (%)	85.31	85.42	85.43	88.51	86.51	
	Ratio of real estate and equipment to equity (%)	6.61	7.24	7.45	10.88	9.88	
Growth rate	Asset growth rate (%)	0.13	14.83	4.97	9.99	0.62	
	Profit growth rate (%)	9.73	62.04	3.75	(55.61)	152.70	
Cash flow	Cash flow ratio (%)	0.41	25.01	40.78	4.68	80.76	
	Cash flow adequacy ratio (%)	143.04	131.17	240.68	224.53	388.73	
	Cash flow for operating to cash flow from investing ratio (%)	132.46	1,070.03	1,005.20	196.91	4,844.08	
Liquidity reserve ratio (%)		25.26	21.97	22.94	19.45	23.95	
Total credit loan balances for Stakeholders (NT\$ thousand)		198,132	244,286	247,028	214,062	165,159	
Total credit extension balance of the stakeholder as a percentage of total credit balance (%)		0.13	0.13	0.12	0.09	0.07	
Operation scale	Asset market asset (%)	0.47	0.50	0.50	0.51	0.49	
	Market share of net worth (%)	0.95	1.04	1.06	0.91	0.96	
	Market share of deposits (%)	0.50	0.54	0.55	0.58	0.58	
	Market share of loans (%)	0.54	0.61	0.63	0.68	0.61	
Reasons for changes in financial ratios for the past two years	1. The ratio of interest expense to the average annual deposit balance increased compared to the previous period, due to the impact of interest rate hikes, resulting in an increase in the ratio of interest expense to the average annual deposit balance compared to the previous period.						
	2. The turnover rate of total assets, average employee earnings, profit amount, profit ability, and profit growth rate have all increased compared to the previous period. This is mainly due to the recovery of financial asset prices, increased gains from disposal, increased valuation benefits, and reduced losses from impairment of financial assets, resulting in an increase in net income and after-tax net profit for this period.						
	3. The asset growth rate decreased compared to the previous period, mainly due to the decrease in the scale of loans, real estate and equipment, and accounts receivable compared to the previous period.						
	4. The cash flow ratio increased compared to the previous period as a result of the increase in pre-tax profit and deposits, which led to an increase in cash provided by operating activities compared to the previous period. The decrease in interbank borrowings and repurchase agreements contributed to the reduction in liabilities.						
	5. The cash flow adequacy ratio increased compared to the previous period, due to an increase in net cash inflow from operating activities in the current period.						
	6. The cash flow adequacy ratio increased compared to the previous period, due to the increase in the net cash inflow from operating activities in the current period compared to the previous period over the past five years.						

Note: Financial information from 2019 to 2023 has been verified by CPAs.

The calculation of the financial items in the financial analysis tables (1) and (2) above is shown as follows:

1. Operating ability

- (1) Loan-to-deposit ratio = Total loans / Total deposits
- (2) Non-performing loans ratio = Total non-performing loans / Total loans
- (3) Interest expense to average deposits balances ratio = Total interest expense / Average annual deposit balance
- (4) Interest income to average credit loan balances ratio = Total interest income / Average annual loan balance
- (5) Total asset turnover = Net earnings / Average total assets
- (6) Average operation revenue per employee = Net earnings / Total no. of employees
- (7) Average profit per employee = Net earnings after tax / Total no. of employees

2. Profitability

- (1) Return on Tier I Capital = Profit or loss before tax / Average total amount of Tier I Capital
- (2) Return on assets = Profit or loss after tax / Average total assets
- (3) Return on equity = Profit or loss after tax / Average net shareholders' equity
- (4) Net profit rate = Profit or loss after tax / net income
- (5) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends) / Weighted average number of shares issued.

3. Financial structure

- (1) Debt ratio = Total liabilities / Total assets.
- (2) Ratio of real estate and equipment to equity = Net real estate and equipment / Net equity

4. Growth rate

- (1) Asset growth rate = (Total assets of current year - Total assets of previous year) / Total assets of previous year
- (2) Profit growth rate = (Income before tax of the current year – Income before tax of the previous year) / Income before tax of the previous year

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / (Interbank lending and overdraft + Commercial paper payable + Financial liabilities at fair value through profit or loss + Bills and bonds sold under repurchase agreement + Payables with maturity within one year)
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + Cash dividends) for the past five years.
- (3) Cash flow for operating to cash flow from investing ratio = Net cash flow from operating activities / Net cash flow from investing activities

6. Liquidity reserve ratio = Central bank required current assets / Allowance for liquidity of liabilities.

7. Operation scale

- (1) Asset market asset = Total assets / Total assets of all financial institutions available for making deposits and loans
- (2) Market share of net worth = Net worth / Total net worth of all financial institutions available for making deposits and loans
- (3) Market share of deposits = Total deposits / Total deposits of all financial institutions available for making deposits and loans
- (4) Market share of loans = Total amount of loans / Total amount of all financial institutions available for making deposits and loans

## Chapter 6 Financial Overview

### (III) Consolidated capital adequacy

Unit:NT\$ thousand. %

Descriptions		Year	Capital adequacy for the past five years					
			2019	2020	2021	2022	2023	
Self-owned capital	Common stock equity		35,718,515	41,798,281	46,068,265	42,301,965	49,720,670	
	Other Tier 1 capital other than common stock equity		0	0	0	0	0	
	Tier II Capital		1,160,997	5,099,791	4,484,950	3,713,615	3,719,496	
	Self-owned capital		36,879,512	46,898,072	50,553,215	46,015,580	53,440,166	
Risk-weighted assets	Credit risk	Standardized approach	203,419,934	235,788,899	257,536,524	292,957,404	283,379,463	
		Internal ratings-based approach	0	0	0	0	0	
		Asset securitization	0	0	0	0	0	
	Operational risk	Basic indicator approach	14,518,830	15,364,635	16,450,703	15,593,389	16,853,389	
		Standard method/Alternative standardized approach	0	0	0	0	0	
		Advanced measurement method	0	0	0	0	0	
	Market risk	Standardized approach	27,297,382	37,874,809	30,160,509	18,938,873	22,060,586	
		Internal models approach	0	0	0	0	0	
	Total risk-weighted assets			245,236,146	289,028,343	304,147,736	327,489,666	322,293,438
	Capital adequacy ratio			15.04%	16.23%	16.62%	14.05%	16.58%
Tier 1 capital to risk-based assets ratio			14.56%	14.46%	15.15%	12.92%	15.43%	
Ratio of common equity to risk-based assets			14.56%	14.46%	15.15%	12.92%	15.43%	
Leverage ratio			11.81%	12.27%	12.91%	10.72%	12.55%	
Please explain the reasons for the changes in the capital adequacy ratio in the past two years (analysis can be exempted if the changes do not exceed 20%): The capital adequacy ratio has not changed by more than 20% in the past two years, so no analysis is required.								

Note: The above financial information for the past five years has been audited and verified by CPAs.

### (IV) Individual capital adequacy

Unit:NT\$ thousand. %

Descriptions		Year	Capital adequacy for the past five years					
			2019	2020	2021	2022	2023	
Self-owned capital	Common stock equity		35,406,623	41,214,286	44,853,404	42,302,701	49,720,670	
	Other Tier 1 capital other than common stock equity		0	0	0	0	0	
	Tier II Capital		849,105	4,448,388	3,167,981	3,648,652	3,643,275	
	Self-owned capital		36,255,728	45,662,674	48,021,385	45,951,353	53,363,945	
Risk-weighted assets	Credit risk	Standardized approach	199,737,743	230,396,305	249,367,841	287,786,905	277,281,747	
		Internal ratings-based approach	0	0	0	0	0	
		Asset securitization	0	0	0	0	0	
	Operational risk	Basic indicator approach	14,230,138	15,006,874	16,007,478	15,056,024	16,211,618	
		Standard method/Alternative standardized approach	0	0	0	0	0	
		Advanced measurement method	0	0	0	0	0	
	Market risk	Standardized approach	26,804,987	37,254,379	29,120,643	17,859,960	20,429,731	
		Internal models approach	0	0	0	0	0	
	Total risk-weighted assets			240,772,868	282,657,558	294,495,962	320,702,889	313,923,096
	Capital adequacy ratio			15.06%	16.15%	16.31%	14.33%	17.00%
Tier 1 capital to risk-based assets ratio			14.71%	14.58%	15.23%	13.19%	15.84%	
Ratio of common equity to risk-based assets			14.71%	14.58%	15.23%	13.19%	15.84%	
Leverage ratio			11.85%	12.28%	12.84%	10.99%	12.93%	
Please explain the reasons for the changes in the capital adequacy ratio in the past two years (analysis can be exempted if the changes do not exceed 20%): The capital adequacy ratio has not changed by more than 20% in the past two years, so no analysis is required.								

Note:

- The above financial information for the past five years has been audited and verified by CPAs.
- The calculation of own capital, weighted risk assets, and total exposure in the self-sufficiency table in items (3) and (4) should be based on the regulations of the 'Bank Capital Adequacy and Capital Level Management Measures' and the "Explanation and Formulas for the Calculation of Bank's Own Capital and Risk Assets" and the "Description and Tables of Calculation for Banks' Regulatory Capital and Risk-Weighted Assets."
- The formula for capital adequacy ratio in the capital adequacy tables (3) and (4) shown above is as follows:
  - Total self-owned capital = Common stock equity + Tier I Capital other than common stock + Tier II Capital.
  - Total amount of risk-weighted-assets = Credit risk-weighted assets + Capital charge of (operational risk + market risk) x 12.5.
  - Capital Adequacy ratio = Total self-owned capital / Total amount risk-weighted assets.
  - The ratio of Tier I capital to risk-weighted assets = (Common stock equity + Tier I capital other than common stock) / Total risk-weighted assets
  - Ratio of common stock equity to risk assets = Common stock equity / Total risk-weighted assets.
  - Leverage ratio = Net Tier I capital / Total exposure
- The leverage ratio has been disclosed since 2015.



**III. Audit committee review report of the 2023 financial reports**

京城商業銀行股份有限公司

審計委員會審查報告書

本公司民國一一二年度個體及合併財務報告，業經安永聯合會計師事務所查核完竣，並出具查核報告，連同營業報告書及盈餘分配案等，經本審計委員會審查，認為尚無不合，爰依照證券交易法第十四條之四、公司法第二百零一十九條規定備具報告書，敬請 鑒核。

此致

本公司一一三年股東常會

審計委員會

召集人：

侯金富



中 華 民 國 一 一 三 年 二 月 二 十 六 日

**IV. 2023 Financial Statements**

Please refer to Appendix I on page 137 of the annual report for the independent auditor's report, financial reports and notes for the year 2023.

**V. the Bank's parent company only financial statements verified by independent auditor for 2023**

Please refer to Appendix II on page 292 of the annual report for the individual financial reports verified by independent auditor for 2023.

**VI. Financial difficulties and their impact on the financial status of the company and its affiliates: None.**

## Chapter 7 Review and Analysis of Financial Condition and Results and Risk Management Matter

### I. Financial status

Item	Year	2022	2023	Unit:NT\$ thousand; %	
				Variation	
				Amount	%
Cash and cash equivalents, due from the Central Bank and call loans to other banks		20,314,250	29,786,621	9,472,371	46.63%
Financial assets at fair value through profit and loss		37,246,775	43,326,946	6,080,171	16.32%
Financial assets at fair value through other comprehensive income		42,854,431	39,930,790	(2,923,641)	(6.82%)
Investments in debt instruments measured at amortized costs		17,598,455	19,397,863	1,799,408	10.22%
Receivables - net		11,863,381	12,979,400	1,116,019	9.41%
Discounts and advances - net		242,334,911	230,086,122	(12,248,789)	(5.05%)
Other financial assets - net		42	369	327	778.57%
Real estate and equipment - net		4,623,593	4,973,435	349,842	7.57%
Right-of-use assets		328,716	310,546	(18,170)	(5.53%)
Investment property - net		265,602	991,524	725,922	273.31%
Deferred tax assets		446,615	438,546	(8,069)	(1.81%)
Other assets - net		2,110,025	2,125,897	15,872	0.75%
Total assets		379,986,796	384,348,059	4,361,263	1.15%
Central Bank and inter-bank deposits		24,092,259	13,308,286	(10,783,973)	(44.76%)
Loans from the Central Bank and other banks		5,049,000	5,399,000	350,000	6.93%
Financial liabilities at fair value through profit and loss		35,203	35,936	733	2.08%
Securities sold under Repurchase Agreements		15,827,129	7,098,943	(8,728,186)	(55.15%)
Payables		2,526,626	3,487,260	960,634	38.02%
Current tax liabilities		774,596	551,676	(222,920)	(28.78%)
Deposits and remittances		283,510,034	297,684,898	14,174,864	5.00%
Other financial liabilities		4,628,693	5,535,065	906,372	19.58%
Liability reserve		268,501	268,912	411	0.15%
Lease liability		333,935	317,098	(16,837)	(5.04%)
Deferred tax liabilities		52,560	54,940	2,380	4.53%
Other liabilities		471,524	491,479	19,955	4.23%
Total liabilities		337,570,060	334,233,493	(3,336,567)	(0.99%)
Equity		11,112,343	11,112,343	0	0%
Capital reserve		55,192	55,192	0	0%
Retained earnings		32,715,328	37,676,980	4,961,652	15.17%
Other equity		(1,466,127)	1,270,051	2,736,178	186.63%
Profit and/or loss attributable to the owners of parent company		42,416,736	50,114,566	7,697,830	18.15%
Non-controlling interest		-	-	-	-
Total shareholders' equity		42,416,736	50,114,566	7,697,830	18.15%
Description of Differences:					
1. The increase of Cash and cash equivalents due from the Central Bank and call loans to other banks, due to the increase in the amount borrowed from other banks during the current period.					
2. The increase in other financial assets, net is due to the increase in the balance of short-term loans in the current period compared to the previous period.					
3. The increase in investment property, net was due to the acquisition of additional investment property by subsidiaries due to its operational needs.					
4. The decrease in deposits from the Central Bank and banks was due to the decrease in the amount of interbank borrowings in the current period.					
5. The decrease in securities sold under agreements to repurchase was due to decrease in commitments for domestic bonds and overseas bonds with repurchase agreements.					
6. The increase in accounts payable is due to an increase in the current period's payable investment delivery amount and outstanding exchange bill balance compared to the previous period.					
7. The decrease in current income tax liability is due to an increase in the amount of provisional corporate income tax paid in the current period compared to the previous period, in accordance with the law.					
8. The increase in other equity interest is due to the upward revaluation of debt instruments measured at fair value through other comprehensive income (loss).					

**II. Financial performance**

Unit:NT\$ thousand; %

Item	Year	2022	2023	Increase (Decrease)	
				Amount	Ratio
Net interest income		6,013,261	5,735,643	(277,618)	(4.62%)
Net Revenue Other than Interest		(660,891)	4,236,373	4,897,264	741.01%
Bad debt expenses, commitment and guarantee liability provisions		(216,683)	(83,837)	(132,846)	(61.31%)
Operating expenses		(2,191,456)	(2,529,174)	337,718	15.41%
Net income before tax from continuing operating units		2,944,231	7,359,005	4,414,774	149.95%
Net income from continuing operations		2,210,422	6,207,101	3,996,679	180.81%
Profit or loss from discontinued operations		-	-	-	-
Net profit (net loss) for the current period		2,210,422	6,207,101	3,996,679	180.81%

Analysis of variance:

- The increase in net income excluding interest, the increase in pre-tax net profit and net profit for the period are mainly due to the recovery in the prices of financial assets during the current period, resulting in gains on disposal, increased valuation gains, and reduced impairment losses on financial assets, resulting in increases in both net income and net profit after tax for the period.
- The decrease in bad debt expenses and provision for guarantee liabilities is mainly due to an increase in the amount of bad debts recovered in the current period compared to the previous period.

**III. Cash flow****(I) Analysis on liquidity for the past two years**

Item	Year	December 31, 2022	December 31, 2023	Variation (%)
Cash flow adequacy ratio (%)		191.89	334.72	74.44
Cash flow for operating to cash flow from investing ratio (%)		100.27	1,749.24	1,644.59

Analysis of variance in increase/ decrease:

- The cash flow ratio increased compared to the previous period as a result of the increase in pre-tax profit and deposits, which led to an increase in cash provided by operating activities compared to the previous period. The decrease in interbank borrowings and repurchase agreements contributed to the reduction in liabilities.
- The cash flow adequacy ratio increased compared to the previous period, due to the increase in the net cash inflow from operating activities in the current period compared to the previous period over the past five years.
- The cash flow adequacy ratio increased compared to the previous period, due to an increase in net cash inflow from operating activities in the current period.

**(II) Cash flow analysis for the next year**

Unit:NT\$ thousand

Cash balance amount at the beginning of the year (1)	Expected net annual cash flow from operating activities (2)	Expected annual cash flow (3)	Amount of cash surplus (deficit) (1) + (2) + (3)	Remedial measures for cash inadequacy	
				Investment plans	Financing plans
20,630,267	2,729,297	(4,143,357)	19,216,207	-	-

**IV. Impact of major capital expenditures on financial operations in 2023**

(I) Use of major capital expenditure and source of funds: None

(II) Expected gains: None

**V. 2023 Re-investment policy, main reasons for profits or losses, improvement plans and investment plans for the next year**

- (I) Re-investment policy
 

In order to meet the Bank's need for long-term operation and development, we engage in investments and assessment of potential re-investment opportunities, and effectively diversifying operational risks and improving the overall profitability are our goals.
- (II) Main reasons for profits or losses of re-investment
 

The main source of profit in 2023 for reinvestment includes cash dividends distributed by the reinvestment companies and feedback from operating performance. If there are appropriate investment opportunities or investment in response to government policies in the future, we will conduct a thorough assessment before taking action in compliance with relevant regulations.
- (III) Improvement plans
 

We update the operating efficiency and financial performance of our reinvestment companies on a quarterly basis, and produce annual performance appraisal reports to understand and monitor their status.
- (IV) Investment plans for the next year
 

If there are appropriate investment opportunities or investment in response to government policies in the future, we will conduct a thorough assessment before taking action in compliance with relevant regulations.

**VI. Risk management**

- (I) Organizational structure and policies of risk management
  - 1. Organizational structure of risk management



- (1) Risk Management Committee
 

For the purpose of upgrading the risk management mechanism, improving various risks management, avoiding all possible adverse effects on the Group, and seeking maximized profits with limited risks, the Risk Management Committee is established with the President acting as the Chief Commissioner, and the department head of the Treasury Department, Digital Service and Channel Management Department, Risk Management Department, Credit Assessment

## Chapter 7 Review and Analysis of Financial Condition and Results and Risk Management Matter

Department, Administration Management Department, International Banking Department, Compliance Department, and the Strategy and Operations Department and other personnel designated by the President act as the Members of the Committee. The Chief Auditor may attend the Committee meeting, but is not entitled with voting rights. The Committee has a meeting held once a month with the following missions to fulfill:

- A. Add and amend the Bank's risk management policy.
  - B. Coordinate the risk management issues of the Bank, such as credit risk, market risk, and operational risk.
  - C. Review the ratio of the Bank's self-owned capital to risk assets (referred to as "capital adequacy ratio")
  - D. Handle and review the major risk exposure and unauthorized events which occur.
  - E. Major issues or discussions related to risk management proposed by each unit.
  - F. Matters assigned by the Board of Directors, Chairman, and Vice Chairman.
- (2) Information Security Management Committee

In November 2015, the Information Security Management Committee was established with the aim of reducing the risk and impact caused by information security issues, as well as to refine the Bank's ISMS, in response to all information security related laws and regulations and in compliance with relevant government regulations. The committee is responsible for the review of policies and regulations for ISMS and the overall implementation of information security. In addition, the Information Security Section of the Risk Management Department shall report to the Chairman on the implementation status annually, and the Auditing Department shall report the audit result to the Board of Directors. The Committee has one convener appointed who is the President or an individual appointed by the President. The members are the head of the Risk Management Department, the Information Technology Department, the Digital Service and Channel Management Department, the Compliance Department, and the department head or the designated individual of the department designated by the convener. The Auditing Department may attend the Committee meeting, but is not entitled with voting rights. The Committee holds a regular management review meeting at least once a year, or from time to time as necessary. The main tasks are as follows:

- A. Propose the information security policy of the Bank.
- B. Promote the information security management system.
- C. Assess the infrastructure of the information security management system.
- D. Handle and review major information security incidents.
- E. Major issues or discussions related to information security proposed by each unit.
- F. Annual review of the overall implementation of information security measures.
- G. Discussion of other information security issues.

### 2. Risk management policies

We have established policies and measures based on different risk levels, and they are "Credit Policy," "Various Credit Review and Authorization Measures," "Risk Management Measures" and others. We have also established management standards for the policies and measures, such as the "Credit Risk Management Standards," "Market Risk Management Standards" and "Operational Risk Management Standards" in accordance with "Risk Management Measures." We have established a capital adequacy assessment process which takes into consideration the risk status in order to maintain

capital adequacy based on the company's business growth. In addition, we conduct appropriate overall capital allocation to establish management measures for a variety of business risks considering our overall risk exposure to reinforce our operating performance.

3. Information security policies

The Information Security Policy was instituted specifically as a means to protect the confidentiality, integrity, and availability of the Bank's information assets, including software, hardware, communications, personnel, documents, data, and the physical environment, from risk of breaches, damage, or loss due to external threats or improper management by internal personnel. In addition, in accordance with the policy, relevant procedures and manuals were instituted as reference for all employees, outsourced service providers, and visitors.

(II) Qualitative and quantitative information about the various risks

1. Credit risk management system and accrued capital:

Credit risk management system

2023

Item	Contents
<p>I. Credit risk strategies, goals, policies and procedures</p>	<p>1. Credit risk strategy We have made appropriate adjustments in response to changes to the business environment and the associated risks. We make corrections in our strategy in consideration of the impact of economic cycles on the content and quality of overall credit portfolio, so we can ensure that the strategy can cover all major credit risks.</p> <p>2. Credit risk goals Maintain adequate capital and create maximum risk-adjusted return within the scope of credit risk that the Bank can bear.</p> <p>3. Credit risk policies We have established the Credit Policy to properly plan and control the issuance of credit to a same natural person, a same legal person, a same public enterprise, a same related party, a same associate company and a same related company within a corporate group. We have set limits to the ratios of the Company's net worth which they account for (among them, a same public enterprise shall not exceed the Company's net worth, and the limit may be adjusted for a same related company based on the credit rating, financial rating by Cmoney and prospects), in order to control the credit risk to a single party and enhance the efficiency of capital utilization. With respect to the proportion of the Company's total credit committed to the issuance of credit to a single industry, we assess the industry and the overall economy, the non-performing loan ratios in each industry and the future prospect to adjust the limit accordingly. In order to reinforce the risk control of credits to industries located in overseas and China regions, we have set industry-specific limits to those regions. With respect to the proportion of the Bank's total issuance of credit to those who use residential real estate as collateral, we set limits to fund uses such as house repairs and working capital, and dynamically adjust the credit amounts to avoid the overall risk and excessive concentration risk.</p> <p>4. Credit risk procedures In order to maintain a safe and robust credit business and control its associated risk, we have established a credit risk control mechanism for a variety of businesses and follow the procedures of identification, measurement, communication and monitoring. Under a hierarchy of responsibility in credit management, each level conduct case review within its level of authorization in accordance with the Various Credit Review and Authorization Measures to ensure the quality of assets for credit. We also have established the "Essentials for Secondary Review of Credit" for which the Credit Review Department at the head office is responsible to reinforce management after issuing credit, effectively control the associated credit risk. We have established the "Regulations Governing the Procedures to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" to regulate internal system and procedures for assessment of asset quality, allocation of loss reserve, liquidation of collection of nonperforming loans and bad debt write-off. In order to accelerate liquidation of bad debt and reduce nonperforming loans, we have established the "Non-performing Loan Management Measures," so that we can achieve the goal of having a sound financial structure and reinforcing asset and liability management.</p>
<p>II. Credit risk management</p>	<p>1. <u>The Board of Directors</u> is our highest decision-making body for credit risk management and has the ultimate liability in terms of credit risk management.</p>

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Item	Contents
organization and framework	<ol style="list-style-type: none"> <li>2. <u>Risk Management Committee</u> is responsible for implementing decisions on credit risk management approved by the board, reviewing credit risk regulations, coordinating credit risk management tasks and supervising the effectiveness of risk management implementation.</li> <li>3. <u>Credit Assessment Committee</u> is responsible for reviewing and discussing credit cases at the board's authorization level and reporting the review results to the board for approval. After the establishment of accounts for cases for which the amount is at the board's authorization level and have been approved by the board, the Credit Review Committee is authorized to adjust the interest rate and fee rate accordingly, and provides summary reports to the board for monthly review.</li> <li>4. <u>Risk Management Department</u> is responsible for planning, setting up and integrating the Bank's credit risk management operations, performing overall credit risk management monitoring of the Bank, regularly compiling credit risk information of the Bank and reporting it to the Risk Management Committee and the Board of Directors, and calculating credit risk capital and disclosing risk information in accordance with the regulations of the competent authorities.</li> <li>5. <u>All departments</u> at headquarters are responsible for establishing and managing the credit risk regulations and operational procedures for its business, monitoring their implementation, and assisting the Risk Management Department to complete the control of credit risk for the entire bank. The head office business units are responsible for identifying and managing the credit risk of all financial instruments and ensure that when engaging in new instruments or transactions</li> <li>6. <u>All departments</u> in the Bank are responsible for identifying, assessing and measuring risks and adopting appropriate risk management approaches. Comply with the Bank's rules on credit check, credit issuance and credit risk to conduct daily operations and credit risk management and report to the relevant units in accordance with the regulations in a timely manner. Incorporate the control of credit risk into daily operations and ensure the correctness and completeness of information of each operation.</li> <li>7. <u>The credit review team of the business unit</u> is responsible for holding credit review meetings for credit cases within the authority of the unit manager to strengthen the review of credit business in order to ensure credit rights and risk control.</li> </ol>
III. Scope and features of credit risk reporting and measurement system	<p>The Bank has established the Credit Risk Management Standards based on the overall risk management policy. Risk exposure is categorized to assess various risk-weighted assets and disclose them in risk control reports to be submitted to the board on a quarterly basis. The content and scope are shown as follows:</p> <ol style="list-style-type: none"> <li>1. Control of limits to counterparties (a same natural person, a same legal person, a same related party, a same associate company, a same related company within a corporate group and a same industry)</li> <li>2. Control of credit risk concentration (monitor the top 20 clients who receive credit)</li> <li>3. Analysis of credit business structure (according to types of loan)</li> <li>4. Asset quality (nonperforming loans, NPL ratio, allowance for bad debts, coverage ratio)</li> </ol> <p>The credit risk measurement system includes credit rating maintenance, on-balance sheet risk-weighted asset maintenance and others.</p>
IV. Credit risk avoidance or mitigation polices, and monitoring the continued effectiveness of risk avoidance and mitigation tools	<ol style="list-style-type: none"> <li>1. When conducting credit risk businesses, assess the probability of default and the loss amount of the event or transaction and adopt countermeasures, such as risk avoidance - high probability of default and large amount of loss, risk reduction or transfer - low probability of default and large amount of loss, risk control - high probability of default and small amount of loss and risk retention - low probability of default and small amount of loss. Set limit to a same natural person, a same legal person, a same related party, a same associate company, a same related company within a corporate group and a same industry in order to avoid excessive risk concentration. Add credit limit criteria, request for collaterals and guarantor or transfer to credit guarantee funds to reinforce the Bank's claims.</li> <li>2. Evaluate the fair value of collaterals and conduct on-site inspection of collaterals regularly or irregularly. Conduct credit check and re-evaluation of collaterals based on the current status of credit recipients. Assess the extent of guarantee provided by clients who receive credit and the legality of guarantors to ensure the effectiveness of credit protection. Regularly maintain and develop the credit risk management system based on the status of business and credit retention to ensure continuous and effective operation.</li> </ol>
V. Approaches adopted for statutory capital charges	Standardized approach

Note: This form is applicable to banks which adopt the standardized approach.

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### Risk exposure amount and accrued capital after risk mitigation under the credit risk standardized approach December 31, 2023

Unit:NT\$ thousand

Type of exposure	Risk exposure amount after risk mitigation	Accrued capital
Sovereigns	39,925,869	0
Non-central government public sectors	0	0
Banks (including multilateral development banks and qualifying central counterparties)	13,710,160	250,738
Corporations (including securities and insurance companies)	126,506,331	8,795,091
Retail claims	7,332,188	232,452
Property risk exposure	155,069,648	11,394,990
Equity securities investments	7,450,056	982,779
Equity securities investments of funds and venture capital firms	0	0
Other assets	8,777,269	525,478
<b>Total</b>	<b>358,771,520</b>	<b>22,181,528</b>

2. Risk management measures and risk exposure amount for asset securitization, and the management strategy and procedures for securitization of accrued capital.

#### Risk management system of securitization

2023

Item	Contents
I. Securitization management strategies and procedures	<p>[Trading Book]:</p> <ol style="list-style-type: none"> <li>In order to implement risk management, we conduct investment decisions and process management based on the Bank's relevant measures on marketable securities when investing in securitized products (such as REITs) on the trading book.</li> <li>We have not taken the role of an originator, service institution or credit enhancement institution. We shall first establish the relevant management policies if we wish to handle the related businesses in the future.</li> </ol> <p>[Banking Book]:</p> <p>We have not invested in securitized products which are considered part of the Banking book and we have not taken the role of an originator.</p>
II. Securitization management organization and framework	<p>[Trading Book]:</p> <ol style="list-style-type: none"> <li>We have established the Risk Management Committee responsible for implementing decisions on credit risk management approved by the board and supervising the effectiveness of risk management implementation. We regularly hold the Asset and Liability Management Committee meetings to evaluate the Company's capital and investment operations and reviewing the implementation. We also regularly hold Investment Management Committee meetings to adjust our investment strategy as needed to control investment risk in response to changes in the domestic and overseas financial markets, further protecting the Bank's investment position and profitability.</li> <li>When investing in securitized products (such as REITs) on the trading book, we manage the associated risks based on the credit, market and other relevant risk management organizations and structure.</li> </ol> <p>[Banking Book]:</p> <p>We have not invested in securitized products which are considered part of the Banking book and we have not taken the role of an originator.</p>
III. Scope and features of securitization risk reporting and measurement systems	<p>[Trading Book]:</p> <p>When investing in securitized products (such as REITs) on the trading book, we evaluate them daily and manage the associated risks based on the credit, market and other relevant risk management organizations and structure, and disclose the information on the risk control reports to be submitted to the board every quarter.</p>



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Item	Contents
	[Banking Book]: We have not invested in asset securitized products which are considered part of the Banking book and we have not taken the role of an originator.
IV. Securitization risk hedging or mitigation policies, and monitoring the continued effectiveness of risk avoidance and mitigation tools	[Trading Book]: 1. We have not taken the role of an originator, service institution or credit enhancement institution and have not established policies related to securitization hedging and risk reduction. We shall first establish the relevant management policies if we wish to handle the related businesses in the future. 2. We currently adopt the following measures based on the credit, market and other relevant risk standards: risk avoidance - high probability of default and large amount of loss, risk reduction or transfer - low probability of default and large amount of loss, risk control - high probability of default and small amount of loss and risk retention - low probability of default and small amount of loss. [Banking Book]: We have not invested in securitized products which are considered part of the Banking book and we have not taken the role of an originator.
V. Approaches adopted for statutory capital charges	[Trading Book]: Adopt the standardized approach for market risk. [Banking Book]: We have not invested in securitized products which are considered part of the Banking book and we have not taken the role of an originator.

Risk exposure amount for securitization and capital accrual  
December 31, 2023

Unit:NT\$ thousand

Type of risk exposure  Bank's role  Type of book	Type of asset	Traditional				Accrued capital (2)	Combination		Total		
		Risk exposure amount					Risk exposure amount	Accrued capital (4)	Risk exposure amount (5)=(1)+(3)	Accrued capital (6)=(2)+(4)	Accrued capital before securitization
		Keep or buy	Provide liquid financing amount	Provide credit enhancement	Subtotal (1)						
Non-originator	Banking Book	-	0	0	0	0	0	0	0	0	0
	Trading Book	-	0	0	0	0	0	0	0	0	0
	Subtotal	-	0	0	0	0	0	0	0	0	0
Originator	Banking Book	-	0	0	0	0	0	0	0	0	0
	Trading Book	-	0	0	0	0	0	0	0	0	0
	Subtotal	-	0	0	0	0	0	0	0	0	0
Total		-	0	0	0	0	0	0	0	0	0

Note:

- The "Asset Category" column is broken down by the type of assets securitized (such as credit cards, net worth mortgage loans, auto loans) or the type of securities invested in (such as mortgage-backed securities, commercial real estate-backed securities, asset-backed securities, and collateralized debt obligations). RMBS is a type of beneficiary securities for mortgage securitization or asset-backed securities. REITs are real estate investment trust beneficiary securities.
- For the exposure of the Banking book, the exposure after risk reduction shall be entered.
- For the field of "Providing Liquidity Facility," the exposure of funds already appropriated and not yet appropriated shall be included.

## Chapter 7 Review and Analysis of Financial Condition and Results and Risk Management Matter

### 3. Operational risk management system and accrued capital

#### Operational risk management system

2023

Item	Contents
I. Operational risk management strategies and processes	<ol style="list-style-type: none"> <li>1. Operational risk management strategies Make appropriate adjustments in response to the changes in the Bank's operating environment and risks involved to maintain the consistency with the Bank's business strategy and objectives, which also cover all important operational risks related to the business.</li> <li>2. Establish operational risk management measures. Identify, measure, communicate and monitor all operational risks that may arise from daily operations and management processes.</li> </ol>
II. Operational risk management organization and framework	<ol style="list-style-type: none"> <li>1. <u>The Board of Directors</u> is our highest decision-making body for operational risk management and has the ultimate liability in terms of operational risk management.</li> <li>2. <u>Risk Management Committee</u> is responsible for implementing decisions on operational risk management approved by the board, reviewing operational risk regulations, and supervising the effectiveness of risk management implementation.</li> <li>3. <u>Risk Management Department</u> is responsible for planning, building and coordinating the Bank's operational risk management, and it regularly compiles the information on the Bank's operational risk and reports it to the Risk Management Committee.</li> <li>4. <u>All departments at headquarters</u> are responsible for establishing and managing the credit risk regulations and operational procedures for its business, monitoring their implementation, and assisting the Risk Management Department to complete the control of operational risk for the entire bank.</li> <li>5. <u>All departments in the Bank</u> are responsible for identifying, assessing and measuring risks and adopting appropriate risk management approaches. Comply with the Bank's rules on operational risk to conduct daily operations and operational risk management.</li> </ol>
III. Scope and features of operational risk report and measurement system	<p>We have established the Operational Risk Management Standards based on the overall risk management policy to actively and effectively measure, control and monitor all operational risks associated with all products, services, operations and systems, and disclose the information in risk control reports to be submitted to the board on a quarterly basis.</p> <ol style="list-style-type: none"> <li>1. The content and scope are shown as follows: <ol style="list-style-type: none"> <li>(1) Self-assessment of risk control operation of the "Rules and Regulations of the Bank".</li> <li>(2) Self-assessment of risk control in compliance with various rules and regulations of all units' operating procedures.</li> <li>(3) Self-assessment of risk control for new products (business), activities, processes and systems.</li> <li>(4) Managing authorization and limits of credit issuance operations of all business units.</li> <li>(5) Managing authorization and limits of loan, foreign exchange and investment businesses of the Finance Department.</li> <li>(6) Report progress to the point of contact at the financial supervisory authority.</li> <li>(7) Implementation of data collection on losses attributable operational risk.</li> <li>(8) Implementation of key risk indicator (KRI).</li> <li>(9) Implementation of the compliance with the three reinforcing pillars of the New Basel Accord.</li> <li>(10) Education and training sessions on risk management conducted by supervisory units of businesses.</li> </ol> </li> <li>2. In order to effectively measure operational risk, the measurement system is divided into operational risk event maintenance, authorized credit limit maintenance and others and establish the following operational measures: <ol style="list-style-type: none"> <li>(1) Essentials for Collection of Operational Risk Loss Event Data: Collect loss event data, categorize the data based on the patterns and business types and understand the distribution of loss events.</li> <li>(2) Essentials for Business Units' Risk Control Self-Assessment: Use the Risk Control Assessment Form to assess the Bank's operating procedures, rules and regulation, new products (businesses), activities, processes, systems and other operations.</li> <li>(3) Essentials for Key Risk Indicators: Establish quantitative indicators and thresholds and warning values corresponding to main risk exposure in order to monitor the risk exposure and control measures for operational risk.</li> </ol> </li> </ol>
IV. Operational risk hedging or risk mitigation policies, and monitoring the continued effectiveness of risk hedging and mitigation tools	<p>When the Bank conducts business related to operational risk, it evaluates the probability and severity of losses that may arise from the event or transaction and adopts risk avoidance, risk offset or transfer, risk control, risk commitment and other countermeasures (e.g., outsourcing operations, taking out employees' integrity insurance...etc.). We also regularly maintain and develop the operational risk management system in accordance with our business and risk exposures to ensure the system continues to operate effectively.</p>
V. Approaches adopted for statutory capital charges	<p>Basic indicator approach.</p>

Chapter 7 Review and Analysis of Financial Condition and Results and Risk Management Matter

Accrued capital for operational risks  
December 31, 2023

Unit:NT\$ thousand

Year	Gross operating profit	Accrued capital
2021	8,360,918	1,296,929
2022	6,714,414	
2023	10,863,257	
<b>Total</b>	<b>25,938,589</b>	

4. Market risk management system and accrued capital

Market risk management system

2023

Item	Contents
I. Market risk management strategies and processes	<ol style="list-style-type: none"> <li>1. Market risk management strategies Make appropriate adjustments in response to the changes in the Bank's operating environment and risks involved to maintain the consistency with the Bank's business strategy and objectives, which also cover all important market risks related to the business. Seek stability when investing in marketable securities and other financial instrument. Pay attention to the fundamental analysis of products and economic cycle and avoid excessive risk concentration. Comply with the regulations on investment limits.</li> <li>2. Market risk management process Establish market risk management measures. Effectively identify, measure, communicate and monitor market risks associated with all main products and transactions.</li> </ol>
II. Market risk management organization and framework	<ol style="list-style-type: none"> <li>1. <u>The Board of Directors</u> is our highest decision-making body for market risk management and has the ultimate liability in terms of market risk management.</li> <li>2. <u>Investment Management Committee</u> may adjust our investment strategy as needed to control investment risk in response to changes in the domestic and overseas financial markets, further protecting the Bank's investment position and profitability.</li> <li>3. <u>Risk Management Committee</u> is responsible for implementing decisions on market risk management approved by the board, reviewing market risk regulations and supervising the effectiveness of risk management implementation.</li> <li>4. <u>Risk Management Department</u> is responsible for planning, building and coordinating the Bank's operational risk management. The department handles the liquidation and settlement of the Bank's capital allocation and securities trading, regular assesses profits and losses at fair market values, controls investment positions and transaction limits and reports over-the-limits, stop-loss and early warnings to business units which have transactions. It regularly compiles the information on the Bank's operational risk and reports it to the Risk Management Committee.</li> <li>5. <u>All departments at headquarters</u> are responsible for establishing and managing the credit risk regulations and operational procedures for its business, monitoring their implementation, and assisting the Risk Management Department to complete the control of market risk for the entire bank.</li> <li>6. <u>All departments in the Bank</u> are responsible for identifying, assessing and measuring risks and adopting appropriate risk management approaches. Comply with the Bank's market risk management rules and carry out daily operations and market risk management. The risk management personnel are independent from the front-end of transactions or are the personnel from different departments or divisions. Actively monitor the over-the-limits and stop-loss measures and report events to the relevant units in a timely manner.</li> </ol>

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Item	Contents
<p>III. Scope and features of market risk reporting and measurement systems</p>	<p>Market risk involves interest rates, equity securities, foreign exchange and financial instrument. We have established the Market Risk Management Standards based on the overall risk management policy. The positions held are categorized into the "Trading Book" and "Banking Book" in accordance with the Trading Book and Banking Book Categorization Measures to effectively manage positions of financial instrument. The risk management of various investments is conducted in accordance with the relevant regulations and the Bank's standards to control the risk within an acceptable range and disclose the information in risk control reports to be submitted to the board on a quarterly basis. The content and scope are shown as follows:</p> <ol style="list-style-type: none"> <li>1. Investment limit and early warning management for market risk: <ol style="list-style-type: none"> <li>(1) Invest in a variety of securities: (a) Limits for a variety of securities (required by the authority); (b) Restrictions on investment in a same legal person, a same related company within a corporate group and a same industry (required by the Bank); (c) Limits for non-statutory investment grade (required by the authority), and application criteria for non-statutory investment grade bonds and bills and the balance in any one particular investment (required by the Bank); (d) Limits for balance in any one particular bond and bill on watch (required by the Bank), and limits for non-statutory investment grade bonds and bills on watch (required by the Bank); (e) Bonds and bill on watch with credit ratings of "BBB-/Baa3, twBBB- and equivalent" and the limits for non-statutory investment grade bonds (required by the Bank); (f) Investment ceiling on a particular country with a sovereign credit rating of Baa1 to Baa3/BBB+ to BBB- in accordance with the Bank's National Risk Management Guidelines (required by the Bank). (g) Total balance of investment in various securities in China (required by the Bank), and the balance of investment in bonds and bills in China overall (required by the Bank). Balance of investment in bonds and bills (required by the Bank) issued by non-financial institutions (including leasing companies and asset management companies). (h) Balance of transactions for bond repurchase (required by the government authority). (i) Balance of investment in Islamic fixed income securities (required by the government authority).</li> <li>(2) Invest in derivatives: (a) The upper limits of total position and loss of notional principal; (b) The control of notional principal of various contracts; (c) Upper limit of transaction counterparty's credit risk, early warning for gains of counterparty's market valuation; (d) Limit of counterparty (a related company within a corporate group, an industry); (e) With respect to the total profits or losses in market valuation of the overall unhedged contracts and individual unhedged contract, the limit of loss amount if there are losses.</li> <li>(3) Foreign exchange transactions: (a) Limits of uncovered total position between NTD and foreign currencies in the whole company; (b) Uncovered total position between foreign currencies in the whole company; (c) Positions of various exchanges against the USD.</li> <li>(4) Lending limits to counterparties in the loan business (NTD, foreign currencies).</li> </ol> </li> <li>2. Stop-loss mechanism for market risk and monitor major risk exposure mechanism: <ol style="list-style-type: none"> <li>(1) Invest in a variety of securities: (a) Stop-loss position, execution and major risk exposure of various types of securities; (b) Financial asset impairment or sale assessment and major risk exposure of various types of securities.</li> <li>(2) Stop-loss of individual unhedged contract in derivatives investment.</li> <li>(3) Restriction and enforcement of exchange losses of commercial positions and traders of the whole Bank.</li> </ol> </li> <li>3. Market risk stress testing (Impact of profits and losses in comprehensive scenarios / Minimum capital calculated needed for the market risk).</li> </ol>
<p>IV. Market risk hedging or mitigation policies, and effective strategies and processes for controlling risk hedging and mitigation tools</p>	<p>Establish limits and stop-loss measures in the operating standards and procedures for the Bank's various investment in compliance with the authority's standards on investment limits to monitor market risk. When dealing with market risk-related businesses, we adopt countermeasures in the categories of risk avoidance, risk reduction or transfer, risk control and risk retention. We grasp our overall exposure position and risk measurement results based on the circumstances of businesses and risk retention we face to ensure continued effectiveness.</p>
<p>V. Approaches adopted for statutory capital charges</p>	<p>Standardized approach</p>

## Accrued capital for market risks

December 31, 2023

Unit:NT\$ thousand

Type of risk	Accrued capital
Interest rate risk	1,160,108
Equity securities risk	403,812
Foreign exchange risk	70,459
Commodity risk	0
Total	1,634,379

5. Liquidity risk includes maturity analysis of assets and liabilities, and explains how to manage liquidity of assets and liquidity of working capital gaps

(1) Risk management procedures:

For various assets and liabilities, the maturity gap and maturity structure changes were regularly analyzed as the basis for fund allocation, liquidity management and liquidity risk reduction. To control interest rate risk, the correlation between various assets and liabilities and market interest rate were regularly analyzed to assess market interest rate risk, and accordingly, deposit interest rate pricing and asset allocation were adjusted. We regularly report the status of asset and liability allocation and the changes in various indicators for risk management at the Asset and Liability Management Committee meetings to ensure the implementation of risk management procedures.

(2) Principles of measurement and control:

In order to meet the needs for liquidity, monitor liquidity risk and prevent excessive the concentration of capital utilization, we regularly prepare the "NTD Maturity Term Structure Analysis Table" and "USD Maturity Term Structure Analysis Table" to analyze the working capital gaps of various terms and use them as the early warning indicators for liquidity. We also take the impact of domestic and overseas financial market conditions and seasonal factors into consideration and adjust our business strategy, interest rate gaps and asset and liability structure in a timely manner and report the results to the Asset and Liability Management Committee.

In terms of capital utilization, we allocate sufficient funds as legal reserve in accordance with the regulations and the remaining capital is invested in government bonds, transferrable certificates of deposits from the Central Bank, treasury bills, financial bonds, government debt repurchase, corporate bonds, commercial papers, banker's acceptance, beneficiary certificates and other fixed-income financial instruments. We value the security of investments and consider the liquidity of the secondary market to reduce our operational risk.

## NTD maturity date structure analysis table

December 31, 2023

Unit:NT\$ thousand

	Total	Remaining balance to maturity					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Primary inflow upon maturity	329,831,850	65,334,808	21,409,440	19,627,355	26,909,213	55,737,478	140,813,556
Primary outflow upon maturity	369,130,793	15,657,964	19,884,284	40,461,576	57,131,634	67,256,939	168,738,396
Period gap	-39,298,943	49,676,844	1,525,156	-20,834,221	-30,222,421	-11,519,461	-27,924,840

Note: This table refers to the amount of NTD of the whole Bank.

## USD maturity date structure analysis table

December 31, 2023

Unit: US\$ thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	1,464,650	134,312	6,378	10,470	17,802	1,295,688
Outward remittance of due fund	1,448,023	689,665	309,791	96,045	271,057	81,465
Period gap	16,627	-555,353	-303,413	-85,575	-253,255	1,214,223

Note: This table refers to the amount of US dollars of the whole Bank.

(III) The influence of domestic and foreign major policies and law amendment exerting on the Bank's financial structure and responding measures

In response to Taiwan's commitment to net-zero emissions by 2050, the National Development Council has announced the "Taiwan's Pathway to Net-Zero Emissions in 2050," and the FSC has been actively cooperating with the national carbon reduction policy and continued to promote the "Green Finance Action Plan 3.0" to guide financial institutions in using their management and financial influence, so as to encourage companies to pay attention to sustainability issues. The implementation of this policy will encourage the society to increase capital expenditure and investment in related areas. The Bank is committed to the government's net-zero emissions pledge and will contribute to the transition to a low-carbon economy through the following four aspects: (I) Leveraging financial resources and investment decision-making power to guide companies toward sustainable development. (II) Strengthen the disclosure of information to help stakeholders understand and manage climate-related risks and response methods. (III) Increase climate resilience and identify ESG-related risks and opportunities. (IV) Support national carbon reduction policies and effectively promote carbon reduction transformation.

(IV) Impact of technological (including information security risks) and industry changes on the Banking and financial businesses and the corresponding measures

The development of digital finance has become a major development project for financial institutions. Under this trend, financial industry players have realized the potential of using financial technology to enhance customer experience, provide more personalized services, thereby improving customer retention, and develop innovative service offerings, thereby creating new sources of revenue. As a result, investment in related areas has been increasing year by year. However, the implementation of financial technology requires a significant investment in both software and hardware resources. For small and medium-sized banks, the key issues and challenges include how to prudently evaluate the costs and benefits, provide differentiated services, and ensure the security of information. In view of this structural change, we have established a dedicated unit in 2015 to closely monitor the development of relevant technologies and industries, and have been gradually rolling out various digital financial services. In terms of information security, we also established an information security unit in 2015, and the ISO 27001 certification was obtained by the end of 2022 to ensure the management and control of information security in conjunction with our three lines of internal control.

In recent years, the rise of artificial intelligence (AI) technology has gradually affected various aspects of the financial industry. To help financial institutions take advantage of AI technology and effectively manage risks, ensure fairness, protect consumer rights, maintain system security and achieve sustainable development, the Financial Supervisory Commission (FSC) has issued the "Core Principles and Relevant Promotion Policies or the Use of Artificial Intelligence (AI) in Financial Industry". This publication reveals the 6 core principles and 8 supporting policies for the application of AI in our country's financial industry.

In order to grasp this AI financial trend, our bank has previously invited AI digital experts to give special lectures, providing a clear and concise explanation for all bank executives to understand the scope of AI application in the financial field. In the future, our bank will continue to closely monitor the development trends of AI in finance to enhance our digital financial competitiveness.

- (V) Impact of the image changes on the Bank and the corresponding measures: None.
- (VI) Expected result and possible risks of mergers and acquisitions and Counter assessments: None.
- (VII) Expected Benefits, Potential Risks, and Responses to Expansion of Business Locations There were no plans to expand business locations in fiscal year 2023.
- (VIII) Risks and Measures for Concentrated Business: the Bank complies with the Banking Act of the Republic of China and relevant laws and regulations in the promotion and control of various business activities and investments.
- (IX) The effect of change in the management produced to the Bank, possible risk and countermeasures: None.
- (X) With respect to the directors, supervisors and shareholders who own more than 1% of shares, the impact of large-scale transfer of their equity and their replacement on the Bank's risks and the corresponding measures: None
- (XI) Litigation or non-litigation event: None,
- (XII) Other important risks and the countermeasures: None

**VII. Crisis management and response mechanisms**

In order to improve our crisis management standards and contingency measures, we have established the "Crisis Response Operations Measures," "Safety Maintenance Operations Standards," "Emergency Response Operations Essentials" and "Emergency Response Operations Essentials for Personal Data Breach" for compliance. In the event of a major emergency, the supervisors of the relevant business units can immediately take appropriate measures. For major incidents, all business units of the Bank will take immediately remedial measures, promptly notify the convener and the event holder and adopt the relevant countermeasures in a timely manner to quickly mitigate the impact of crisis and maintain the normal operation of our operating activities.

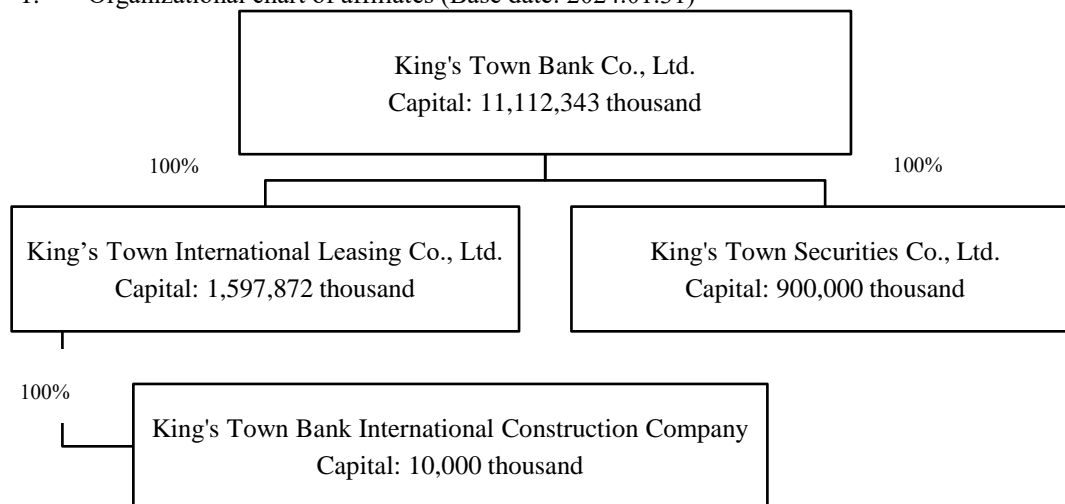
**VIII. Other important matters:None**

## Chapter 8 Special Notes

### I. Information regarding the Bank's affiliates

#### (I) Consolidated operating report for affiliates

##### 1. Organizational chart of affiliates (Base date: 2024.01.31)



##### 2. Profiles of the affiliates

Unit:NT\$ thousand

Name of enterprise	Date of establishment	Address	Paid-in capital	Principal business
King's Town International Leasing Co., Ltd.	2015.01.22	8F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City	1,597,872	Finance lease
King's Town Securities Co., Ltd.	1990.11.22	3F., No. 289, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City	900,000	Securities business
King's Town Bank International Construction Company	2016.12.07	8F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City	10,000	Real estate manager

##### 3. Information on directors, supervisors and general managers of affiliates

Base date: 2024.01.31

Name of enterprise	Title	Company name or representative	Shareholdings	
			No. of shares (shares)	Shareholding ratio (%)
King's Town International Leasing Co., Ltd.	Chairman	Representative of King's Town Bank Co., Ltd.: Hung-Li Lin	159,787,196	100%
	Director	Representative of King's Town Bank Co., Ltd.: Chen-Chih Tai		
	Director	Representative of King's Town Bank Co., Ltd.: Chiung-Ting Tsai		
	Supervisor	Representative of King's Town Bank Co., Ltd.: Yu-Hsuan Chen		
King's Town Securities Co., Ltd.	Chairman	Representative of King's Town Bank Co., Ltd.: Jung-Chi Li	90,000,000	100%
	Director	Representative of King's Town Bank Co., Ltd.: Qi-Wei You		
	Director	Representative of King's Town Bank Co., Ltd.: Shu-Chen Tsai		
	Director	Representative of King's Town Bank Co., Ltd.: Yun-Chia Peng		
	Supervisor	Representative of King's Town Bank Co., Ltd.: Po-Heng Chen		
King's Town Bank International Construction Company	Chairman	Representative of King's Town Bank International Leasing Co., Ltd.: Ming-Hui Chen	1,000,000	100%
	Director	Representative of King's Town Bank International Leasing Co., Ltd.: Chen-Chih Tai		
	Director	Representative of King's Town Bank International Leasing Co., Ltd.: Chiung-Ting Tsai		
	Supervisor	Representative of King's Town Bank International Leasing Co., Ltd.: Yu-Hsuan Chen		



## 4. Operation overview of affiliates

Base date: 2023.12.31

Unit:NT\$ thousand

Name of enterprise	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Current period profit(after tax)	Earnings per share(after tax) (\$)
King's Town International Leasing Co., Ltd.	1,597,872	13,514,983	11,327,233	2,187,750	5,114,804	491,548	540,682	3.38
King's Town Securities Co., Ltd.	900,000	1,506,103	470,728	1,035,375	127,182	3,105	27,623	0.30
King's Town International Construction Company*	10,000	32,304	5,178	27,126	26,867	15,222	12,389	12.39

Note: The Company's profit and loss have been reflected in King's Town Bank International Leasing Company.

(II) Consolidate financial statements of associate companies: Same as parent and subsidiary consolidated statements. Please refer to page 146 to 150 of the annual report.

(III) Relationship statement: Please refer to page 138 of the annual report.

**II. Private placement of securities and bank debentures:** None.

**III. Subsidiaries holding or disposing of the company's stock:** None.

**IV. Other supplementary notes**

2023 important chronological event:

Date	Events
02/06	To practice ESG and implement friendly finance, the Bank has introduced the "Form Free Service" for counter account transactions and account opening services.
02/21	To assist businesses in promoting energy conservation and carbon reduction, and fulfill our social responsibility by providing the necessary funding and promoting our bank's green credit business, we have launched the "Power Up Green Jing" credit project at King's Town Bank.
04/17	To provide high-quality customers with real estate assets with the opportunity to utilize their funds and promote our mortgage business, we have launched the "Jing Hao Huo" housing loan program.
04/27	Establish the Fair & Friendly Customer Service promotion task force.
04/28	The TWSE announced the rank of 2022 Annual Corporate Governance Evaluation and the Company was ranked in the top 5%, which was the sixth consecutive time.
07/05	In order to align with the "Trust 2.0" initiative and enhance branch understanding of trust products and their effective use in assisting customers with asset protection, thereby increasing deposits, we are introducing the "Jing Anxin" Wealth Preservation Trust.
07/24	Obtained the ISO 14001 Environmental Management System Certification.
07/26	Launch online reservation services for "Mortgage Reservation Application," "Mortgage Increase Reservation Application," and "Reservation Application Modification,"
10/20	Organize the "e-Qi Lehuo Investment Sports Fun" event to address issues related to fraud prevention, physical and financial well-being, and the digital divide among the elderly population, and fulfill the principles of fair customer treatment and provide financial-friendly services to promote sustainable business development.
10/30	The 16th 11th Board of Directors meeting held on October 30, 2023 announced the establishment of the Customer service & Operations Department, along with the revision of the Digital Service and Channel Management Department and Human Resources Department.

Date	Events
	The Organizational Regulations also added the responsibilities of the Corporate Governance Officer.
11/01	Received the Bronze Award in the Non-Manufacturing Category of the 5th National Enterprise Environmental Protection Award.
11/02	Obtained the ISO 45001 Occupational health and safety management system Certification.
11/30	Awarded the 2023 Golden Safety Award for Outstanding Organization and Outstanding Personnel.
12/04	To connect with customers and create a sustainable environment, we have launched the Sustainable Deposit Project, which utilizes funds in accordance with the Green Fund Utilization Plan or the Social Fund Utilization Plan, to implement the core concept of sustainable finance.

**V. Events with material impact in accordance with subparagraph 2, paragraph 3, article 36 of the securities and exchange act:**None.

**Chapter 9 Head office and branches of the Bank**

Name	Address	Telephone
Tainan District		
Head Office	No. 506, Section 1, Ximen Road, West Central District, Tainan City	(06)213-9171
Trust Department	8F., No. 506, Section 1, Ximen Road, West Central District, Tainan City	(06)213-9922
International Banking Department	9F., No. 506, Section 1, Ximen Road, West Central District, Tainan City	(06)215-5238
Overseas Banking Branch	9F., No. 506, Section 1, Ximen Road, West Central District, Tainan City	(06)215-5238
Business Department at the head office	1F., No. 506, Section 1, Ximen Road, West Central District, Tainan City	(06)214-1271
Tainan Branch	1, 2F., No. 69, Sec. 2, Zhongyi Rd., West Central Dist., Tainan City	(06)228-3155
Eastern Tainan Branch	1, 2F., No. 98, Sec. 2, Linsen Rd., East Dist., Tainan City	(06)238-5506
Zhonghua Branch	1F., No. 106, Renhe Rd., East Dist., Tainan City and 1, 2F No. 106-1	(06)260-3171
Xinxing Branch	No. 357, 359, Xinxing Rd., South Dist., Tainan City	(06)265-8511
Fucheng Branch	1, 2F., No. 15, Sec. 4, Ximen Rd., North Dist., Tainan City 886-6	(06)283-3046
Yunong Branch	1, 2F., No. 619-2, Yunong Rd., East Dist., Tainan City	(06)235-0588
Kaiyuan Branch	No. 208, Kaiyuan Rd., North Dist., Tainan City	(06)234-7302
Anhe Branch	1, 2F., No. 241, Sec. 2, Anhe Rd., Annan Dist., Tainan City	(06)355-9311
Annan Branch	No. 366,368, Sec. 1, Haidian Rd., Annan Dist., Tainan City	(06)259-8153
Yen Hang branch	No. 54, Zhongzheng N. Rd., Yongkang Dist., Tainan City	(06)254-1839
Yongkang Branch	No. 27, Sec. 2, Yongda Rd., Yongkang Dist., Tainan City	(06)272-9621
Guiren Branch	No. 29, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City	(06)239-6185
Xinhua Branch	No. 586, Zhongshan Rd., Xinhua Dist., Tainan City	(06)598-7103
Yujing Branch	1,2 F., No. 130, Zhongshan Rd., Yujing Dist., Tainan City	(06)574-7673
Rende Branch	1, 2F., No. 365, Zhongshan Rd., Rende Dist., Tainan City	(06)270-8056
Guanmiao Branch	1F., No. 17, Wenheng Rd., Guanmiao Dist., Tainan City	(06)596-1550
Madou Branch	1-3F., No. 83, Zhongshan Rd., Madou Dist., Tainan City	(06)572-1117
Jiali Branch	1, 2F., No. 203, Wenhua Rd., Jiali Dist., Tainan City	(06)722-3152
Xigang Branch	No. 344, Zhongshan Rd., Xigang Dist., Tainan City	(06)795-1949
Xuejia Branch	No. 111, Jisheng Rd., Xuejia Dist., Tainan City	(06)783-1417
Xinying Branch	1F., No. 148, Zhongshan Rd., Xinying Dist., Tainan City	(06)632-4161
Baihe Branch	No. 7, Guoguang Rd., Baihe Dist., Tainan City	(06)685-2085
Liuji Branch	No. 491, Zhongzheng Rd., Liuji Dist., Tainan City	(06)698-7813
Yanshui Branch	No. 15, Zhongzheng Rd., Yanshui Dist., Tainan City	(06)652-1677
Shanhua Branch	No. 452, Zhongshan Rd., Shanhua Dist., Tainan City	(06)581-5658
Xinshi Branch	No. 139, Zhongxing St., Xinshi Dist., Tainan City	(06)599-5631
Greater Taipei region		
Songshan Branch	8F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City	(02)8712-6369
Taipei Branch	2F., No. 75, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City	(02)2771-0922
Neihu Branch	1F., No. 394, Ruiguang Rd., Neihu Dist., Taipei City	(02)2799-4599
Zhongxiao Branch	1, 2F., No. 29, Ln. 743, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City	(02)8785-2525

Chapter 9 Head office and branches of the Bank

Name	Address	Telephone
Banchiao Branch	B1, 1F., No. 3, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City	(02)8951-5758
Shuanghe Branch	1F., No. 878, Zhongzheng Rd., Zhonghe Dist., New Taipei City	(02)8221-7871
Xinzhuang Branch	1F., No. 146, Touqian Rd., Xinzhuang Dist., New Taipei City	(02)2994-1213
Luzhou Branch	1F., No. 232, Jixian Rd., Luzhou Dist., New Taipei City	(02)2288-4988
Xindian Branch	9F., No. 190, Zhongzheng Rd., Xindian Dist., New Taipei City	(02)8911-9298
Taoyuan and Hsinchu		
Taoyuan Branch	1~3 F., No. 106~108, Zhonghua Rd., Taoyuan Dist., Taoyuan City	(03)347-2469
Jhongli Branch	1F., No. 175, Puyi Rd., Zhongli Dist., Taoyuan City	(03)462-8989
Nankang Branch	No. 117, Sec. 1, Xinnan Rd., Luzhu Dist., Taoyuan City	(03)352-1616
Hsinchu Branch	1F, 2F-1, 2F-2, No. 180, Zhongzheng Rd., North Dist., Hsinchu City	(03)528-0526
Eastern Hsinchu branch	No. 227, 229, 231, Guanxin Rd., East Dist., Hsinchu City	(03)563-9998
Taichung and Changhua		
Taichung Branch	1F., No. 200, Zhongming Rd., North Dist., Taichung City	(04)2329-3511
Wenxin Branch	1, 2F., No. 320, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City	(04)2328-8007
Dali Branch	1, 2F., No. 408, Daming Rd., Dali Dist., Taichung City	(04)2406-8829
Changhua Branch	B1-5F., No. 134, 136, Huashan Rd., Changhua City, Changhua County	(04)728-8998
Yunlin region		
Dounan Branch	No. 258, Section II, Yanping Rd., Dounan Township, Yunlin County	(05)597-3181
Huwei Branch	1F., No. 133, Gong'an Rd., Huwei Township, Yunlin County	(05)632-3301
Lunbei Branch	No. 375, Zhongshan Rd., Lunbei Township, Yunlin County	(05)696-6821
Douliu Branch	1-2F., No. 128, Minsheng Rd., Douliu City, Yunlin County	(05)532-1561
Xiluo Branch	No. 166, Fuxing Rd., Xiluo Township, Yunlin County	(05)586-9541
Beigang Branch	No. 61, Minzhu Rd., Beigang Township, Yunlin County	(05)783-6181
Chiayi region		
Chiayi Branch	No. 175, Linsen W. Rd., West Dist., Chiayi City	(05)224-2135
Xingye Branch	1F., No. 784, Xinmin Rd., West Dist., Chiayi City	(05)285-2171
Meishan Branch	No. 126, Zhongshan Rd., Meishan Township, Chiayi County	(05)262-2131
Zhuqi Branch	No. 221-1, Zhongshan Rd., Zhuqi Township, Chiayi County	(05)261-1941
Zhongpu Branch	No. 867, Sec. 5, Zhongshan Rd., Zhongpu Township, Chiayi County	(05)239-0011
Shuishang Branch	No. 317, Zhongxing Rd., Shuishang Township, Chiayi County	(05)268-9681
Taibao Branch	No. 166-17, Sec. 2, Beigang Rd., Taibao City, Chiayi County	(05)238-1518
Puzi Branch	No. 43, Shantong Rd., Puzi City, Chiayi County	(05)379-5181
Minghsiung Branch	No. 6, Minsheng Rd., Minxiong Township, Chiayi County	(05)226-2372
Dalin Branch	1,2F., No. 291, Xianghe Rd., Dalin Township, Chiayi County	(05)265-1541
Kaohsiung region		
Zhongzheng Branch	1, 2F., No. 176, Qixian 1st Rd., Xinxing Dist., Kaohsiung City	(07)235-2929
Kaohsiung Branch	No. 110, Yucheng Rd., Sanmin Dist., Kaohsiung City	(07)345-7171
Northern Kaohsiung branch	1,2F., No. 150, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City	(07)550-7708
Gangshan Branch	No. 176, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City	(07)624-1766
Nanzi Branch	1F., No. 67, Yiqun Rd., Nanzi Dist., Kaohsiung City	(07)362-6969

**King's Town Bank Co., Ltd. and its subsidiaries**  
**Consolidated Financial Statements and Independent Auditor's Report**  
**January 1 to December 31, 2023 and 2022**

Address: No. 506, Section 1, Ximen Road, West Central District, Tainan City  
Tel: +886-6-213-9171

Notice to Readers

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. The figures are not yet audited by CPA. 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 version independent auditors' report and consolidated financial statements shall prevail.

## Statement of Declaration

For the year ended December 31, 2023, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the companies required to be included in the consolidated financial statements under International Financial Reporting Standards 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Therefore, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declared by

Company name: King's Town Bank Co., Ltd.

Person in Charge: Chen-Chih Tai

February 26, 2024

## Independent Auditors' Report

To King's Town Bank Co., Ltd.

### **Audit opinion**

We have audited the accompanying consolidated balance sheets of King's Town Bank Co., Ltd. and its subsidiaries as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and notes to the consolidated financial statements (including a summary of significant accounting policies) from January 1 to December 31, 2023 and 2022.

In our opinion, based on our audit results and the audit reports of other CPAs (please refer to the section titled "Other Matters"), the financial statements referred to above present fairly, in all material aspects, the consolidated financial position of King's Town Bank Co., Ltd. and its subsidiaries as of December 31, 2023 and 2022 and the results of their operations and cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Issuers" as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and effected by the Financial Supervisory Commission.

### **Basis for opinion**

We have audited the accompanying parent company only financial statements in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," Jin-Guan-Yin-Fa-Zi No. 10802731571 Letter and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the section on responsibilities of auditors for the audit of the consolidated financial statements. We are independent of King's Town Bank Co., Ltd. and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the part relevant to the audit of the consolidated financial statements of King's Town Bank Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other CPAs, 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 significant in our audit of the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries for 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

#### Financial instrument evaluation

King's Town Bank Co., Ltd. and its subsidiaries invest in different types of financial assets. As of December 31, 2023, the total financial assets measured at fair value were NTD83,257,736 thousand, accounting for about 22% of total assets. Of these, for the investments classified as Level II in the fair value hierarchy, including the derivative financial instruments of bonds and FX swap contracts, there was a book value of NTD43,353,890 thousand, accounting for 52% of the financial assets measured at fair value. Since the Level II investment evaluation is based on an internal evaluation model, the key input values are the yield rate and exchange rate, both of which have a significant impact on the estimation of fair value. Therefore, we consider this to be a key audit matter.

Our audit procedures include (but are not limited to) evaluating and testing the effectiveness of internal controls related to financial instrument evaluation, including the evaluation models and their assumptions managed and approved by the management. We have used the sampling basis to understand and evaluate the rationality of the key assumptions, perform an independent evaluation calculation, and adopt the assistance of internal evaluation experts to compare the differences against the evaluations made by the management in order to see whether they are within the tolerance range.

Please refer to Notes V, VI, XIII, and XIV of the financial statements for the disclosures of financial assets of King's Town Bank Co., Ltd. and its subsidiaries.



### Appropriated allowance for bad debt from loans

As of December 31, 2023, the book value of the loans of King's Town Bank Co., Ltd. and its subsidiaries was NTD230,086,122 thousand, accounting for about 60% of the total assets, which is significant to the financial statements and is subject to the assessment of expected credit losses as stipulated in IFRS 9 Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans. The assumptions adopted by the management in estimating the expected credit losses include the conditions for determining whether the credit risk is significantly increased, whether credit impairment has occurred, the selection and evaluation of the forward-looking factors, the probability of default (PD), the loss given default (LGD) parameters, etc., and involve a high degree of professional judgment. Therefore, we also consider these to be key audit matters.

Our audit procedures include (but are not limited to) evaluating and testing internal controls related to the calculation of expected credit losses, examining whether the expected credit loss assessment model has been approved by the management, assessing the source of expected credit losses, and having internal experts review the reasonableness of the expected credit loss model, the appropriateness and rationality of the input parameters of the expected credit loss model in the sampling test, including the probability of default (PD) and the loss given default (LGD). In addition, we also examine whether the management complies with the requirements of the relevant authority's written order to confirm that the loan classification and allowance for bad debts are in compliance with the statutory requirements.

Please refer to Notes V, VI, and XIV of the financial statements for the disclosure of the allowance for bad debt of King's Town Bank Co., Ltd. and its subsidiaries.

### **Other Matters - Mentioning of the Audit Result of Other Certified Public Accountants (CPAs)**

We did not audit the financial statements of certain subsidiaries furnished to the consolidated financial statements. The financial statements of these subsidiaries were audited by other independent accountants. Therefore, our opinions regarding to the amounts listed in such subsidiary financial reports from the consolidated financial statements mentioned above are

based on the audit report from other CPAs. The assets of the aforementioned subsidiaries as of December 31, 2023 and 2022 were NT\$1,409,111 thousand and NT\$743,416 thousand, accounting for 0.37% and 0.20% of the total consolidated assets respectively; the net income for the fiscal year 2023 and 2022 were NT\$139,070 thousand and NT\$43,608 thousand, accounting for 1.39% and 0.81% of the net consolidated income respectively.

### **Responsibilities of Management and Those in Charge of Governance with Regard to the Consolidated Financial Statements**

The 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", the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRS, IAS, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from material misstatement, whether due to fraud or error.

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

The governance unit of King's Town Bank Co., Ltd. and its subsidiaries (including the Audit Committee or supervisors) is responsible for overseeing the financial reporting process.

### **Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally

accepted auditing standards in the Republic of China will always detect a significant misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered significant, 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 generally accepted auditing standards in the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also perform the following works:

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 significant 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 internal control effective in King's Town Bank Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude on the appropriateness of the use of the going concern basis of accounting by the management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of King's Town Bank Co., Ltd. and its subsidiaries to continue as a going concern. If we conclude that a significant uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's

report. However, future events or conditions may cause King's Town Bank Co., Ltd. and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall expression, structure, and content of the consolidated financial statements (including related notes) and whether the consolidated financial statements include the relevant transactions and events expressed adequately.
6. Obtain sufficient and appropriate audit evidence for the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and implementing the audit of the Group. We remain solely responsible for our opinion.

We communicate the following events with the governance unit, including the planned scope and audit time, as well as major audit findings (including significant deficiencies of internal control identified during the audit process).

We also provide a statement to the governance unit that the personnel of the CPA Firm who are subject to the regulation of independence are indeed complying with the independence requirements in accordance with the Code of Professional Ethics. Also, they communicate to the governance unit all relationships and matters (including related protective measures) that may be considered as affecting our independence.

We use the matters communicated with the governance unit to decide the key audit matters for the audit of the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries for 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure of 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.

## Others

King's Town Bank Co., Ltd. has prepared 2023 and 2022 parent company only financial reports, and the audit report issued by us along with an unqualified opinion and accompanying notes is filed for future reference.

Ernst & Young Global Limited

The competent authorities approved the financial report of the public offering company

Auditing and Certification No.:

Jin-Guan-Cheng-Shen-Zi No. 1100352201

Jin-Guan-Cheng-Shen-Zi No. 1050043324

Kuo Sen-Hung

CPA

Sheng An-Hsieh

February 26, 2024

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Balance Sheets  
December 31, 2023 and 2022

Unit: NTD thousand

Assets			December 31, 2023		December 31, 2022	
Code	Account Item	Note	Amount	%	Amount	%
10000	Assets					
11000	Cash and cash equivalents	IV/VI.1	\$4,171,981	1	\$5,107,881	1
11500	Due from the Central Bank and call loans to other banks	IV/VI.2/VIII	25,614,640	7	15,206,369	4
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	43,326,946	11	37,246,775	10
12100	Financial assets measured at FVOCI	IV/VI.4, 26/VIII	39,930,790	11	42,854,431	11
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 26	19,397,863	5	17,598,455	5
13000	Receivables, net	IV/VI.6, 26/VIII	12,979,400	3	11,863,381	3
13500	Discounts and loans, net	IV/V/VI.7, 26	230,086,122	60	242,334,911	64
15500	Other financial assets, net	IV/VI.8	369	-	42	-
18500	Property and equipment, net	IV/VI.9, 26	4,973,435	1	4,623,593	1
18600	Right-of-use assets	III/IV/VI.27	310,546	-	328,716	-
18700	Investment property	VI.10	991,524	-	265,602	-
19300	Deferred tax assets	IV/VI.30	438,546	-	446,615	-
19500	Other assets, net	VI.11/VIII	2,125,897	1	2,110,025	1
	Total assets		<u>\$384,348,059</u>	<u>100</u>	<u>\$379,986,796</u>	<u>100</u>

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Balance Sheets (continued)  
December 31, 2023 and 2022

Unit: NTD thousand

Liabilities and Equity			December 31, 2023		December 31, 2022	
Code	Account Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from the Central Bank and other banks	IV/VI.12	\$13,308,286	4	\$24,092,259	6
21500	Funds borrowed from Central Bank and other banks	VI.13	5,399,000	1	5,049,000	1
22000	Financial liabilities measured at FVTPL	IV/VI.14	35,936	-	35,203	-
22500	Securities sold under agreement to repurchase	IV/VI.15	7,098,943	2	15,827,129	4
23000	Payables	VI.16	3,487,260	1	2,526,626	1
23200	Current income tax liabilities	IV/VI.30	551,676	-	774,596	-
23500	Deposits and remittances	VI.17	297,684,898	78	283,510,034	75
25500	Other financial liabilities	VI.18	5,535,065	1	4,628,693	1
25600	Provisions	IV/VI.19, 20, 26	268,912	-	268,501	-
26000	Lease liabilities	III/IV/VI.27	317,098	-	333,935	-
29300	Deferred tax liabilities	IV/VI.30	54,940	-	52,560	-
29500	Other liabilities	VI.21	491,479	-	471,524	-
	Total liabilities		<u>334,233,493</u>	<u>87</u>	<u>337,570,060</u>	<u>88</u>
31000	Equity attributable to shareholders of the parent	VI.22				
31100	Share capital		11,112,343	3	11,112,343	3
31500	Capital surplus		55,192	-	55,192	-
32000	Retained earnings					
32001	Legal reserve		14,831,519	4	14,831,519	4
32003	Special reserve		1,540,617	-	120,039	-
32011	Unappropriated retained earnings		21,304,844	6	17,763,770	5
32500	Other equity interest	IV	1,270,051	-	(1,466,127)	-
	Total equity		<u>50,114,566</u>	<u>13</u>	<u>42,416,736</u>	<u>12</u>
	Total liabilities and equity		<u>\$384,348,059</u>	<u>100</u>	<u>\$379,986,796</u>	<u>100</u>

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Code	Account Item	Note	January 1 to December 31, 2023		January 1 to December 31, 2022	
			Amount	%	Amount	%
41000	Interest revenue	IV	\$10,567,323	105	\$8,224,689	153
51000	Less: Interest expenses	IV	(4,831,680)	(48)	(2,211,428)	(41)
	Net interest income	VI.23	5,735,643	57	6,013,261	112
	Non-interest net income					
49100	Net service fee income	IV/VI.24	2,354,190	24	2,296,541	43
49200	Gain (loss) on financial assets and liabilities at FVTPL	IV/VI.25	2,870,820	29	(1,445,790)	(27)
49310	Realized (loss) gain on financial assets at FVOCI	IV	(175,954)	(2)	(223,436)	(4)
49600	Net exchange (loss)	IV	(15,266)	-	(97,203)	(2)
49700	Impairment of assets (loss)	IV/VI.26	(965,603)	(10)	(1,264,373)	(24)
49800	Other non-interest net income	IV	168,186	2	73,370	2
	Net income		9,972,016	100	5,352,370	100
58200	(Provision) of allowances for bad debts, commitments and guarantees	IV/VI.6, 7, 19, 26	(83,837)	(1)	(216,683)	(4)
58400	Operating expenses					
58500	Employee benefits expenses	VI.20, 28	(1,388,569)	(14)	(1,162,073)	(22)
59000	Depreciation and amortization expenses	IV/VI.9, 10, 27, 28	(153,250)	(1)	(139,483)	(2)
59500	Other business and administrative expenses	IV	(987,355)	(10)	(889,900)	(17)
61000	Net income before taxes from continuing operations		7,359,005	74	2,944,231	55
61003	Income tax (expenses)	IV/VI.30	(1,151,904)	(12)	(733,809)	(14)
64000	Net income after tax		6,207,101	62	2,210,422	41
65000	Other comprehensive income (loss)					
65200	Items not reclassified to income:	IV/VI.29, 30				
65201	Remeasurements of the defined benefit plan		(8,714)	-	23,219	-
65204	Gain (loss) on evaluation of equity instruments at FVOCI		400,812	4	(246,430)	(4)
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		1,742	-	14,400	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.29, 30				
65301	Exchange differences from the translation of financial statements of foreign operations		(5,017)	-	33,855	1
65308	Gain (loss) on debt instrument investments at FVOCI		2,323,261	23	(5,789,990)	(108)
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		1,003	-	(4,665)	-
	Other comprehensive income (after tax)		2,713,087	27	(5,969,611)	(111)
66000	Total comprehensive income (after tax)		\$8,920,188	89	\$(3,759,189)	(70)
67100	Current period after tax net profit and loss attributable to					
67101	Owners of the parent company		\$6,207,101		\$2,210,422	
67111	Non-controlling interest		\$ -		\$ -	
67300	Current period after tax comprehensive profit and loss attributable to					
67301	Owners of the parent company		\$8,920,188		\$(3,759,189)	
67311	Non-controlling interest		\$ -		\$ -	
	Earnings per share (NTD)	VI.31				
67500	Basic earnings per share		\$5.59		\$1.98	
67700	Diluted earnings per share		\$5.59		\$1.98	

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen



King's Town Bank Co., Ltd. and its subsidiaries  
Consolidated Statements of Changes in Equity  
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Item	Share capital	Capital surplus	Retained earnings			Other equity items		Treasury stock	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized (loss) profit of financial assets measured at FVOCI		
Balance as of January 1, 2022	\$11,212,343	\$77,735	\$13,076,248	\$120,039	\$19,795,409	\$(23,165)	\$4,622,419	\$ -	\$48,881,028
The 2021 appropriation and distribution of earnings									
Appropriation of legal reserve	-	-	1,755,271	-	(1,755,271)	-	-	-	-
Common stock cash dividends	-	-	-	-	(2,354,592)	-	-	-	(2,354,592)
Net income from January 1 to December 31, 2022	-	-	-	-	2,210,422	-	-	-	2,210,422
Other comprehensive income from January 1 to December 31, 2022	-	-	-	-	37,619	29,190	(6,036,420)	-	(5,969,611)
Total comprehensive income from January 1 to December 31, 2022	-	-	-	-	2,248,041	29,190	(6,036,420)	-	(3,759,189)
Cost of treasury stocks repurchase								(350,511)	(350,511)
Cost of disposal of treasury stocks	(100,000)	(22,543)	-	-	(227,968)	-	-	350,511	-
Disposal of equity instruments measured at FVOCI	-	-	-	-	58,151	-	(58,151)	-	-
Balance as of December 31, 2022	11,112,343	55,192	14,831,519	120,039	17,763,770	6,025	(1,472,152)	-	42,416,736
The 2022 appropriation and distribution of earnings									
Appropriation of special reserve	-	-	-	1,420,578	(1,420,578)	-	-	-	-
Common stock cash dividends	-	-	-	-	(1,222,358)	-	-	-	(1,222,358)
Net income from January 1 to December 31, 2023	-	-	-	-	6,207,101	-	-	-	6,207,101
Other comprehensive income from January 1 to December 31, 2023	-	-	-	-	(6,972)	(4,014)	2,724,073	-	2,713,087
Total comprehensive income from January 1 to December 31, 2023	-	-	-	-	6,200,129	(4,014)	2,724,073	-	8,920,188
Disposal of equity instruments measured at FVOCI	-	-	-	-	(16,119)	-	16,119	-	-
Balance as of December 31, 2023	\$11,112,343	\$55,192	\$14,831,519	\$1,540,617	\$21,304,844	\$2,011	\$1,268,040	\$ -	\$50,114,566

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

## King's Town Bank Co., Ltd. and its subsidiaries

## Consolidated Statements of Cash Flows

January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Item	January 1 to December 31, 2023	January 1 to December 31, 2022	Item	January 1 to December 31, 2023	January 1 to December 31, 2022
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$7,359,005	\$2,944,231	Acquisition of property and equipment	(409,578)	(1,031,021)
Adjustments:			Proceeds from disposal of property and equipment	333	1,650
Non-cash income and expense items			Proceeds from disposal of investment property and equipment	132,974	73,211
Expected credit impairment loss/bad debt expense provision	83,837	216,683	Acquisition of investment property	(850,788)	(211,003)
Impairment of assets loss on reversal	965,603	1,264,373	Proceeds from disposal of other assets	-	20,000
Depreciation and amortization expenses	153,250	139,483	Net cash flow (outflow) from investing activities	<u>(1,127,059)</u>	<u>(1,147,163)</u>
Net interest income	(5,735,643)	(6,013,261)	Cash flows from financing activities:		
Disposal and retirement of property, plant and equipment (proceeds)	(14)	(1,236)	Funds borrowed from Central Bank and other banks	350,000	281,550
(Gain) loss on disposal of investment property	(9,558)	11,100	(Decrease) increase in securities and bonds agreement to repurchase	(8,728,186)	3,697,194
(Gain) on disposal of other assets	-	(2,000)	Cash dividend paid	(1,222,358)	(2,354,592)
Changes in operating assets and liabilities			Cost of treasury stocks repurchase	-	(350,511)
Due from the Central Bank and call loans to other banks (increase)	(585,318)	(1,534,868)	Repayment of the principal amount of lease liabilities	(95,261)	(87,744)
(Increase) decrease in financial assets measured at FVTPL	(6,080,171)	2,695,246	Net cash (outflow) inflow from financing activities	<u>(9,695,805)</u>	<u>1,185,897</u>
Receivables (increase)	(1,233,398)	(3,058,180)	Effect of exchange rate changes on cash and cash equivalents	<u>(5,017)</u>	<u>33,855</u>
Discount and loan decrease (increase)	12,267,367	(35,979,006)	Increase in cash and cash equivalents for current period	8,887,053	1,222,811
Financial assets measured at FVOCI decrease (increase)	4,686,495	(3,602,523)	Cash and cash equivalents at beginning of the period	11,743,214	10,520,403
Debt instrument investments measured at amortized cost (increase) decrease	(1,800,000)	599,999	Cash and cash equivalents at end of the period	<u>\$20,630,267</u>	<u>\$11,743,214</u>
Other financial assets (increase)	(327)	(105,604)	Composition of cash and cash equivalents		
Other assets (increase)	(19,193)	(470,236)	Cash and cash equivalents recorded on the consolidated balance sheets	\$4,171,981	\$5,107,881
Deposits from the Central Bank and other banks (decrease) increase	(10,783,973)	5,640,712	Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements" recognized by FSC	16,458,286	6,635,333
Increase in financial liabilities measured at FVTPL	733	20,511	Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements" recognized by FSC	-	-
Payables (decrease)	923,980	(205,706)	Cash and cash equivalents at end of the period	<u>\$20,630,267</u>	<u>\$11,743,214</u>
Deposits and remittances increase	14,174,864	32,473,470			
Other financial liabilities increase	906,372	1,094,636			
Liability reserve (decrease)	(36,203)	(36,059)			
Increase in other liabilities	19,955	147,588			
Interest received	10,610,187	7,878,436			
Interest paid	(4,791,286)	(1,994,737)			
Income tax paid	(1,361,630)	(972,830)			
Net cash inflow from operating activities	<u>19,714,934</u>	<u>1,150,222</u>			

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its subsidiaries  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023 and 2022  
(Unless otherwise provided, Unit: NTD Thousand)

I. Company History

1. King's Town Bank Co., Ltd. (hereinafter referred to as "the Company") and its subsidiaries (hereinafter referred to as "the Group") was restructured from Tainan District Joint Saving Co., Ltd, on January 1, 1978. The Group had applied for restructuring into a commercial bank according to the resolution reached in the extraordinary Shareholders' Meeting on November 29, 2005 and was renamed as "King's Town Bank Co., Ltd." The Group started trading on the Taiwan Stock Exchange Corporation in July 1983. The place of registration and the general management office are located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches are set up nationwide.
2. The Group's main business services are: (1) accepting check deposits, (2) accepting other deposits, (3) issuing financial bonds, (4) handling loans, (5) handling bill discounts, (6) handling various investment businesses, (7) handling domestic and foreign exchange, (8) handling draft acceptance, (9) issuing domestic and foreign letters of credit, (10) handling domestic and foreign guarantees, (11) handling collections and advances, (12) handling the depository and agency services related to the various businesses listed above, and (13) other business chartered by the government.
3. The Company is also the ultimate controller of the Group to which it belongs.
4. The Group had 1,075 employees and 1,099 employees as of December 31, 2023 and 2022, respectively.

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements of the Group as of December 31, 2023 and 2022 were approved for publication by the Board of Directors on February 26, 2024.

III. Application of New, Revised, and Amended Standards and Interpretations

1. Changes in accounting policies resulting from the first-time application of International Financial Reporting Standards

The Group has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Notices that have been approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC") for application after January 1, 2023. The first-time application has no significant impact on the Group.

2. As of the date of the issuance of the financial report, the Group has not adopted the following newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet approved by the FSC.

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	January 1, 2024
2	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024
3	Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024
4	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024

- (1) Classification of Liabilities as Current or Non-current (Amendment to IAS 1)

This amendment targets sections 69–76 in IAS 1 Presentation of Financial Statements concerning the classification of liability as either current or non-current.

- (2) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

These amendments specify a seller-lessee adds additional accounting treatment to a sale and leaseback transaction in IFRS 16 “Lease” to improve the consistent application of the standard.

- (3) Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments aim to improve the information provided by companies regarding long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do

not affect the classification of debt as current or non-current at the end of the reporting period.

(4) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

These amendments not only provide additional explanation regarding supplier finance arrangements, but also new disclosure requirements for supplier finance arrangements.

The aforementioned standards or interpretations have been issued by the International Accounting Standards Board and have been approved by the FSC, effective for the annual period beginning on or after January 1, 2024. After evaluation, the new announcement or amendment of the standard or interpretation has no significant impact on the Group.

3. As of the date of the issuance of the financial report, the Group has not adopted the following newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet approved by the FSC:

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 10 - Consolidated Financial Statements, and IAS 28 - Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by International Accounting Standards Board
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025

- (1) Amendments to IFRS 10 - Consolidated Financial Statements, and IAS 28 - Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments addressed the inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures," in dealing with the loss of control of a subsidiary that has contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an

associate or a joint venture shall be offset through downstream sale. IFRS 10 requires full profit or loss recognition other loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets as defined in IFRS 3 shall be recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(2) IFRS 17 “Insurance Contracts”

This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the standard is general, and under this model, initial recognition measures the insurance contract group by the combination of the cash flow from performance obligation and contract service margin; the book amount at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to the general model, a specific applicable method (Variable Fee Approach, VFA) for contracts with direct participation features as well as a simplified approach for short-term contracts (Premium Allocation Approach, PAA) are provided.

This standard was issued in May 2017 and was amended in 2020 and 2021. The amendments include deferral of the date of initial application of the standard by two years (from the original January 1, 2021 to January 1, 2023); provide additional transition reliefs; simplify some requirements to reduce the costs of applying this standard and revise some requirements to make the results easier to interpret. This standard replaces an interim standard (IFRS 4 “Insurance Contracts”).

(3) Lack of Exchangeability (Amendments to IAS 21)

These amendments explain the exchangeability and lack of exchangeability between currencies, and how to estimate a exchange rate when a currency lacks exchangeability. It further introduces additional disclosure requirements when currencies lack exchangeability. The amendments are applicable for annual reporting periods beginning on or after January 1, 2025.

The aforementioned standards or interpretations have been issued by the IASB but have yet to be approved by the FSC. The actual date of application is subject to the requirements of the FSC. The new announcement or amendment of the standard or interpretation has no significant impact on the Group.

#### IV. Summary of Significant Accounting Policies

##### 1. Compliance Statement

The Group's consolidated financial reports for the period of January 1 to December 31, 2023 and 2022 are 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," and IFRS, IAS, IFRIC Interpretations, and SIC Interpretations as endorsed and announced by the FSC.

##### 2. Basis of Preparation

Besides the consolidated financial instruments measured at fair value, the Individual Financial Statements are prepared on the basis of historical costs. Unless otherwise specified, the consolidated financial statements are denoted in thousands of New Taiwan Dollars (NTD1,000).

##### 3. Consolidation

###### The basis of preparation for consolidated financial statements

When the Company is exposed to the varied remunerations participated by the investees or is entitled to the varied remunerations and is capable of affecting the remunerations through the authority over the investees, the controlling is achieved. The Company will only have control over the investee when the following three criteria of control have been met:

- (1) The power over the invested company (i.e., having the vested rights to lead the relevant activities)
- (2) The risk exposure or right of the variable returns from participating in the invested company, and
- (3) The ability to influence the amount of returns of the invested company by exercising power over the invested company

When the Company directly or indirectly holds less than a majority of the voting rights or similar rights of the invested company, the Company considers all relevant facts and circumstances to assess whether it has power over the invested company,

including:

- (1) Contractual agreements with other voting rights holders of the invested company;
- (2) Rights arising from other contractual agreements;
- (3) Voting rights and potential voting rights

When facts and circumstances indicate that one or more of these criteria for control have changed, the Company shall immediately re-assess whether it still has control over the invested company.

Starting from the acquisition date (i.e., the date when the Company obtains control), the subsidiary will be completely included in the Consolidated Financial Statements until the control over the subsidiary is lost. The accounting cycle and accounting policy of the subsidiary's financial statements will follow those of the parent company. All balances and transactions in the Group and unrealized internal gains and losses arising from internal transactions within the Group and dividends will be completely written off.

If control over the subsidiary is not lost, changes in shares held in the subsidiary will be treated as equity transactions.

A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

If the Company's control over the subsidiary is lost, then:

- (1) Subsidiary's assets (including goodwill) and liabilities will be derecognized;
- (2) Carrying amount of any non-controlling interests will be derecognized;
- (3) Fair value of the considerations acquired will be recognized;
- (4) Fair value of any retained investments will be recognized;
- (5) Amounts recognized in other comprehensive income by the parent company will be reclassified as profit or loss for the period or directly recognized as retained earnings in accordance with the provisions stipulated by other IFRS;
- (6) The difference generated will be recognized as profit or loss for the period.



The main business entity of the consolidated financial statements is as follows:

Name of investors	Name of subsidiaries	Principal business operation	Percentage of ownership	
			2023.12.31	2022.12.31
The Company	Kings Town Bank International Lease Corporation	Leasing	100.00%	100.00%
The Company	Kings Town Securities Corporation	Securities brokerage	100.00%	100.00%
King's Town Bank International Lease Corporation	Kings Town Intl. Construction Management Corporation	Construction Management	100.00%	100.00%

The total gains and losses of the subsidiaries for the years ended December 31, 2023 and 2022 were NTD568,305 thousand and NTD226,384 thousand, respectively.

#### 4. Foreign currency transactions

The consolidated financial statements of the Group are expressed in the Company's functional currency (New Taiwan Dollars). Each subsidiary of the Group determines its own functional currency and measures its financial statements in that functional currency.

Transactions in foreign the currencies from the consolidated entities are recorded by their respective functional currency rates at the date of the transaction. At the end of every reporting period, items denoted in foreign currencies will be translated at the closing exchange rate of the day. Non-monetary foreign currency items measured at fair value will be translated using the exchange rate on the date when the fair value is measured. Non-monetary foreign currency items measured at historical cost are translated at the exchange rate of the date of the transaction.

Except for the following items, exchange differences resulting from delivery or exchange of monetary items will be recognized as gain or loss as they occur:

- (1) For the foreign currency borrowings arising from acquiring assets that meet the requirements, the resulting exchange differences are treated as an adjustment to the interest cost and are capitalized as part of the borrowing cost.

- (2) Foreign currency projects subject to the provisions of IFRS 9 "Financial Instruments" are treated in accordance with the accounting policies of financial instruments.
- (3) For the monetary items of the reporting entity that are an integral part of the net investment in the foreign operating institution, the resulting exchange differences were originally recognized in other comprehensive income and are reclassified from equity to profit or loss when the net investment is disposed.

When the profit or loss of a non-monetary item is recognized as other comprehensive income, any exchange profit or loss is recognized in other comprehensive income. When the profit or loss of a non-monetary item is recognized in profit or loss, any exchange profit or loss is recognized in profit or loss.

#### 5. Translation of financial statements in foreign currency

When preparing the consolidated financial statements, the assets and liabilities of foreign operating institutions are translated into New Taiwan Dollars at the closing exchange rate on the balance sheet date. The income and loss items are translated at the average exchange rate for the current period. The income and loss items are translated at the average exchange rate for the current period. The exchange difference arising from the conversion is recognized as other comprehensive income. When the foreign operating institution is closed, the accumulated exchange difference previously recognized in other comprehensive income and included in the equity is reclassified from the equity to the profit or loss at the time of recognizing the disposal profit or loss.

#### 6. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term and highly liquid time deposits or investments (including time deposits with a contract period within 12 months) that are readily convertible into fixed cash amount and have a very low risk of changes in value. For the Consolidated Statement of Cash Flows, it also includes the deposits at the Central Bank, interbank lending, and resell (RS) bill and bond investments in accordance with the cash and cash equivalent stipulated in IAS 7 that is approved by the FSC.

## 7. Bonds Purchased under Resell/Notes Issued under Repurchase Agreements

The accounting process of RP/RS and bond transactions is as follows: (1) For an RP bill transaction, credit the RP bill and bond liability. The trade difference is booked as an interest expense; (2) For an RS bill transaction, debit the RS bill and bond investment. The trade difference is booked as interest income.

## 8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the financial instrument contract.

Financial assets and financial liabilities subject to the provisions of IFRS 9 "Financial Instruments" at the time of original recognition, were measured at fair value. The acquisition or issuance transaction costs that are directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities that are classified as measured at fair value through profit or loss) are added or subtracted from the fair value of the financial assets and financial liabilities.

### (1) Recognition and measurement of financial assets

The recognition and de-recognition of all the financial assets of the Group are handled with the trade date accounting.

The Group uses the following two items to have financial assets classified as subsequently measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss:

- A. Operating model of financial assets management
- B. Contractual cash flow characteristics of financial assets

#### Financial assets measured at cost after amortization

Financial assets that meet the following two criteria are to be measured at amortized cost and booked in the balance sheet in terms of notes receivable, accounts receivable, financial assets measured at amortized cost, and other receivables:

- A. Operating model of financial assets management: financial asset is held to receive contractual cash flows
- B. Contractual cash flow characteristics from the financial assets: cash flow is the interest paid solely on the principal and the outstanding principal.

These financial assets (excluding those involved in hedging) are subsequently measured at the amortized cost [the amount measured at the time of original recognition, less the principal paid, plus or minus the cumulative amortization amount (with the effective interest method) between the original amount and the amount due, and adjusting the allowance for loss]. For de-recognition, the benefits or losses are recognized in profit or loss through amortization procedures or recognition of impairment profit or loss.

Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:

- A. For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
- B. Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of the financial assets.

#### Financial assets measured at FVOCI

Financial assets that meet the following two criteria are to be measured at fair value through other comprehensive income, and the financial assets measured at fair value through other comprehensive income are to be listed in the balance sheet:

- A. Operating model of financial assets management: Collect contractual cash flows and sell financial assets.
- B. Contractual cash flow characteristics from the financial assets: cash flow is the interest paid solely on the principal and the outstanding principal.

The recognition of the profit or loss related to such financial assets is as follows:

- A. Before de-recognition or reclassification, except for the impairment profit or loss and foreign currency exchange gains and losses recognized in profit or loss, the profit or loss is recognized in other comprehensive income.
- B. At the time of de-recognition, the cumulative profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- C. Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:

- (a) For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
- (b) Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of financial assets.

In addition, for equity instruments applicable to IFRS 9 and are not held as available-for-sale or applicable as a contingent consideration by the acquirer in business consolidation in IFRS 3, during initial recognition, the Company will choose (this is not reversible) to state its subsequent fair value changes in the other comprehensive income (loss). Amounts stated in other comprehensive income cannot be converted to income or loss (during disposal of such equity instrument, the accumulated amount stated in other equity item will be directly transferred to retained earnings), and will be stated in the Balance Sheet as financial assets measured at fair value through other comprehensive income (loss). Investment dividends will be recognized in income or loss, unless such dividends clearly represent a portion of the investment cost.

#### Financial assets measured at FVTPL

In addition to the aforementioned measurement at cost after amortization for having met certain conditions or measurement at fair value through other comprehensive income (loss), financial assets are all measured at fair value through income or loss, and are stated in the balance sheet as financial assets at fair value through profit or loss.

These financial assets are measured at fair value, and any gain or loss from their revaluation will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial asset.

#### (2) Impairments of financial assets

For the debt instrument investments measured at fair value through other comprehensive income, debt instrument investments measured at amortized cost, and off-balance sheet debt instrument, the Group has them recognized as expected credit loss and with the allowance for loss measured. For the debt instrument investment measured at fair value through other comprehensive income, allowance for loss is recognized in the other comprehensive income (loss), and the book value of the investment will not be reduced. Loans and

receivables and off-balance sheet credit assets are recognized and measured in accordance with the expected credit losses. Also, adequate allowances, reserve for guarantee liability, and financing commitment reserves are appropriated according to whichever is higher according to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans.”

The Group measures expected credit losses to reflect the following:

- A. An amount that is unbiased and weighted by probability through evaluating each possible outcome
- B. Time value of money
- C. Reasonable and corroborative information (that can be obtained on the balance sheet date without excessive costs or inputs) relating to past events, current conditions, and future economic forecasts.

The methods used for measuring allowance for loss are as follows:

- A. It is measured by the 12-month expected credit loss amount: Including the credit risk that has not increased significantly since the original recognition of the financial assets, or it is determined as low credit risk on the balance sheet date. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significant increased since the original recognition on the balance sheet date.
- B. The expected credit loss amount for the duration: Including the significant increase in credit risk of the financial assets since the original recognition, or the financial assets with credit impairment purchased or originated.
- C. For accounts receivable or contractual assets arising from transactions within the scope of IFRS 15, the Group measured the allowance for loss with the expected credit loss amount of the duration.
- D. For the rent receivables arising from the transactions as stipulated in IFRS 16, the Group uses the expected credit losses for the duration of the period to measure the allowance for losses.

In addition to the aforementioned assessments, the Group also has the credit assets assessed and classified according to the following classification methods by referring to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans.” Regarding the classification methods, except for the normal credit assets classified in Category I, non-performing credit assets are evaluated

according to the status of the loan collateral and the length of time overdue, which are classified as Category II "Special Mention," Category III "Expected to be Recovered," Category IV "Doubtful" and Category V "Losses."

The allowance for bad debt is appropriated for a minimum amount equivalent to the total of 1% of net Category I credit assets of the obligation to Taiwanese government agencies, 2% of Category II credit assets, 10% of Category III credit assets, 50% of Category IV credit assets, and 100% of Category V credit assets.

On each balance sheet date, the Group assesses whether the credit risk of financial instruments after the original recognition has increased significantly by comparing the changes in the default risk of the financial instruments on the balance sheet date and the original recognition date. In addition, please refer to Note XIV for information related to credit risk.

### (3) Derecognizing financial assets

The Group's financial assets will be derecognized when one of the following conditions occurs:

- A. The contractual right from the cash flow of the financial asset is terminated.
- B. When nearly all risk and compensations associated with ownership of a financial asset has been transferred.
- C. Nearly all risk and compensations associated with ownership of an asset has neither been transferred nor retained, but the control of the asset has been transferred.

When a financial asset is derecognized in its entirety, the difference between its carrying amount and any cumulative gain or loss that has been received or is receivable and recognized in other comprehensive income (loss), will be recognized in profit or loss.

### (4) Financial liabilities and equity instruments

#### Classification of liability or equity

The Group classifies the liabilities and equities instrument issued as financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

### Equity instruments

Equity instruments refer to any contract with residual interest after subtracting all liabilities from assets. Equity instruments issued by the Group are recognized by the acquisition cost minus direct distribution costs.

### Hybrid instruments

The Group recognizes the financial liabilities and equity components of the convertible corporate bonds issued in accordance with contractual terms. In addition, the conversion of corporate bonds issued is based on the assessment of whether the economic characteristics and risks of the embedded purchase and sale rights are closely related to the primary debt commodity before classifying the equity elements.

For liabilities that do not involve derivatives, the fair value is measured using the market interest rate of a bond of comparable nature and without conversion characteristics. This amount is classified as a financial liability measured by amortized cost before conversion or redemption settlement. For other embedded derivatives that are not closely related to the risk characteristics of the principal contract (for instance, the embedded buy-back and redemption rights are confirmed to be substantially inconsistent with the amortized cost of the debt commodity on each execution date), they will be classified as components of liability and is measured at fair value through profit or loss in subsequent periods except for equity components. The amount of the equity component is determined by the conversion of fair value of the corporate bonds subtract the component of the liability, and the carrying amount will not be remeasured in subsequent accounting periods. If the issued conversion corporate bonds from the Group do include an equity element, they are handled in accordance with IFRS 9 Hybrid Instruments.

The transaction costs are allocated to the liability and equity components in proportion to the ratio of the convertible corporate bonds' allocations to liability and equity components during initial recognition.

When the holder of the convertible corporate bonds should request to exercise conversion rights before the maturity of the convertible bond, the person should adjust the carrying amount of the liability component element to the carrying amount at the time of exercise as the basis of entry for issuance of ordinary shares.



### Financial liabilities

Financial liabilities subject to the provisions of IFRS 9 are classified, at the original recognition, as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost.

### Financial liabilities measured at FVTPL

Financial liabilities at fair value through profit or loss include available-for-sale financial liabilities and designated financial liabilities at fair value through profit and loss.

A financial asset will be classified as available-for-sale when it meets one of the following conditions:

- A. The primary purpose for acquisition of the asset is short-term sales;
- B. It is part of an identifiable financial instrument combination of the consolidated management at the time of initial recognition, and there is evidence that the combination is a short-term profit operating model in the near future; or
- C. It is a derivative (except for financial guarantee contract or a designated and effective hedging instrument).

For contracts that include one or multiple embedded derivative instruments, the entire hybrid (integrated) contract could be designated as a financial instrument at fair value through profit or loss. In addition, when it meets one of the following conditions and can provide more relevant information, it could be designated as at fair value through profit or loss during initial recognition:

- A. The designation can eliminate or significantly reduce the inconsistency of measurement or recognition; or
- B. The performance of a group of financial liabilities or a group of financial assets and financial liabilities is managed and assessed on a fair value basis according to the written risk management or investment strategies; also, the portfolio information provided to the management within the consolidated company is also based on the fair value.

The benefits or losses arising from the re-measurement of such financial liabilities are recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability.

### Financial liabilities measured at the amortized cost

Financial liabilities measured at amortized cost include accounts payables and loans, and will continue to be measured through effective interest method after initial recognition. When financial liabilities are derecognized and amortized using effective interest method, related gain or loss and amortization will be recognized in profit or loss.

Calculation of the amortized cost will take discount or premium during acquisition and transaction cost into consideration.

### De-recognition of financial liabilities

When the obligation of a financial liability is terminated, canceled or no longer effective, the financial liability will be derecognized.

When the Group and the creditors exchange debt instruments with significant differences, or make major changes to all or part of the existing financial liabilities (whether due to financial difficulties or otherwise), treatment will include derecognition of the original liabilities and the recognition of new liabilities. During derecognition of financial liabilities, the difference between the carrying amount and the total amount of the consideration paid or payable, including the transferred non-cash assets or liabilities assumed, is recognized in profit or loss.

#### (5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities can only be offset and presented in net terms on the balance sheet only when the recognized amounts currently contain exercise of legal rights for offset and are intended to be settled on a net basis or can be realized simultaneously and the debt can be settled.

## 9. Derivatives

Derivatives held or issued by the Group are used to hedge exchange rate risk and interest rate risk, of which, the designated and effective hedging items are reported as hedging assets or liabilities on the balance sheet. For those not designated but effective hedging, they are presented on the balance sheet as financial assets or financial liabilities measured at fair value through profit or loss.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in fair value of derivatives are recognized directly in profit or loss. In the case of effective cash flow hedging and foreign operating institutions net investment hedging, it is recognized in profit or loss or equity based on the type of hedging.

For the main contract that is a non-financial asset or non-financial liability, when it is embedded in the derivative of the main contract, its economic characteristics and risks are not closely related to the main contract; also, when the main contract is not measured at fair value through profit or loss, the embedded derivative should be treated as an independent derivative.

#### 10. Fair value measurement

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. Fair value measurement assumes that the transaction for the asset being sold or liability being transferred takes place in one of the following markets:

- (1) Principal market of the asset or liability, or
- (2) If no principal market exists, the most favorable market for the asset or liability

The Group needs to be able to enter the principal or most favorable market in order to carry out the transaction.

Fair value measurement of the asset or liability uses the assumption that market participants would adopt while pricing the asset or liability, where the assumption is that the market participants would take the most favorable economic conditions into consideration.

The fair value measurement of a non-financial asset takes into consideration the market participant's use of the asset for its highest price and best use or by selling the asset to another market participant who will use the asset for its highest price and best use to generate economic benefits.

The Group uses valuation techniques that are appropriate and relevant in the relevant circumstances to measure fair value and maximize the use of observable inputs and to minimize the use of unobservable inputs.

#### 11. Impairment of non-financial assets

At the end of every reporting period, the Group will evaluate all assets for indicators of impairment pursuant to IAS 36 "Impairment of Assets". If signs of impairment exist or if regular annual impairment test is required for a certain asset, the Group will test it on the basis of individual assets or the cash generating unit to which the asset belongs. If result of the impairment test indicates that the carrying amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount, impairment loss will be recognized. The recoverable amount is the higher of fair value net of the disposal cost or the value in use.

At the end of every reporting period, the Group will evaluate all assets except for goodwill for indicators of whether previously recognized impairment loss no longer exists or has been reduced. If such signs exist, the Group will estimate the recoverable amount of the asset or the cash generating unit. If the estimated service potential of the asset changes, resulting in an increase in the recoverable amount, the impairment will be reversed to profit or loss. However, the carrying amount after reversal shall not exceed the amount of the depreciation or amortization of the asset after deducting the depreciation or amortization.

Impairment loss and reversal of continuing operations will be recognized in profit or loss.

#### 12. Collateral accepted

The accepted collateral is booked at the cost of acceptance. Also, it is valued at the end of the period at the lower of cost or fair value net of selling cost (net realizable value).

#### 13. Property, plant, and equipment

Property, plant, and equipment are recognized at the acquisition net cost of accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing, and restoring the location of the property, plant, and equipment and the necessary interest expense arising from the construction in progress. Depreciation is provided separately for the significant parts of the property, plant, and equipment. When major parts of property, plant, and equipment are subject to periodic replacement, the Group treats the parts as an individual asset and recognizes it separately with specific periods of durability and depreciation method. The book value of these replaced parts is derecognized in accordance with the provision of IAS 16 "Property, Plant, and Equipment." If the

major repair and maintenance costs are in compliance with the recognition conditions, they are recognized as replacement costs and are recognized as part of the plant and equipment book value. Other repair and maintenance expenses are recognized in profit or loss.

Depreciation of the parent company is calculated and appropriated in accordance with the declining balance method and the estimated useful life of the following assets:

Buildings and structures	3 to 60 years
Transport equipment	3 to 5 years
Other equipment	3 to 10 years

Depreciation of the subsidiaries is calculated and appropriated in accordance with the straight-line method and the estimated useful life of the following assets:

Other equipment	3 to 10 years
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After the original recognition of the property, plant, and equipment or any significant parts, if it is disposed or no economic effect arising from the use or disposal is expected, it will be derecognized and recognized in profit or loss.

The residual value, years of useful life, and depreciation method of the property, plant, and equipment are assessed at the end of each financial year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimates.

#### 14. Investment property

The Group's investment property is measured at initial cost, including transaction costs for acquiring the properties. The carrying amount of investment property includes the cost of refurbishment or improvement of existing investment property that meet the criteria for cost recognition. However, general maintenance and repairs expenses are not regarded as parts of the cost. Unless classified as properties held for sale (or included in the category held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," investment properties are accounted for using the cost model under IAS 16 "Property, Plant and Equipment" after the initial recognition. However, such properties are accounted for using IFRS 16, if they are held as right-of-use assets and recognized as properties held for sale by the lessee in accordance with IFRS 5.

Depreciation is calculated and appropriated in accordance with the straight-line method and the estimated useful life of the following assets:

Buildings	20 years
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The investment property is derecognized and any gain or loss is recognized upon disposal, if the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The Group transfers its property to, or from investment property based on its actual use.

When the property is eligible or no longer eligible to be classified as investment property, and there is evidence of change in use, the Group transfers such property to or from investment property.

#### 15. Leases

The Group assesses whether the contract is (or includes) a lease on the date the contract is made. If a contract is signed to have the control over the use of identified assets transferred for a period of time in exchange for a consideration, it is (or includes) a lease. In order to assess whether a contract is signed to have the control over the use of identified assets transferred for a period of time, the Group assesses whether there are the following two factors throughout the period of use:

- (1) Obtaining almost all economic benefits from the use of identified assets; and
- (2) Control the right-of-use of the identified assets.

For contracts that are (or include) leases, the Group will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. For leases that include one lease component and one or more additional lease or non-lease components, the Group will use the single comparison price of each lease component and the aggregated single prices of non-lease components as the basis, and distribute the consideration in the contract to the lease component. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Group will maximize the use of observable information to estimate their respective single unit prices.

### The Group is the lessee

Except for leases that meet and select short-term leases or low-value asset leases, when the Group is the lessee of the lease contract, the right-of-use assets and lease liabilities are recognized for all leases.

On the commencement date, the Group measures the lease liability according to the present value of the lease payments that have yet to be paid on that date. If the lease implied interest rate is easy to determine, the lease payment is discounted according to the said implied interest rate. If the lease implied interest rate is not easy to determine, the incremental loan rate of the lessee shall prevail. On the commencement date, the lease payments included in the lease liability include the following payments relating to the use-of-rights underlying asset in the lease term that is yet to be paid on that date:

- (1) Fixed payments (including real fixed payments) net of any collectable lease incentives;
- (2) Lease payments depending on the change in an index or expense rate (measured at the index or expense rate on the commencement date);
- (3) The lessee's expected payment amount with the residual value guaranteed;
- (4) The exercise price of the purchase option, if the Group can reasonably assure that the option will be exercised; and
- (5) The penalty for the termination of the lease, if the lessee intends to exercise the option of having the lease terminated in the lease period.

After the commencement date, the Group measures the lease liability at the amortized cost, increases the book value of the lease liability by the effective interest method, and reflects the interest on the lease liability. The book value of the lease liability is reduced when the lease payment is made.

On the commencement date, the Group measures the right-of-use assets at cost. The cost of the right-of-use assets includes:

- (1) The originally measured amount of the lease liability;
- (2) Any lease payments paid on or before the commencement date, minus any lease incentives received;
- (3) Any original direct costs incurred to the lessee; and
- (4) The estimated cost for the lessee to have the underlying asset dismantled or removed and restore its location, or have the underlying asset restored to the form as stipulated in the clause and condition.

Subsequent measurement of the right-of-use asset is presented at cost net of the accumulated depreciation and accumulated impairment losses, that is, the right-of-use asset should be measured at cost.

If the ownership of the underlying assets is transferred to the Group at the end of the lease term, or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the depreciation of the right-of-use asset is appropriated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group has the depreciation of the right-of-use asset appropriated from the commencement date to the end of the useful life of the right-of-use asset or the expiration of the lease term whichever is sooner.

The Group applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is with impairment; also, handle the identified impairment losses.

Except for leases that meet and select short-term leases or low-value asset leases, the Group presents the right-of-use assets and lease liabilities on the balance sheet, and presents the depreciation expense and interest expense related to the lease separately in the comprehensive income statement.

For short-term leases and low-value asset leases, the Group chooses to have the related lease payments recognized as expenses over the lease period in accordance with the straight-line basis or a systematic basis.

## 16. Employee benefits

### (1) Retirement benefits plan

The retirement method for employees of the Company and its domestic subsidiaries is applicable to all full-time employees. The employee retirement fund is fully appropriated to the Supervisory Committee of Business Entities' Labor Retirement Reserve and deposited in the pension fund account. The aforementioned pension is deposited in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve, which is completely separated from the Company and its domestic subsidiaries, so it is not included in the consolidated financial statements in the preceding paragraph.

For the defined contribution pension plan, the monthly pension payable rate of the Company and its domestic subsidiaries shall not be less than 6% of the employee's monthly salary, and the amount of the provision shall be recognized in the profit or loss of the current period.



For the defined contribution pension plan, an appropriation is made according to the project unit credit method and the actuarial report at the end of the annual reporting period. The re-measurement of net defined benefit liabilities (assets) includes the return on the plan asset and changes in the ceiling of the assets, deducting the net interest amount of the net defined benefit liabilities (assets) and the actuarial gains and losses. The net defined benefit liability (asset) re-measurement is included in other comprehensive income when incurred and immediately recognized in the retained earnings.

The prior-period service cost is the change in the present value of the defined benefit obligation arising from the revision or reduction of the pension plan and is recognized as an expense on the earlier of the following two dates:

- A. When the plan revision or reduction occurs; and
- B. When the Group recognizes the relevant restructuring costs or resignation benefits.

The net interest of the net defined benefit liability (asset) is determined by having the net defined benefit liability (assets) multiplied by the discount rate, both of which are determined at the beginning of the annual reporting period, and then consider the changes which have occurred in the net defined benefit liabilities (assets) for the period arising from the appropriation amount and benefit payment.

(2) Employees preferential deposit benefit

The Group provides preferential deposits, which include the payment of fixed preferential deposits for current employees and for retired employees (before January 1, 2010). The difference between the interest rate of these preferential deposits and the market interest rate is within the scope of employee benefits.

According to Article 28 of the "Regulations Governing the Preparation of Financial Reports by Public Banks," the excess interest arising from the retirement preferential deposit rate agreed upon with the employees over the general market interest rate shall be actuarially calculated according to the defined benefit plan as stipulated in IAS 19 that was approved by the Financial Supervisory Commission. However, the parameters of actuarial assumptions shall be handled in accordance with the provisions of the competent authority if it is available.

## 17. Treasury stock

When the Group obtains the shares (treasury stocks) of the parent company, it is recognized at the acquisition cost and is debited to the equity. The spread of treasury stock transactions is recognized in the equity.

## 18. Recognition of revenue

- (1) Interest income from loans is estimated on an accrual basis. The overdue payment transferred to the collection account will cease to bear interest from the date of transfer and will be recognized as income upon collection. The interest income agreed to be posted as receivable due to the bail-out and the extension agreement is recognized as income upon collection.
- (2) Service charge income is a fee charged for the various services provided to customers. The accounting treatment is as follows:

The service charge income of the Group is derived from the services provided at a specific point of time or for a certain period of time, or through the transaction services and it is recognized as income. When there is a transfer of services to the customer but without unconditional rights for collecting considerations, it is recognized as a contract asset. However, for some contracts, partial considerations are collected from the customers at the time of signing the contract, the Group must assume the obligation of providing services subsequently. Therefore, it is recognized as a contract liability.

The aforementioned contractual liabilities of the Group did not result in significant financial fluctuations.

## 19. Share-based payment transactions

The share-based payment transaction cost for equity clearing between the Group and its employees is measured at the fair value on the vesting date of the equity instruments. Fair value is measured by the appropriate pricing model.

The "share-based payment" transaction cost for the equity clearing is recognized on a period-by-period basis during the period in which the service conditions and performance conditions are fulfilled, and the increase in equity is recognized. The cumulative fees recognized for equity clearing transactions at the end of each reporting period prior to the vesting date reflect the process of the vested period and the best estimate of the ultimate vested equity instruments by the Group. The

cumulative cost changes recognized for the share-based payment transactions at the beginning and end of each reporting period are recognized in profit or loss for the period.

If the share-based payment is not in compliance with the vested conditions, no expense will be recognized. However, if the vested conditions of the equity clearing transaction are related to the market price condition or the non-vested conditions, when all the service or performance conditions have been fulfilled, the relevant expenses will be recognized regardless of whether the market price condition or the non-vested condition is fulfilled.

## 20. Income tax

Income tax expense (profit) refers to the aggregated amount of current income tax and deferred income tax that is included in the current profit or loss.

### Current income tax

The current income tax liabilities (assets) related to the current and prior periods are measured at the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The current income tax related to the items recognized in other comprehensive income or directly recognized in the equity is recognized in other comprehensive income or equity instead of being recognized in the profit or loss.

The additional business income tax levied on the undistributed earnings is recognized as income tax expense on the date when the distribution of earnings is resolved in the Shareholders' Meeting.

### Deferred tax

The deferred income tax is calculated according to the temporary difference between the taxable amount of assets and liabilities and the book value on the balance sheet at the end of the reporting period.

All taxable temporary differences are recognized as deferred income tax liabilities except for the following two items:

- (1) the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination; at the time of the transaction, affects neither accounting profit nor taxable profit (loss); and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

- (2) The taxable temporary difference arising from the investment in subsidiaries, associates, and joint equity. Also, the timing of reversal is controllable, and it is not likely to be reversed in the foreseeable future.

Except for the following two items, deductible temporary difference and deferred income tax assets arising from the taxable losses and income tax credit are recognized within the range of probable future taxable income:

- (1) those related to the deductible temporary differences from the initial recognition of an asset or liability in a transaction which is not a business combination; at the time of the transaction, affects neither accounting profit nor taxable profit (loss); and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (2) It is related to the deductible temporary differences arising from the investment in subsidiaries, associates, and the joint equity. It is recognized within the range of probable reversal in the foreseeable future and there is sufficient taxable income at the time the temporary difference occurred.

Deferred income tax assets and liabilities are measured at the tax rate of the expected asset realization or in the period in which the liability is settled. The tax rate is based on the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be recovered or the book value of the liability is settled at the end of the reporting period. If the deferred income tax is related to items that are not included in the profit or loss, it will not be recognized in profit or loss, but recognized in other comprehensive income according to the relevant transactions or directly recognized in equity. Deferred income tax assets are re-examined and recognized at the end of each reporting period.

Deferred income tax assets and liabilities can be offset against each other legally only in the current period, and the deferred income tax is related to the same taxation entity and is related to the income tax levied by the same taxation authority.

According to the provisions of temporary exception stated in the “International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)”, deferred tax assets and liabilities related to Pillar Two income taxes shall not be recognized, and relevant information shall not be disclosed.

V. Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties

When the consolidated financial statements are prepared by the Group, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosure of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

Estimation and assumption

The main source of information on the estimation and assumption uncertainties at the end of the reporting period has significant risks that result in significant adjustments to the book value of assets and liabilities in the next financial year. The explanations are given as follows:

(1) Loan impairment loss

The estimation of the Group's loan impairment loss is based on whether or not the credit risk has increased significantly since the original recognition to determine if it is necessary to have the allowance for loss assessed according to the 12-month expected credit loss amount or the expected credit loss amount throughout the duration. In order to measure the expected credit loss, the Group considers the default probability with the default loss rate included and then multiplied by the default risk exposure amount, and it also considers the impact of the time value of money to estimate the expected credit loss for 12 months as well as the duration. The Group considers historical experiences, current market conditions and forward-looking estimates on each reporting date to determine the assumptions and inputs to be used for calculating the impairments. Please refer to Note XIV for details.

(2) The fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including the income approach (such as, cash flow discount model) or market approach. The changes in the assumptions of the said approaches will affect the fair value of the financial instruments reported. Please refer to Note XIII.

(3) Retirement benefits plan

The present value of the defined benefit cost and the defined benefit obligations depends on the actuarial valuation. Actuarial valuation involves various assumptions, including: discount rate and changes in expected salary.

(4) Income tax

The uncertainty of income tax exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income tax benefits and expenses to be adjusted in the future. The appropriation of income tax is a reasonable estimation made according to the possible audit results of the local tax authorities of the countries in which the Group operates. The amount appropriated is based on different factors, such as: previous tax audit experience and the difference in tax law interpretation between the tax entity and the tax authority. The difference in interpretation may result in a variety of issues due to the local situation of the country where an individual enterprise of the Group operates.

The carryforwards of the taxable loss and income tax credit and deductible temporary differences are recognized as deferred income tax assets within the range of probable future taxable income or taxable temporary differences. The amount of the deferred income tax assets to be recognized is estimated according to the possible timing and level of the future taxable income and taxable temporary difference, and also, the future tax planning strategy.

VI. Descriptions of Material Accounting Items

1. Cash and cash equivalents

	2023.12.31	2022.12.31
Cash on Hand	\$1,498,618	\$2,983,938
Foreign currency on hand	47,493	40,169
Notes and checks for clearing	1,261,593	1,213,439
Due from Central Bank and other banks	1,364,277	870,335
Total	<u>\$4,171,981</u>	<u>\$5,107,881</u>

For the purpose of preparing the cash flow statement, cash and cash equivalents are the sum of the following items.

	2023.12.31	2022.12.31
Cash and cash equivalents recorded on the consolidated balance sheets	\$4,171,981	\$5,107,881
Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	16,458,286	6,635,333
Investments in bills and bonds purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	-	-
Cash and cash equivalents on the Consolidated Statement of Cash Flows	<u>\$20,630,267</u>	<u>\$11,743,214</u>

2. Due from the Central Bank and call loans to other banks

	2023.12.31	2022.12.31
Reserve for deposits - Type A	\$6,155,331	\$4,395,412
Reserve for deposits - Type B	9,156,354	8,571,036
Reserve for deposits - Foreign currency	39,955	39,921
Call loans to other banks	10,263,000	2,200,000
Total	<u>\$25,614,640</u>	<u>\$15,206,369</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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The deposit reserve is calculated according to the monthly legal reserve appropriated for each type of deposit by law, the average daily amount and legal reserve ratio for the current period. Also, it is deposited with the Central Bank. Type A deposit reserve accounts and foreign currency depositor accounts do not bear interest and can be accessed at any time. Type B accounts bear interest, but they cannot be used except in compliance with the regulations.

3. Financial assets measured at FVTPL

	2023.12.31	2022.12.31
Mandatorily measured at fair value through profit or loss:		
Stock	\$3,111,325	\$1,255,657
Domestic and foreign bonds	39,934,846	35,787,190
Derivatives	52,849	7,389
Limited partnership	227,926	196,539
Total	<u>\$43,326,946</u>	<u>\$37,246,775</u>

Please refer to Note VIII for details of the financial assets provided as collateral that the Group has them measured at fair value through profit or loss.

4. Financial assets measured at FVOCI

	2023.12.31	2022.12.31
Debt instrument investments measured at FVOCI:		
Government bonds	\$5,051,665	\$5,521,383
Corporate bonds	29,887,655	35,035,969
Financial bonds	2,107,793	2,999,058
Subtotal (total book value)	<u>37,047,113</u>	<u>43,556,410</u>
Valuation adjustment	(1,596,210)	(4,880,597)
Subtotal	<u>35,450,903</u>	<u>38,675,813</u>
Equity instrument investments measured at FVOCI:		
TWSE/TPEX-listed stocks	-	89,700
Non-TWSE/TPEX-listed stocks	4,069,575	3,652,025
Real estate investment trust fund	410,312	436,893
Subtotal	<u>4,479,887</u>	<u>4,178,618</u>
Total	<u>\$39,930,790</u>	<u>\$42,854,431</u>



Please refer to Note VIII for details of the financial assets provided as collateral that the Group has them measured at fair value through other comprehensive income.

Please refer to Note VI for information on allowance for loss for the debt instrument investments measured at fair value through other comprehensive income. Also, please refer to Note XIV for information related to credit risk.

The recognized dividend income of the Group from equity instrument investments measured at fair value through other comprehensive income for the period from January 1 to December 31, 2023 and 2022 were NTD123,841 thousand and NTD229,720 thousand, respectively, of which NTD116,333 thousand and NTD137,687 thousand were related to investments held on the balance sheet date and the remainders were related to investments derecognized in the period from January 1 to December 31, 2023 and 2022.

The Group's investment in financial assets and equity measured at fair value through other comprehensive income was disposed from January 1 to December 31, 2023 and 2022, the fair values at the time of disposition were NTD392,082 thousand and NTD983,033 thousand, respectively. Additionally, the accumulated unrealized loss in valuation at the time of disposal for the amounts of NTD(16,119) thousand and NTD58,151 thousand were transferred from other equity to retained earnings.

5. Financial assets measured at cost after amortization

	2023.12.31	2022.12.31
Convertible certificate of deposit	\$19,400,000	\$17,600,000
Less: loss allowance	(2,137)	(1,545)
Total	\$19,397,863	\$17,598,455

The Group classifies certain financial assets into financial assets measured at amortized cost. Please refer to Note VI for the information provided on allowances for loss. Also, refer to Note XIV for information related to credit risk and it is not provided as collateral.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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6. Receivables, net

	2023.12.31	2022.12.31
Accounts receivable and notes	\$12,046,689	\$10,797,848
Interests receivable	1,086,730	1,129,594
Clearing amount receivable	-	60,860
Other receivables	21,067	20,334
Subtotal (total book value)	13,154,486	12,008,636
Less: loss allowance	(175,086)	(145,255)
Net	<u>\$12,979,400</u>	<u>\$11,863,381</u>

The Group assesses impairments in accordance with IFRS 9. Please refer to Note VI for the allowance for loss related information in detail; also, refer to Note XIV for the credit risk related information in detail.

Please refer to Note VIII for details of the Group's collateral over the accounts receivables.

7. Discounts and loans, net

	2023.12.31	2022.12.31
Export Negotiations	\$-	\$7,081
Overdrafts	5,000	111,897
Loans	233,667,114	245,756,243
Collections of overdue loans	35,877	35,821
Total amount	233,707,991	245,911,042
Less: allowance for bad debt	(3,621,869)	(3,576,131)
Net	<u>\$230,086,122</u>	<u>\$242,334,911</u>

The Group assesses impairments in accordance with IFRS 9. Please refer to Note VI for the allowance for loss related information in detail; also, refer to Note XIV for the credit risk related information in detail.

8. Other financial assets, net

	2023.12.31	2022.12.31
Short-term advance	\$369	\$42
Subtotal (total book value)	369	42
Less: allowance for bad debt	-	-
Total	<u>\$369</u>	<u>\$42</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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9. Property, plant, and equipment

The Group's booked property and equipment are owned and used by the Group.

	Land	Buildings and structures	Transport equipment	Other equipment	Construction in progress and prepayments	Total
Cost:						
2023.01.01	\$4,126,476	\$1,191,735	\$16,742	\$271,228	\$60,767	\$5,666,948
Acquisition	-	6,648	1,705	38,969	362,256	409,578
Disposal	-	(11,470)	(1,283)	(13,053)	-	(25,806)
Other Changes	296,473	39,283	-	-	(335,756)	-
2023.12.31	<u>\$4,422,949</u>	<u>\$1,226,196</u>	<u>\$17,164</u>	<u>\$297,144</u>	<u>\$87,267</u>	<u>\$6,050,720</u>
2022.01.01	<u>\$3,169,370</u>	<u>\$1,191,735</u>	<u>\$16,314</u>	<u>\$233,670</u>	<u>\$38,194</u>	<u>\$4,649,283</u>
Acquisition	-	-	6,220	45,122	979,679	1,031,021
Disposal	-	-	(5,792)	(7,564)	-	(13,356)
Other Changes	957,106	-	-	-	(957,106)	-
2022.12.31	<u>\$4,126,476</u>	<u>\$1,191,735</u>	<u>\$16,742</u>	<u>\$271,228</u>	<u>\$60,767</u>	<u>\$5,666,948</u>
Depreciation and impairment:						
2023.01.01	\$-	\$818,191	\$11,647	\$213,517	\$-	\$1,043,355
Depreciation	-	19,900	2,111	33,614	-	55,625
Disposal	-	(11,470)	(1,249)	(12,768)	-	(25,487)
Impairment	-	3,792	-	-	-	3,792
2023.12.31	<u>\$-</u>	<u>\$830,413</u>	<u>\$12,509</u>	<u>\$234,363</u>	<u>\$-</u>	<u>\$1,077,285</u>
2022.01.01	<u>\$-</u>	<u>\$799,495</u>	<u>\$14,971</u>	<u>\$191,210</u>	<u>\$-</u>	<u>\$1,005,676</u>
Depreciation	-	18,696	2,238	29,687	-	50,621
Disposal	-	-	(5,562)	(7,380)	-	(12,942)
2022.12.31	<u>\$-</u>	<u>\$818,191</u>	<u>\$11,647</u>	<u>\$213,517</u>	<u>\$-</u>	<u>\$1,043,355</u>
Net book value:						
2023.12.31	<u>\$4,422,949</u>	<u>\$395,783</u>	<u>\$4,655</u>	<u>\$62,781</u>	<u>\$87,267</u>	<u>\$4,973,435</u>
2022.12.31	<u>\$4,126,476</u>	<u>\$373,544</u>	<u>\$5,095</u>	<u>\$57,711</u>	<u>\$60,767</u>	<u>\$4,623,593</u>

The Group did not provide property, plant and equipment as collateral.

## 10. Investment property

The investment property of the Group refers to the self-owned investment properties and investment properties held under right-of-use assets.

	Land	Buildings	Construction in progress	Total
Cost:				
2023.01.01	\$176,389	\$59,624	\$32,211	\$268,224
Acquisition	841,946	8,842	-	850,788
Disposal	(80,210)	(45,188)	-	(125,398)
2023.12.31	\$938,125	\$23,278	\$32,211	\$993,614
2022.01.01	\$114,345	\$27,840	\$-	\$142,185
Acquisition	109,160	64,013	37,830	211,003
Disposal	(47,116)	(37,848)	-	(84,964)
Transferred	-	5,619	(5,619)	-
2022.12.31	\$176,389	\$59,624	\$32,211	\$268,224
Depreciation and impairment:				
2023.01.01	\$-	\$2,622	\$-	\$2,622
Current depreciation	-	1,450	-	1,450
Disposal	-	(1,982)	-	(1,982)
2023.12.31	\$-	\$2,090	-	\$2,090
2022.01.01	\$-	\$1,221	\$-	\$1,221
Current depreciation	-	2,054	-	2,054
Disposal	-	(653)	-	(653)
2022.12.31	\$-	\$2,622	\$-	\$2,622
Net book value:				
2023.12.31	\$938,125	\$21,188	\$32,211	\$991,524
2022.12.31	\$176,389	\$57,002	\$32,211	\$265,602

The Group did not provide investment property as collateral.

The investment property held by the Group is not measured at fair value, but its fair value information (Level III) is disclosed. The fair value of investment property held by the Group from January 1 to December 31, 2023 and 2022 was NTD997,382 thousand, and NTD282,100 thousand, respectively. The said fair value has not been evaluated by independent appraiser, but determined by the Group with reference to transaction prices of similar properties in the market.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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11. Other assets, net

	2023.12.31	2022.12.31
Prepayments	\$6,773	\$25,939
Inter-bank clearing fund	1,503,993	1,636,270
Collateral accepted	262,138	-
Refundable deposits	250,404	323,150
Others	102,589	124,666
Net	<u>\$2,125,897</u>	<u>\$2,110,025</u>

As of December 31, 2023 and 2022, other asset – other accumulated impairment of each period amounted to NTD3,280 thousand.

Please refer to Note VIII for details of the Group's collateral over other assets.

12. Deposits from the Central Bank and other banks

	2023.12.31	2022.12.31
Deposits of other banks	\$2,041	\$2,775
Call loans to other banks	13,306,245	24,089,484
Total	<u>\$13,308,286</u>	<u>\$24,092,259</u>

13. Funds borrowed from Central Bank and other banks

	2023.12.31	2022.12.31
Funds borrowed from other banks	<u>\$5,399,000</u>	<u>\$5,049,000</u>

14. Financial liabilities measured at FVTPL

	2023.12.31	2022.12.31
Available-for-sale financial liabilities:		
Derivatives	<u>\$35,936</u>	<u>\$35,203</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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15. Securities sold under agreement to repurchase

	2023.12.31	2022.12.31
Government bonds	\$2,350,887	\$4,576,847
Corporate bonds	4,375,306	10,586,187
Financial bonds	372,750	664,095
Total	<u>\$7,098,943</u>	<u>\$15,827,129</u>

The Group's liabilities of bonds and securities sold under repurchase agreements were processed at the agreed price for an amount of NTD7,125,894 thousand and NTD15,901,719 thousand as of December 31, 2023 and 2022, respectively.

16. Payables

	2023.12.31	2022.12.31
Accrued expenses	\$471,973	\$320,085
Interest payable	332,582	295,928
Notes and checks in clearing	1,261,593	1,213,439
Clearing amount payable	561,251	-
Other payables - taxation	14,298	11,011
Others	845,563	686,163
Total	<u>\$3,487,260</u>	<u>\$2,526,626</u>

17. Deposits and remittances

	2023.12.31	2022.12.31
Check deposits	\$3,179,905	\$3,474,318
Demand deposits	55,641,121	51,692,845
Time deposits	74,141,529	73,548,372
Savings deposit	164,716,669	154,786,762
Remittances	5,674	7,737
Total	<u>\$297,684,898</u>	<u>\$283,510,034</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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18. Other financial liabilities

	Interest rate collars (%)	2023.12.31	2022.12.31
Taiwan Finance Corporation	0.86%~2.16%	\$1,600,000	\$1,550,000
China Bills Finance Corporation	1.06%~1.96%	1,300,000	800,000
Mega Bills	0.86%~1.96%	1,100,000	1,050,000
Grand Bills Finance Corporation	1.83%~2.05%	850,000	700,000
Ta Ching Bills Finance Corporation	1.76%~2.16%	250,000	200,000
International Bills Finance Corporation	1.78%~2.04%	180,000	120,000
Dah Chung Bills Finance Corporation	1.77%~1.95%	150,000	100,000
Taiwan Cooperative Bills Finance Corporation	1.94%~2.04 %	120,000	120,000
Subtotal		<u>5,550,000</u>	<u>4,640,000</u>
Less: discount on commercial paper payable		(14,935)	(11,307)
Total		<u><u>\$5,535,065</u></u>	<u><u>\$4,628,693</u></u>

19. Provisions

	2023.12.31	2022.12.31
Retirement benefits plan	\$62,880	\$90,370
Reserve for guarantee liability	161,214	152,313
Provision for commitment of financing	44,818	25,818
Total	<u><u>\$268,912</u></u>	<u><u>\$268,501</u></u>

The changes in the provisions for guarantee liability are as follows:

	2023	2022
Beginning balance	\$152,313	\$186,281
Amount appropriated (reversed) for the period	8,900	(33,975)
Foreign exchange impact amount	1	7
Ending balance	<u><u>\$161,214</u></u>	<u><u>\$152,313</u></u>

The changes in the financing commitment reserve are as follows:

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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	2023	2022
Beginning balance	\$25,818	\$21,818
Amount appropriated for the period	19,000	4,000
Foreign exchange impact amount	-	-
Ending balance	\$44,818	\$25,818

20. Retirement benefits plan

Defined contribution pension plan

The Group has established the Regulations for Employee Retirement in accordance with the "Labor Pension Act", which is a defined contribution pension plan. According to the Act, the monthly labor pension payable rate of the Group shall not be less than 6% of the employee's monthly salary. In accordance with the Regulations for Employee Retirement, the Group has been allocating six percent of each employee's monthly salary to their individual retirement account at the Bureau of Labor Insurance.

The amount of the Group's defined contribution pension plan for the years ended December 31, 2023 and 2022 were NTD40,469 thousand and NTD38,084 thousand, respectively.

Defined benefit plan

The employee retirement plan established by the Group in accordance with the Labor Standards Act is considered a defined benefit plan. Pension payments for employees are calculated in accordance with the base of service years rendered and the average salaries or wages of one month after the retirement is approved. Two bases are given for each full year of service over the first 15 years, and one base is given for an additional year of service thereafter, provided that the total bases do not exceed 45. In accordance with the Labor Standards Act, the Group contributes on a monthly basis of the total salary (wages) as the pension fund from 8% to 15% since March 2012, which is deposited in a designated account of the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Fund. In addition, prior to the end of each annual period, the Group assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Group will make a lump sum contribution to make up the shortfall before the end of March of the following year.



In accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, asset allocation is carried out by the Ministry of Labor. The fund's investments are conducted through self-operation and entrusted management, adopting a combination of active and passive management for medium to long-term investment strategies. The Ministry of Labor considers market, credit, liquidity, and other risks to establish fund risk limits and control plans, allowing for sufficient flexibility to achieve target returns without taking on excessive risk. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Group has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19.142. The Company expects to allocate NTD34,655 thousand to the defined benefit plan for the next fiscal year as of December 31, 2023.

As of December 31, 2023 and 2022, the Company's defined benefit plan were expected to expire in 2029.

The table below summarizes the costs of defined benefit plans recognized in profit or loss:

	2023	2022
Current service cost	\$179	\$300
Net interests of net defined benefit liabilities	5,379	2,333
Projected return on plan assets	(4,478)	(1,674)
Total	<u>\$1,080</u>	<u>\$959</u>

The reconciliation for present value of defined benefit obligation and fair value of plan assets are as follows:

	2023.12.31	2022.12.31
Defined benefit obligation	\$457,521	\$470,032
Fair value of plan assets	(394,641)	(379,662)
Provisions - booked value of net defined benefit liabilities	<u>\$62,880</u>	<u>\$90,370</u>

The reconciliation of net defined benefit liabilities (assets):

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2022.1.1	\$502,604	\$(352,949)	\$149,655
Current service cost	300	-	300
Interest expenses (income)	2,333	(1,674)	659
Subtotal	505,237	(354,623)	150,614
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains and losses resulting from changes in financial assumptions	4,561	-	4,561
Experience adjustment	-	-	-
Remeasurement of defined benefit assets	-	(27,779)	(27,779)
Subtotal	4,561	(27,779)	(23,218)
Benefit paid	(39,766)	39,766	-
Employer contribution amount	-	(37,026)	(37,026)
2022.12.31	\$470,032	\$(379,662)	\$90,370
Current service cost	179	-	179
Interest expenses (income)	5,379	(4,478)	901
Subtotal	475,590	(384,140)	91,450
Remeasurement of defined benefit liabilities/assets:			
Actuarial gains and losses resulting from changes in financial assumptions	12,213	-	12,213
Experience adjustment	-	-	-
Remeasurement of defined benefit assets	-	(3,500)	(3,500)
Subtotal	12,213	(3,500)	8,713
Benefit paid	(30,282)	28,446	(1,836)
Employer contribution amount	-	(35,447)	(35,447)
2023.12.31	\$457,521	\$(394,641)	\$62,880

The following key assumptions are used to determine the Company's defined benefit plan:

	2023.12.31	2022.12.31
Discount rate	1.25%	1.25%
Expected salary increase rate	2.00%	2.00%

The sensitivity analysis of each significant actuarial assumption:

	2023		2022	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Increase in discount rate by 0.25%	\$-	\$(3,231)	\$-	\$(3,886)
Decrease in discount rate by 0.25%	3,315	-	3,992	-
Increase in expected salary by 0.5%	6,833	-	8,201	-
Decrease in expected salary by 0.5%	-	(6,561)	-	(7,850)

When the aforementioned sensitivity analysis is conducted, an analysis is performed on the potential impact on the defined benefit obligation when a reasonable change occurs in a single actuarial assumption (such as discount rate or expected salary), assuming all other assumptions remain constant. In practice, it is rare for only a single actuarial assumption to change due to the interrelated nature of some actuarial assumptions, so the analysis has its limitations.

The method and assumptions used for the of the sensitivity analysis for the current period are the same as those used in the previous period.

## 21. Other liabilities

	2023.12.31	2022.12.31
Deposits received	\$103,368	\$107,966
Advance income	60,904	74,443
Others	327,207	289,115
Total	\$491,479	\$471,524

## 22. Equity

### (1) Common stock

As of December 31, 2023 and 2022, the authorized capital stock of the Company were NTD18,000,000 thousand and NTD30,000,000 thousand, respectively. The issued capital stock amounted to NTD11,112,343 thousand for each period, issued at par value of NTD10 per share, amounting to 1,111,234 thousand shares. Each share is entitled to one voting right and the right to receive dividends.

### (2) Capital surplus

	2023.12.31	2022.12.31
Common stock premium	\$52,563	\$52,563
Others	2,629	2,629
Total	<u>\$55,192</u>	<u>\$55,192</u>

Adjustment of various capital surplus from January 1 to December 31, 2023 and 2022 was as follows:

	Common stock premium	Treasury stock transactions	Others	Total
Balance on January 1, 2023	\$52,563	\$-	\$2,629	\$55,192
Share-based payment transaction	-	-	-	-
Transfer of treasury stock	-	-	-	-
Adjustment based on percentage of ownership	-	-	-	-
Balance on December 31, 2023	<u>\$52,563</u>	<u>\$-</u>	<u>\$2,629</u>	<u>\$55,192</u>

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	Common stock premium	Treasury stock transactions	Others	Total
Balance on January 1, 2022	\$53,036	\$22,070	\$2,629	\$77,735
Share-based payment transaction	-	-	-	-
Disposal of treasury stocks	(473)	(22,070)	-	(22,543)
Adjustment based on percentage of ownership	-	-	-	-
Balance on December 31, 2022	\$52,563	\$-	\$2,629	\$55,192

According to the law, additional paid-in capital shall not be used for any purpose except for making up for Company losses. When the Company has no losses, a certain percentage of the additional paid-in capital from the stock premium and gifts can be applied to replenish capital every year. The aforementioned additional paid-in capital can be allocated in cash to shareholders proportionally to their original shareholding ratio.

(3) Treasury stock

a. Changes in treasury stocks are as follows:

January 1 to December 31, 2023: None

January 1 to December 31, 2022:

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Cause	Number of shares - beginning of year	Increase in the period	Decrease in the period	Number of shares - end of year
Protect the company's credit and shareholder's equity	-	10,000 thousand shares	10,000 thousand shares	-
Total	-	10,000 thousand shares	10,000 thousand shares	-

- b. For the year ended December 31, 2022, the buy-back amount of treasury stocks was NTD350,511 thousand for 10,000 thousand shares. Based on the resolution of the Board of Directors, it had scheduled September 30, 2022 as the base date of de-capitalization. A total of 10,000 thousand shares of treasury stock were bought back and canceled with a total of NTD100,000 thousand.
- c. The treasury stocks held by the Company shall not be pledged, nor shall they be entitled to the distribution of dividends and voting rights according to the Securities and Exchange Act.

(4) Earnings allocation and dividend policy

According to the Articles of Incorporation of the Company, if there are earnings at the annual final accounts, it should be distributed in the following order:

- A. Payment of all taxes and dues.
- B. Offset operation losses.
- C. Appropriate 30% as the legal reserve.
- D. Other special surplus reserve recognized or reversed in accordance with laws and regulations or supervisory authorities.
- E. The remaining earnings shall be distributed by the Board of Directors according to the dividend policy, and reported to the shareholders' meeting.

The principle of dividend distribution of the Company is based on the business operation needs of the Company and the revision of major laws and regulations. The Board of Directors presents the proposal in the Shareholders' Meeting for

resolutions with the ratio of the cash dividend moderately adjusted, which shall not be less than 1% of the total dividends. If the cash dividend per share is less than NTD0.1, it will not be distributed.

Pursuant to the Banking Act, legal capital reserve shall be appropriated until the total sum of which has reached the total paid-in capital. Unless and until the accumulated legal capital reserve equals the paid-in capital, the maximum cash surplus which may be distributed shall not exceed 15% of the total paid-in capital. The legal reserve can be used to set off deficits. When the Company has no loss, the portion of the legal reserve exceeds 25% of the paid-in capital should be distributed as new shares or cash to shareholders proportional to their original shareholding ratio.

According to the provisions of the Securities and Exchange Act, when the competent authorities consider it necessary, it may request the listed companies to have a certain percentage of special reserve appropriated in addition to appropriating the legal reserve lawfully at the time of distributing earnings.

When the Company distributes earnings that are distributable, an additional special reserve is appropriated for an amount equivalent to the difference between the balance of the special reserve appropriated at the first-time adoption of IFRSs and the net debit of other equity. If other stockholders' equity deductions are reversed afterward, the reversal part of net amount of the deduction of other equity and special reserve reversed may be applicable for the appropriation of earnings.

In accordance with Jin-Guan-Cheng-Fa-Zi No. 1090150022, issued by the FSC on March 31, 2021, upon the first-time adoption of IFRS, for the booked unrealized revaluation increase and aggregated adjustment amount (interest) that have been transferred into retained earnings on the transition date due to adoption of exemption items in IFRS 1 First-time Adoption of IFRS, the Company set aside special surplus reserve. Where relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

As of January 1, 2023 and 2022, the special reserve at the first-time adoption amounted to NTD45,549 thousand. In addition, the Company did not use, dispose of, or reclassify relevant assets from January 1 to December 31, 2023 and 2022 that would cause the reversal of special reserve to undistributed earnings. As of December 31, 2023 and 2022, the special reserve for the first

time was NTD45,549 thousand.

At the board meeting on February 26, 2024, and the annual general meeting of shareholders on May 23, 2023, the Company proposed and resolved on the earnings appropriation and distribution and the dividend per share for the year 2023 and 2022, respectively, as outlined below:

	Distribution of retained earnings		Dividends per share (NTD)	
	2023	2022	2023	2022
Legal reserve	\$1,855,203	\$-		
Special reserve	(1,420,578)	1,420,578		
Common stock cash dividends	3,333,703	1,222,358	\$3.0	\$1.1
<b>Total</b>	<b>\$3,768,328</b>	<b>\$2,642,936</b>		

Please refer to Note VI for the relevant information on the estimation basis and recognition amount of the employee compensation and the remuneration to directors and supervisors.

### 23. Net interest income

	2023	2022
<u>Interest revenue</u>		
Discount and loan interest income	\$7,690,182	\$5,691,015
Due from bank and interbank offered interest income	151,218	44,600
Security investment interest income	1,981,191	1,896,093
Other interest incomes	744,732	592,981
Subtotal	10,567,323	8,224,689
<u>Interest expenses</u>		
Deposits Interest expenses	(3,499,033)	(1,510,449)
Interest expense of funds borrowed from Central Bank and other banks	(714,687)	(416,947)
Interest expense of the RP bonds	(442,097)	(279,267)
Others	(175,863)	(4,765)
Subtotal	(4,831,680)	(2,211,428)
<b>Total</b>	<b>\$5,735,643</b>	<b>\$6,013,261</b>



Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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24. Net service fee income

	2023	2022
Service fee income	\$2,420,692	\$2,349,283
Service fee expenses	(66,502)	(52,742)
Total	<u>\$2,354,190</u>	<u>\$2,296,541</u>

25. Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2023	2022
Stock investment	\$1,917,455	\$(1,061,292)
Bond investment	801,126	(777,760)
Derivatives	141,097	398,183
Others	11,142	(4,921)
Total	<u>\$2,870,820</u>	<u>\$(1,445,790)</u>

26. (Loss) gain on reversal of assets impairment and (provision) reversal of allowances for bad debts, commitments, and guarantee liabilities

	2023	2022
Financial assets measured at FVOCI	\$(961,219)	\$(1,263,808)
Financial assets measured at cost after amortization	(592)	(565)
Fixed asset	(3,792)	-
Subtotal	<u>(965,603)</u>	<u>(1,264,373)</u>
Loan and receivables bad debt (appropriation)	(55,937)	(246,658)
(Provision) reversal of allowances for guarantees	(8,900)	33,975
Financing commitments reserve reversed (appropriation)	(19,000)	(4,000)
Subtotal	<u>(83,837)</u>	<u>(216,683)</u>
Total	<u>\$ (1,049,440)</u>	<u>\$ (1,481,056)</u>

Please refer to Note XIV for credit risk related information.

## 27. Leases

### (1) The Group is a lessee

The Group leases several assets, including real estate (buildings and structures) and other equipment. The lease period for each contract is for 3-10 years.

The impacts of the lease on the Group's financial position, financial performance, and cash flow are as follows:

#### A. Amount recognized on the balance sheet

##### (a) Right-of-use assets

The book value of the right-of-use assets

	2023.12.31	2022.12.31
Buildings and structures	\$305,650	\$322,485
Other equipment	4,896	6,231
<b>Total</b>	<b>\$310,546</b>	<b>\$328,716</b>

The Group had added right-of-use assets for the amounts for the years ended December 31, 2023 and 2022 were NTD74,684 thousand and NTD84,775 thousand, respectively.

##### (b) Lease liabilities

	2023.12.31	2022.12.31
Lease liabilities	\$317,098	\$333,935
<b>Current</b>	<b>\$317,098</b>	<b>\$333,935</b>

The interest expenses of the Group's lease liabilities for the years ended December 31, 2023 and 2022 were NTD3,740 thousand and NTD3,848 thousand, respectively. For the maturity analysis of the lease liabilities as of December 31, 2023 and 2022, please refer to Note XIV.4 Liquidity Risk Management.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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B. Amount recognized in the statements of comprehensive income

Depreciation of the right-of-use assets

	2023	2022
Buildings and structures	\$91,519	\$84,041
Other equipment	1,335	1,555
Total	<u>\$92,854</u>	<u>\$85,596</u>

C. The lessee and the lease activity related income, expense, and loss

	2023	2022
Short-term lease expense	\$3,625	\$2,505
Low-value asset lease expense (excluding the low-value assets lease expense of the short-term leases)	2,840	2,935

D. The lessee and the lease activity related cash outflow

The total cash outflow for the lease of the Group for the years ended December 31, 2023 and 2022 were NTD101,726 thousand and NTD93,184 thousand, respectively.

28. Operating expenses

The employee benefits, depreciation, and amortization expenses are summarized by function as follows:

	2023	2022
Employee benefits expenses		
Salaries and wages	\$1,211,012	\$1,000,370
Labor insurance and national health insurance	87,772	83,192
Pension expenses	41,549	39,043
Other employee benefits expenses	48,236	39,468
Depreciation	149,929	138,271
Amortization expenses	3,321	1,212
Total	<u>\$1,541,819</u>	<u>\$1,301,556</u>

According to the Articles of Incorporation, if the Company has earnings for the year, no less than 0.01% of the earnings should be appropriated to pay employees' remuneration and no more than 2% of the earnings should be appropriated as remuneration to directors. However, when there are accumulated losses, an equivalent amount should be appropriated to make up for losses. The aforementioned remuneration to employees is to be paid in the form of shares or cash. Approval for such benefits should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of all Board members. The results should be reported during Shareholders' Meeting. Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange Corporation for information on employee remuneration and remuneration to directors resolved by the Board of Directors.

Based on the Company's profit from January 1 to December 31, 2023 and 2022, the Company appropriates 0.01% of the earnings to be remuneration to employees, which were NTD730 thousand and NTD290 thousand, respectively, and were listed in the "salary expense" account.

The Company's Board of Directors had resolved on February 26, 2024 to distribute the 2023 remuneration to employees and directors and supervisors at the amounts of NTD730 thousand and NTD0 thousand, respectively, which was not significantly different from the expenses booked in the 2023 financial report.

The Company's Board of Directors had resolved on February 20, 2023 to distribute the 2022 remuneration to employees and directors and supervisors at the amounts of NTD290 thousand and NTD0 thousand, respectively, which was not significantly different from the expenses booked in the 2022 financial report.

There is no significant difference between the actual employees' remuneration and remuneration to directors distributed in 2023 and the expenses booked in the 2022 financial report.

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29. Other comprehensive income

Other comprehensive income for the year ended December 31, 2023 is as follows:

	Accrued in the current year	Current reclassi- fication adjustment	Other com- prehensive income (loss)	Income tax gains	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	\$400,812	\$-	\$400,812	\$-	\$400,812
Remeasurements of the defined benefit plan	(8,714)		(8,714)	1,742	(6,972)
Items that may be reclassified subsequently to profit for loss:					
Exchange differences from the translation of financial statements of foreign operations	(5,017)	-	(5,017)	1,003	(4,014)
Gains or loss from debt instrument investment measured at FVOCI	2,023,466	299,795	2,323,261	-	2,323,261
Total	<u>\$2,410,547</u>	<u>\$299,795</u>	<u>\$2,710,342</u>	<u>\$2,745</u>	<u>\$2,713,087</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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Other comprehensive income for the year ended December 31, 2022 is as follows:

	Accrued in the current year	Current reclassi- fication adjustment	Other com- prehensive income (loss)	Income tax benefit (expense)	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	\$(246,430)	\$-	\$(246,430)	\$-	\$(246,430)
Remeasurements of the defined benefit plan	23,219	-	23,219	14,400	37,619
Items that may be reclassified subsequently to profit or loss:					
Exchange differences from the translation of financial statements of foreign operations	33,855	-	33,855	(4,665)	29,190
Gains or loss from debt instrument investment measured at FVOCI	(6,243,146)	453,156	(5,789,990)	-	(5,789,990)
Total	<u>\$(6,432,502)</u>	<u>\$453,156</u>	<u>\$(5,979,346)</u>	<u>\$9,735</u>	<u>\$(5,969,611)</u>

The Group's debt instrument investment measured at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 are reclassified to profit or loss from the cumulative other comprehensive income at the time of de-recognition for an amount of NTD(299,795) thousand and NTD(453,156) thousand, respectively.

### 30. Income tax

The main composition of income tax expenses is as follows:

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Income tax recognized in the profit or loss

	2023	2022
Current income tax expenses:		
Income tax payable for the current period	\$1,158,516	\$1,105,081
The income tax of the previous years adjusted in	(19,806)	31,261
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to the original generation of temporary difference and its reversal	13,194	(402,706)
Deferred income tax related to change in tax rate	-	173
Income tax expenses	<u>\$1,151,904</u>	<u>\$733,809</u>

Income tax recognized in the other comprehensive income

	2023	2022
Deferred income tax (benefit) expense:		
Exchange differences from the translation of	\$(1,003)	\$4,665
Actuarial gain (loss) from defined benefit plan	(1,742)	(14,400)
The other comprehensive income related income	<u>\$(2,745)</u>	<u>\$(9,735)</u>

The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is reconciled as below:

	2023	2022
Net income before tax of the continuing business	<u>\$7,359,005</u>	<u>\$2,944,231</u>
Tax amount calculated at the domestic tax rate	1,471,801	588,846
Income tax effects of tax-exempt income	(287,387)	(379,748)
Income tax effects of non-deductible expenses on	(2,255)	(3,444)
Income tax effect of deferred income tax	(10,449)	412,441
Surtax on undistributed earnings	-	84,453
The income tax of the previous years adjusted in	(19,806)	31,261
Total income tax expense recognized in profit or	<u>\$1,151,904</u>	<u>\$733,809</u>

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Deferred income tax assets (liabilities) balances related to the following items:

2023

	Beginning balance	Recognized in the profit or loss	Recognized in the other com- prehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	\$89,954	\$(93,337)	\$-	\$(3,383)
Allowance for bad debt	215,141	38,587	-	253,728
Impairment of Assets	73,896	46,814	-	120,710
Employees' leave benefits liabilities	6,358	70	-	6,428
Compensation payable	1,903	-	-	1,903
Reserve for guarantee liability	12,529	1,633	-	14,162
Net determined benefit liability - non-current	18,387	(7,240)	1,742	12,889
Income from investment under equity method	28,447	279	-	28,726
Conversion difference of the financial statements of foreign institutions	(1,506)	-	1,003	(503)
Gain on bargain purchase	(919)	-	-	(919)
Deferred income tax benefit		\$(13,194)	\$2,745	
Deferred income tax assets, net	<u>\$444,190</u>			<u>\$433,741</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$446,615</u>			<u>\$438,546</u>
Deferred tax liabilities	<u>\$2,425</u>			<u>\$4,805</u>
Deferred income tax liabilities - land value incremental tax reserve	<u>50,135</u>			<u>50,135</u>
Total	<u>\$52,560</u>			<u>\$54,940</u>



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2022

	Beginning balance	Recognized in the profit or loss	Recognized in the other com- prehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	\$(137,807)	\$227,761	\$-	\$89,954
Allowance for bad debt	124,370	90,771	-	215,141
Impairment of Assets	2,434	71,462	-	73,896
Employees' leave benefits liabilities	3,815	2,543	-	6,358
Compensation payable	1,149	754	-	1,903
Reserve for guarantee liability	10,344	2,185	-	12,529
Net determined benefit liability - non-current	18,146	(14,159)	14,400	18,387
Income from investment under equity method	7,058	21,389	-	28,447
Conversion difference of the financial statements of foreign institutions	3,159	-	(4,665)	(1,506)
Gain on bargain purchase	(919)	-	-	(919)
Deferred income tax benefit (expense)		\$402,706	\$9,735	
Deferred income tax assets, net	\$31,749			\$444,190
The information expressed on the balance sheet is as follows:				
Deferred tax assets	\$170,475			\$446,615
Deferred tax liabilities	\$138,726			\$2,425
Deferred income tax liabilities - land value incremental tax reserve	50,135			50,135
Total	\$188,861			\$52,560

Income tax declaration and audit

As of December 31, 2023, the income tax returns of the Group are assessed and approved as follows :

	Income tax declaration and audit
The Company	Audited up to the year of 2021
Subsidiary - Kings Town Bank International Lease Corporation	Audited up to the year of 2021
Subsidiary - Kings Town Securities	Audited up to the year of 2021
Sub-subsidiary - Kings Town Intl. Construction Management Corporation	Audited up to the year of 2021

### 31. Earnings per share

The basic earnings per share is calculated by having the net profit attributable to the holder of the common stock shares of the parent company divided by the weighted average number of common stock shares outstanding in the current period.

The diluted earnings per share is calculated by dividing the net profit of parent company ordinary shares by weighted average number of ordinary shares outstanding during the period, plus the weighted average number of common stock shares to be issued when all dilutive potential common stock shares were converted into common stock shares.

	2023	2022
<b>(1) Basic Earnings Per Share</b>		
Net income attributable to the holders of common stock of the parent company (NTD thousands)	\$6,207,101	\$2,210,422
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,111,234	1,117,220
Base earnings per share (NTD)	\$5.59	\$1.98
<b>(2) Diluted earnings per share</b>		
Net income attributable to the holders of common stock of the parent company (NTD thousands)	\$6,207,101	\$2,210,422
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,111,234	1,117,220
Dilutive effect	-	-
Weighted average number of common stock shares (thousand shares) after adjusting the dilutive effect	1,111,234	1,117,220
Diluted earnings per share (NTD)	\$5.59	\$1.98

There was no other transaction performed to cause significant changes to the outstanding common stock shares or the potential common stock shares after the reporting period and before the release of the financial statements.

## VII. Related Party Transactions

### (1) Names of related parties and their relationship with the Group

Name	Relationship with the Group
Chen-Chih Tai	Chairman of the Group
Chiung-Ting Tsai	Vice Chairman of the Group
Hung-Liang Chiang	President of the Group (assumed office on March 1, 2022)
Jih-Cheng Chang	President of the Group (resigned on February 28, 2022)
Tiangang Investment Co., Ltd	Director of the Group
Fu Chiang Investment Co., Ltd.	Director of the Group
Chao-Long Chen	Independent Director of the Group
Bing-Sung Wu	Independent Director of the Group (assumed office on May 9, 2022)
Chuan-Fu Hou	Independent Director of the Group
Others	Representatives of the Group's managers, incorporated directors and supervisors, and second degree of kinship and substantive stakeholders

### (2) Significant transactions with related parties

#### (1) Deposits

Account Item	Amount	% of the account balance
<u>2023.12.31</u>		
Deposits	\$500,784	0.17%
<u>2022.12.31</u>		
Deposits	\$521,570	0.18%

For the deposit interest rate between the Group and its related parties, except for when the bank clerk's savings deposit amount within the prescribed limit with interest calculated according to a preferential deposit interest rate, the amount exceeding the threshold and the deposit interest rate of the other related party are same as the interest rate of the general customers.

#### (2) Loans

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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Account Item	Amount	% of the account balance
<u>2023.12.31</u>		
Loans	\$31,325	0.01%
<u>2022.12.31</u>		
Loans	\$43,278	0.02%

2023.12.31

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	8	\$3,810	\$3,645	\$3,645	\$-	None	None
Residential mortgage Loan	3	5,527	5,406	5,406	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	10,299	10,299	10,299	-	Real estate	None
Other loans	Huang, OO	300	300	300	-	Real estate	None

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2022.12.31

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	10	\$5,249	\$5,083	\$5,083	\$-	None	None
Residential mortgage Loan	7	12,794	12,567	12,567	-	Real estate	None
Other loans	Chou, OO	1,100	1,100	1,100	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	12,853	12,853	12,853	-	Real estate	None

(3) Leases

The rental expenses paid to the related party for the lease of the office for the periods from January 1 to December 31, 2023 and 2022 were NTD6,447 and NTD4,688 thousand, respectively.

(4) Guarantees: None.

(5) Derivative financial instrument transactions: None.

(6) Sales of non-performing loan: None.

(7) Remuneration of directors and key management personnel of the Group

	2023	2022
Short-term employee benefits	\$34,030	\$33,033
Retirement benefits	1,195	2,236
Total	<u>\$35,225</u>	<u>\$35,269</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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(Unless otherwise provided, Unit: NTD Thousand)

VIII. Pledged Assets

The Group has the following assets provided as collateral:

Item	Book value		
	2023.12.31	2022.12.31	Guaranteed debt
Financial assets measured at FVTPL	\$2,579,477	\$5,371,489	RP transaction
Financial assets measured at FVTPL	703,500	698,814	Various business reserves and collaterals
Financial assets measured at FVTPL	30,400	27,500	Funds borrowed from other banks
Financial assets measured at FVOCI	5,095,535	11,711,565	RP transaction
Financial assets measured at FVOCI	1,757,058	1,593,274	Funds borrowed from other banks
Accounts Receivable	2,740,000	1,790,000	Funds borrowed from other banks
Other assets	60,000	60,000	Settlement money remittance guarantee
<b>Total</b>	<u>\$12,965,970</u>	<u>\$21,252,642</u>	

**IX. Significant Contingent Liabilities and Unrecognized Contract Commitments**

The Group has the following or various trust agents and guarantees:

	2023.12.31	2022.12.31
Receivable and collection	\$10,119,190	\$11,808,019
Receivable guarantees	9,040,598	8,949,674
Receivables from L/C	-	14,325
Trust and custody	46,105,616	41,681,285
Agreed financing amount	42,145,938	43,384,378

(1)

Major contents	Contract amount	Amount paid	Amount yet to be paid
Land in Guang Pu Phase II	\$423,500-\$653,400	\$21,175	\$402,325-\$632,225

**X. Contents and Amount of Trust Business Handled in Accordance with the Provisions of the Trust Enterprise Act**

The Group provides the trust balance sheet, income statement, and property list to the Trust Department in accordance with Article 17 of the Enforcement Rules of the Trust Enterprise Act as follows:

Balance Sheet of Trust Accounts

Trust assets	2023.12.31	2022.12.31	Trust liabilities	2023.12.31	2022.12.31
Bank deposits	\$1,465,109	\$1,941,864	Mid-term borrowings	\$8,385,868	\$4,581,230
Stock	2,505,935	3,281,381	Long-term borrowings	614,806	614,806
Funds	10,411,109	10,547,586	Payables	41,862	31,533
Real estate	30,448,708	24,683,104	Other liabilities	90,646	90,884
Other assets	1,108,372	1,069,145	Trust capital	37,463,185	36,647,197
			Reserves		
			Cumulative earnings	(657,134)	(442,570)
Total trust assets	<u>\$45,939,233</u>	<u>\$41,523,080</u>	Total trust liabilities	<u>\$45,939,233</u>	<u>\$41,523,080</u>



Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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Income Statement of Trust Accounts

Item	2023	2022
Trust revenue		
Interest revenue	\$4,833	\$3,045
Rent revenue	722,968	628,404
Dividend income	198,222	215,612
Unrealized exchange gains	185,648	169,410
Other profits	24,166	24,232
Subtotal	<u>1,135,837</u>	<u>1,040,703</u>
Trust expenses		
Administrative expenses	(72,139)	(72,816)
Tax expenses	(47,113)	(40,342)
Interest expenses	(124,185)	(76,838)
Unrealized capital loss	(1,137,652)	(930,274)
Appraisal expenses	(2,089)	(1,280)
Compensation expenses	(1,200)	(1,200)
Other Expenses	(24,740)	(65,265)
Subtotal	<u>(1,409,118)</u>	<u>(1,188,015)</u>
Net profit (loss) before tax	<u>(273,281)</u>	<u>(147,312)</u>
Income tax expenses	-	-
Net loss after tax	<u><u>\$(273,281)</u></u>	<u><u>\$(147,312)</u></u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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(Unless otherwise provided, Unit: NTD Thousand)

**Property Catalog of Trust Accounts**

Investment	2023.12.31	2022.12.31
Bank deposits	\$1,465,109	\$1,941,864
Stock	2,505,935	3,281,381
Funds	10,411,109	10,547,586
Real estate		
Land	21,673,131	17,036,126
Buildings and structures	8,767,927	7,463,149
Construction in progress	7,650	183,829
Others	1,108,372	1,069,145
Total	\$45,939,233	\$41,523,080

The above funds accounted under the business of “handling of specific money in foreign currency trust’s investment in foreign securities” of the international financial business branch as of December 31, 2023 and 2022 both amounted to NTD0.

XI. Significant Disaster Loss

No such event.

XII. Significant Subsequent Events

No such event.

XIII. Fair Value and Grade Information of Financial Instruments

1. Information on the fair value of financial instruments

Financial assets:

	2023.12.31		2022.12.31	
	Book value	Fair value	Book value	Fair value
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	\$43,326,946	\$43,326,946	\$37,246,775	\$37,246,775
Financial assets measured at FVOCI	39,930,790	39,930,790	42,854,431	42,854,431
Financial assets measured at cost after amortization:				
Debt instrument investments measured at amortized cost	19,397,863	19,397,863	17,598,455	17,598,455
Cash and cash equivalents (excluding cash on hand)	2,625,870	2,625,870	2,083,774	2,083,774
Due from the Central Bank and call loans to other banks	25,614,640	25,614,640	15,206,369	15,206,369
Receivables	12,979,400	12,979,400	11,863,381	11,863,381
Discounts and loans	230,086,122	230,086,122	242,334,911	242,334,911
Other financial assets	369	369	42	42

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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Financial liabilities:

	2023.12.31		2022.12.31	
	Book value	Fair value	Book value	Fair value
Financial liabilities				
measured at cost after amortization:				
Deposits from the Central Bank and other banks	\$13,308,286	\$13,308,286	\$24,092,259	\$24,092,259
Funds borrowed from Central Bank and other banks	5,399,000	5,399,000	5,049,000	5,049,000
Securities sold under agreement to repurchase	7,098,943	7,098,943	15,827,129	15,827,129
Payables	3,487,260	3,487,260	2,526,626	2,526,626
Deposits and remittances	297,684,898	297,684,898	283,510,034	283,510,034
Lease liabilities	317,098	317,098	333,935	333,935
Financial liabilities measured at FVTPL:				
Held for transaction purposes	35,936	35,936	35,203	35,203

The derivative financial instrument transactions are detailed as follows:

Item	Contract amount	Fair value
2023.12.31		
Foreign exchange contracts	\$2,772,210	\$ 16,913
2022.12.31		
Foreign exchange contracts	\$3,797,927	\$(27,814)

2. Methods and assumptions used in the fair value of financial instruments

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. The methods and assumptions used by the Company to measure or disclose the fair value of financial assets and financial liabilities are as follows:

- (1) The fair value of short-term financial products is estimated based on the book value on the balance sheet. As the maturity date of such products is very close or the current collection price is equivalent to the book value, the book value is a reasonable basis for estimating the fair value. This method is applied to cash

and cash equivalents, deposits at the Central Bank and inter-bank loans, RS bills and bond investments, receivables, deposits of the Central Bank and other banks, funds borrowed from Central Bank and other banks, RP bills and bond liabilities, payables, deposits and remittances, and other financial liabilities.

- (2) For financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, available-for-sale financial assets, and held-to-maturity financial assets, if there is a public market price available, such market price is the fair value, which refers to the closing price on the balance sheet date for the listed (OTC) equity security with a market price available, the net asset value on the balance sheet date for the fund, the closing price or reference price on the balance sheet date for the bond, and the settlement price or the counterparty's quote for the derivative financial products. If no market price is available for reference, the evaluation method is used for estimation. When the Group adopts the market price including the purchase price and the selling price, the Group will evaluate the selling (purchasing) position at the market buying (selling) price. If there is no market price available at the time of evaluation but there is the most recent market transaction price available, then the said transaction price is the fair value of such financial asset.
- (3) Discounts, loans, and deposits are all interest-bearing financial assets and liabilities, so their book value is similar to the current fair value. The book value of the collection is the estimated recovery amount net of the allowance for bad debt. Therefore, the book value is the fair value.
- (4) For debt-based instruments that are without an active market price, the fair value is determined by the counterparty's quotation or valuation method. The valuation method is based on the discounted cash flow analysis. The assumptions of interest rate and discount rate are mainly based on information related to similar instruments (for example, Taipei Exchange reference yield curve, the Reuters commercial promissory interest rate average quotation, and credit risk information).
- (5) The fair value of derivatives (including forward foreign exchange and foreign exchange transactions) is the amount that the Group is expected to obtain or pay if it wishes to terminate the contract at the agreed reporting date. The Group calculates the fair value of the position held based on the parameters or quotation information disclosed by the Reuters Information System.

- (6) The fair value of the equity instruments (e.g., private company's stock shares) that do not have a market price available is estimated with the market approach, which is with the fair value estimated with the price generated in market transactions of the same or comparable company's equity instruments and other relevant information (e.g., lack of liquidity discount factor, the profit ratio of the similar company's stock, and the input value of the similar company's stock price book ratio).

Please refer to Note XIII.3 for the information on the fair value bracket of the Group's financial instruments.

### 3. Fair value hierarchy

- (1) The definition of the Group's three-level fair value

① Level I

It refers to the public offer (unadjusted) of the same financial instrument available on the active market on the measurement date. The fair value of the listed (OTC) stocks, beneficiary certificates, corporate bonds, financial bonds, convertible corporate bonds, and derivatives with a market price available invested in by the Group is classified as Level I.

② Level II

It refers to the observable prices other than the quote in an active market, including the observable input parameters directly (as prices) or indirectly (e.g., derived from prices) acquired from an active market. This includes the convertible corporate bonds, Taiwan Central Government bonds, and general derivatives invested in by the Group.

③ Level III

It means that the input parameters for measuring fair value are not based on information available from the market or by the quotations provided by the counterparty. This includes the unlisted stocks in which the Group invests.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, the classification is re-evaluated at the end of each reporting period to determine whether there is a transfer between the fair value levels.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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(2) Information on the fair value measurement levels:

The Group does not have non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is shown below.

2023.12.31

	Total	Level I	Level II	Level III
<u>Assets measured at fair value</u>				
Financial assets measured at FVTPL				
Stock investment	\$3,111,325	\$3,111,325	\$-	\$-
Bond investment	39,934,846	1,901,171	38,033,675	-
Derivatives	52,849	-	52,849	-
Others	227,926	-	-	227,926
Financial assets measured at FVOCI				
Stock investment	4,069,575	-	-	4,069,575
Bond investment	35,450,903	30,183,537	5,267,366	-
Others	410,312	410,312	-	-
<u>Liabilities measured at fair value</u>				
Financial liabilities measured at FVTPL				
Derivatives	35,936	-	35,936	-

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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2022.12.31

	Total	Level I	Level II	Level III
<u>Assets measured at fair value</u>				
Financial assets measured at FVTPL				
Stock investment	\$1,255,657	\$1,255,657	\$-	\$-
Bond investment	35,787,190	2,083,063	33,704,127	-
Derivatives	7,389	-	7,389	-
Others	196,539	-	-	196,539
Financial assets measured at FVOCI				
Stock investment	3,741,725	89,700	-	3,652,025
Bond investment	38,675,813	33,241,237	5,434,576	-
Others	436,893	436,893	-	-
<u>Liabilities measured at fair value</u>				
Financial liabilities measured at FVTPL				
Derivatives	35,203	-	35,203	-

(3) Transfer between Level I and Level II fair value

From January 1 to December 31, 2023 and 2022, the Group's assets and liabilities measured at repetitive fair value did not experience any transfer between fair value Level I and II.

(4) Changes in Repetitive Fair Value Level III Statement

For the Group's liabilities measured at repetitive fair value that are categorized as Level III, adjustments from beginning to ending balance is as follows:



Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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	Financial assets measured at FVOCI - Stock
2023.01.01	\$3,652,025
Total benefits recognized for 2023:	
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on valuation of equity instrument investments measured at FVOCI")	407,495
Acquired in the period	10,055
2023.12.31	\$4,069,575

	Financial assets measured at FVOCI - Stock
2022.01.01	\$3,700,875
Total benefits recognized for 2022:	
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on valuation of equity instrument investments measured at FVOCI")	(48,850)
Acquired in the period	-
2022.12.31	\$3,652,025

Significant unobservable input value information of Level III fair value

For the Group's assets measured at repetitive fair value and categorized in fair value Level III, the material unobservable input used toward fair value measurement is as follows:

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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	Valuation technique	Significant unobservable input value	Range	Relationship between input value and fair value
Financial assets measured at FVOCI				
Stock	Market approach	Lack of liquidity discount rate	20%~30%	The higher the lack of liquidity, the lower the estimated fair value

Evaluation process for Level III fair value

The financial instrument evaluation team of the Group's Risk Management Department is responsible for independent fair value verification. Data from an independent source is used to bring the evaluation results close to the market, to confirm that the data sources are independent, reliable, consistent with other resources, representing executable prices, and that the valuation model is regularly calibrated and evaluated, performing backtracking tests, updating input values and information required for the evaluation model, and any other necessary fair value adjustments to ensure that the valuation results are reasonable.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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(5) Not measured at fair value but must disclose fair value level information

Assets in which only fair value is disclosed:	Level I	Level II	Level III	Total
<u>2023.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$-	\$19,397,863	\$-	\$19,397,863
Investment property	-	-	997,382	\$997,382
<u>2022.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$-	\$17,598,455	\$-	\$17,598,455
Investment property	-	-	282,100	\$282,100

4. Transfer of financial assets

Transferred financial assets that are not fully derecognized

In the daily trading activities of the Group, for the transferred financial assets that did not meet the overall de-recognizing conditions, most of them are RP debt securities as collateral held by the counterparty of the transaction. Such transactions are essentially secured borrowings and reflect the Group's liabilities from repurchasing the obligation of the transferred financial assets at a fixed price in the future. For such transactions, the Group is unable to use, sell, or pledge the transferred financial assets during the effective period of the transaction, but the Group still bears the interest rate risk and credit risk. Therefore, it has not been derecognized entirely.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
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The table below shows the financial assets not qualified under all conditions and related financial liabilities:

2023.12.31					
Category of financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Financial assets measured at FVTPL: with R/P agreement	\$2,579,477	\$2,638,640	\$2,579,477	\$2,638,640	\$ (59,163)
Financial assets measured at FVOCI: with R/P agreement	5,095,535	4,460,303	5,095,535	4,460,303	635,232

#### XIV. Financial Risk Management

##### 1. Overview

The Group uses its business growth scale to establish a capital adequacy assessment process that meets the risk profile in order to maintain adequate capital. Also, based on overall risk exposure, the Group implements appropriate overall capital allocation, and establishes management mechanisms for various business risks in order to strengthen business performance. The risks in the businesses on and off the balance sheet, such as credit risk, market risk, operational risk, liquidity risk, country risk, and interest rate risk in the banking book, are included in the Group's scope of risk management. Policies and methods such as the Credit Policy, Rules Governing Credit Review and Authorization, and Rules Governing Risks are stipulated according to different risks. Furthermore, management guidelines are formulated according to the needs of the policies and methods in accordance with the Rules Governing Risks, including the Regulations Governing Credit Risk, Regulations Governing Market Risk, and Regulations Governing Operational Risk, and these are reviewed and approved by the Board of Directors to effectively identify, measure, communicate, and monitor various risks.

##### 2. Risk management organizational structure

The risk management of the Group is carried out by the Risk Management Department in accordance with the risk management policy approved by the Board of Directors. The Risk Management Department works closely with business units to identify, assess, and prevent risks. The Board of Directors has a written policy for risk management that covers specific risk exposure, such as, interest rate risk, credit risk, etc. In addition, the Audit Office reviews the risk management and operating procedures of the Group regularly (at least once a year) and as necessary to ensure that the Group's risk management mechanism is operating effectively. Audit records related to various risks—such as transaction records, statements, and valuations—are kept for review by the Audit Office.

###### (1) Risk Management Committee

For the purpose of upgrading the risk management mechanism, improving various risks management, avoiding all possible adverse effects on the Group, and seeking maximized profits with limited risks, the Risk Management Committee is established with the President acting as the Chief Commissioner, and the department head of the Finance Department, Digital Service and

Business Department, Risk Management Department, Credit Review Department, Administration Office, International Sales Department, Compliance Department, and the Business Management Department and other personnel designated by the President act as the Members of the Committee. The chief auditor may attend the Committee meeting, but is not entitled with voting rights. The Committee holds meetings once a month with the following missions to fulfill:

- ① Add and amend the Group's risk management policy.
- ② Coordinate the risk management issues of the Company, such as, credit risk, market risk, and operational risk.
- ③ Review the ratio of the Group's regulatory capital to risk assets (referred to as "capital adequacy ratio")
- ④ Handle and review the major risk exposure and unauthorized events which occur.
- ⑤ Major issues or discussions related to risk management proposed by each unit.
- ⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

The "Risk Management Department" is the execution unit of the Risk Management Committee and the risk management planning and management unit of the Bank. It independently monitors and manages the risks of the Bank. The department head of the Risk Management Department acts as the Executive Secretary who is appointed by the Board of Directors. The Risk Management Department is responsible for calculating and monitoring capital adequacy and comprehensively handles risk management and reports to the competent authorities in accordance with various risk management guidelines. It submits a risk control report to the Committee on a quarterly basis and forwards it to the Board of Directors, while the Committee sets rules to control various investment positions and transaction quotas, and handles transaction clearing and settlement, such as bank-wide fund scheduling and securities trading.

## (2) Asset and Liability Management Committee

The President of the Group is the Chief Commissioner of the Company's Asset and Liability Management Committee. The members are composed of the personnel designated by the President and the department head of the Digital Service and Business Department, the Risk Management Department, the Finance Department, and the Administration Office. In response to the domestic and foreign financial situation, the committee is responsible for adjusting the

business strategy in a timely manner, maintaining liquidity, safety, and profitability, and holding regular meetings at least once a month. The main tasks are as follows:

- ① Assess the impact of changes in domestic and foreign political and economic situations and the trend of government policies on financial business operations.
- ② Predict the impact of domestic and foreign funds, exchange rates, interest rate trends, and other relevant financial indicators on the Group's business operations.
- ③ Assess the Group's operating performance, capital position, asset and liability risk position, and interest rate sensitivity, as well as study and adjust the best ratio of various assets and liabilities.
- ④ Assess the Group's pricing strategy for deposit and loan interest rates.
- ⑤ Estimate the Group's future operating performance and moderately adjust the Group's business strategy.
- ⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

### (3) Credit Review Committee

The Credit Review Committee is chaired by the President and consists of the head of the Credit Review Department, the Risk Management Department, and the Digital Service and Business Department, and the personnel designated by the President to strengthen the review and risk control of credit extensions and to ensure the Group's credits. In principle, a meeting will be held once a week to review the credit cases to be granted by the Board of Directors, and the results of the review will be presented to the Board of Directors for approval. The process and transfer of the proposals will be handled by the Credit Review Department.

### (4) Investment Management Committee

In order to respond to changes in domestic and foreign financial situations, the Group timely adjust investment strategies and control investment risks to maintain the safety and profitability of the Group's investment positions. The Investment Management Committee has been established as the highest management unit responsible for the Group's investment business. The Committee is chaired by the President, and the members include the head of the Finance Department and other personnel appointed by the President. The Committee holds meetings once a month with the following missions to fulfill:

- ① Set the Bank's investment strategies and principles according to the changes

in domestic and foreign political and economic situations and trends in government policy.

- ② Assess whether the performance of the investment portfolio meets the expected objectives, predict the impact of changes in domestic and foreign capital situation, exchange rate, interest rate, and other relevant financial indicators on the investment position of the Group, and study whether the investment strategy should be adjusted.
- ③ Review the proportion, allocation, and reinvestment-orientation of various financial investment projects.
- ④ Review the source of funds and cost structure of the investment.

(5) Information Security Management Committee

The Information Security Management Committee was formed to improve the information security management system, respond to all information security-related laws and regulations, and comply with the relevant government regulations in order to reduce the risk impact and influence on the Group due to information security. The Committee has one convener appointed who is the President or an individual appointed by the President. The members are the heads of the Risk Management Department, Information Office, Digital Service Department, and Compliance Department, and the department head or designated individual from the department designated by the convener. The Audit Department may attend the Committee meeting, but is not entitled with voting rights. The Committee will hold meetings from time to time as needed. The main tasks are as follows:

- ① Propose the information security policy of the Group.
- ② Promote the information security management system.
- ③ Assess the infrastructure of the information security management system.
- ④ Handle and review major information security incidents.
- ⑤ Major issues or discussions related to information security proposed by each unit.
- ⑥ Discussion of other information security issues.



### 3. Credit Risk

#### (1) Source and definition of credit risk

Credit risk refers to the risk of default loss caused by the borrower or counterparty due to the poor business condition or other factors (such as, disputes between the company and its counterparty), resulting in the borrower or counterparty not fulfilling its contractual obligations. The sources of credit risk included on- and off-balance sheet items. Regarding the Group's credit risk exposure, the items on the balance sheet mainly come from discounts and loans, deposits and interbank lending, debt instrument investments and derivatives, etc. The off-balance sheet items are mainly guarantees, letters of credit, loan commitments, etc.

#### (2) Credit risk management policies

The Group's written credit risk management strategy is prepared as a guideline for the credit operating procedure. Also, the relevant policies and operational guidelines are set up to ensure that the strategy can be implemented continuously and effectively in order to maintain rigorous loan granting standards, monitor credit risk, assess possible business opportunities, and identify and manage non-performing loans. The scope of management includes: ① Various credit risks (including individual credit cases, overall credit check, credit extension, non-performing loans, etc.) and credit risk offset instruments, such as, collateral and guarantee, of the businesses on and off the balance sheet. ② A credit risk related product or position of the banking book or transaction book.

In order to maintain a safe and sound credit extension business and control credit risk, the Regulations Governing Credit Risk were formulated to establish a credit risk control mechanism when planning various business to implement procedures of identification, measurement, communication, and monitoring. Under the hierarchical organization structure of credit management, each level shall, in accordance with the "Rules Governing Credit Review and Authorization," strictly execute case review within the authority to ensure the quality of credit assets. The Group also formulated the "Directions for Credit Review and Implementation," and the Credit Review Department is authorized by the Head Office in handling related matter to strengthen post-loan management, in aim to effectively control credit risk.

The credit risk management procedures and measurement methods for each major business of the Group are described below:

① Credit extension (including loan commitments and guarantees)

The classification of credit assets and credit quality rating are described as follows:

A. Credit asset classification

The Group's credit assets are classified into five categories. Except that the normal credit assets are classified as Category I, the non-performing credit assets are evaluated according to the loan guarantee status and the length of time overdue, which are classified as Category II "Special Mention," Category III "Expected to be Recovered," Category IV "Doubtful," and Category V "Losses." The Group has formulated the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" to establish the internal processing systems and procedures for asset quality assessment, appropriation of loss reserve, collection of overdue loans, and liquidation of bad debts. Also, it is handled in accordance with the requirements of the competent authorities and the Group. In order to speed up the liquidation of non-performing loans and reduce overdue loans, the Group has the "Rules Governing Non-Performing Loans" formulated to realize a sound financial structure and to enhance asset and liability management.

B. Credit quality rating

The Group has also formulated the Corporate Finance and Consumer Finance Business Classification according to business characteristics and scales. The directions for credit rating are formulated for corporate and individual account holders. The credit rating scores of the debtors are classified into 10 grades (C1–C10), which is an internal credit rating and is used for risk management. The credit rating is used as reference for credit approval and as reference in determining credit conditions. Those with poor credit ratings are subject to more frequent credit review.

② Deposit and inter-bank lending

The Group evaluates the credit status of the counterparty before the transaction is initiated. Before the end of each year, the Group determines the NTD and foreign currency loan limits according to domestic and foreign financial interbank credit ratings. And such matters are submitted to the Credit Review Committee for review and reported to the Board of Directors for approval.

③ Debt instrument investment and derivative financial instruments

The Group's credit risk management of debt instrument is to identify credit risk through the credit rating of debt instrument by domestic and international credit rating agencies, bond guarantee institutions, country risks, and counterparty risk. For the financial institutions that initiate investments in the Group's derivative financial product transactions, set the ceiling of the financial transaction amount by the nature of the counterparty and the credit rating in accordance with the "Regulations Governing Derivatives Transactions Quota."

(3) Credit risk hedge or mitigation policy

① Collateral

The Group adopts the methods of stipulation of credit limit restrictions, collection of collateral, and the guarantor or the transfer of the credit guarantee fund to reduce the credit risk for credit business in order to strengthen the credit claim of the Group. The Group has formulated The Rules Governing Collateral Appraisal and related procedural guidelines and regulations for regulating acceptable types of collateral and the valuation, management, and disposal of collateral, in order to ensure the Group's credit claim. The Group has formulated the creditor's right security clauses, collateral clauses, and offset clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, or the debt may be offset by debtor's deposit at the Group to reduce the credit risk.

The Group carries out on-site appraisal of the collateral on a regular basis or at any time. The Group carries out credit check or revaluation of collaterals according to the status of credit granting accounts. The Group also evaluates the degree of guarantee provided by debtor and the legal effectiveness of the guarantor in order to ensure the security of credit.

② Credit risk limit and credit risk concentration control

The Group has formulated a Credit Policy to properly plan and control the credit of the same natural person, legal person, public enterprise, related party, associate, or group; control single credit risks and enhance the efficiency of capital utilization by setting a ceiling on their respective ratios to the net worth of the Company (where the same public enterprise shall not exceed the net value of the Company, and the ceiling of the same group enterprise shall be adjusted and approved according to its credit rating and outlook). For the ratio of total credit balance of the same industry to the net value of the Company, the ceiling will be approved according to the industry and the overall economy and with reference to the non-performing loan ratio of the industry and future economic outlook. To strengthen the credit risk control of each enterprise overseas and in mainland China, respective limits are stipulated accordingly. For the ratio of the total credit balance secured by residential real estate to the total credit balance of the Company, it is divided into the categories of housing repair and working capital limit control by the intended use of funds. Credit orientation is also dynamically adjusted to hedge the overall risk and avoid excessive credit risk concentration.

③ Master netting arrangement

The Group's transactions are usually cleared on a gross amount and the Company agrees with the counterparties upon the clearing method, or all transactions with the counterparty are terminated with a net amount clearing arranged in the event of default in order to further reduce the credit risk.

(4) Maximum credit risk exposure

The maximum credit risk exposure of the assets stated in the consolidated balance sheet without the consideration of collaterals or other reinforced credit instruments approximate their book value. The maximum credit risk exposure amount (excluding collateral or other credit enhancement instruments, and irrevocable maximum risk exposure amount) associated with off-balance sheet items is as follows:

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Off-balance sheet items	Maximum credit risk exposure amount	
	2023.12.31	2022.12.31
Customer's developed and irrevocable loan commitments	\$42,145,938	\$43,384,378
Customer's outstanding letters of credit amount	82,888	81,757
Guarantee payments	9,040,598	8,949,674
Total	\$51,269,424	\$52,415,809

- (5) The financial information related to asset on consolidated balance sheet, off-balance sheet collateral held as guarantees, master netting arrangement and other credit enhancements, that have impact on maximum credit risk exposure amount are shown below:

2023.12.31	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$159,632,779	\$ -	\$159,632,779
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	15,093,075	-	15,093,075
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,690,840	-	2,690,840
Total	<u>\$177,416,694</u>	<u>\$ -</u>	<u>\$177,416,694</u>

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2022.12.31	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$163,066,904	\$ -	\$163,066,904
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	15,874,381	-	15,874,381
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,727,520	-	2,727,520
Total	<u>\$181,668,805</u>	<u>\$ -</u>	<u>\$181,668,805</u>

The Group's management assesses and believes that the credit risk exposure amount of the off-balance sheet items could be controlled and minimized continuously because the Company and its subsidiaries have adopted a more stringent selection process during the credit approval and subsequent periodic review.

(6) Status of credit risk concentration

When a financial instrument counterparty is significantly concentrated on one person, or a financial instrument has several counterparties who are mostly engaging in similar business activities and have similar economic characteristics, so that their ability to perform contracts is affected by economic or other conditions in a similar manner, there is a significant concentration of credit risk.

The Group's credit risk concentration is derived from assets, liabilities, or off-balance sheet items, which are generated through transactions (regardless of products or services) performance or implementation, or a combination of cross-category risk exposure, including credit, deposit and inter-bank lending, marketable securities investments, receivables, and derivatives. There are no significant signs showing that the Group has trading concentrated on a single customer or single transaction counterparties. The total amounts of transaction with single customers or single transaction counterparties does not account for a significant part in the Group's discounts and loans and collection amount. The Group has the credit risk of the discount, loans, and collections illustrated by the industry, region, and collateral as follows:

① By industry

Industry	2023.12.31		2022.12.31	
	Amount	%	Amount	%
1. Private enterprises	\$174,092,453	75	\$185,921,033	76
2. Government agencies	-	-	-	-
3. Non-profit groups	209,985	-	226,027	-
4. Private	59,405,553	25	59,763,982	24
5. Financial institutions	-	-	-	-
Total	\$233,707,991	100	\$245,911,042	100

② By region

The Group's main business is conducted in Taiwan and there is no significant concentration of credit risk by region.

③ By Collateral categories

Collateral categories	2023.12.31		2022.12.31	
	Amount	%	Amount	%
Unsecured	\$74,075,212	32	\$82,844,138	34
Secured				
- Financial collateral	31,859,429	14	27,968,988	11
- Real estate	113,556,738	48	120,301,499	49
- Guarantee	7,730,844	3	7,422,926	3
- Other collateral	6,485,768	3	7,373,491	3
Total	\$233,707,991	100	\$245,911,042	100

(7) Analysis of the Group's financial assets that is overdue but without impairment

The Group had no financial assets that were overdue without impairment as of December 31, 2023 and 2022.

(8) Judgment of the Group's credit risk that has increased significantly since the original recognition

Credit extension

The Group assesses the change in the risk of default in the expected duration of each type of credit asset on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Group considers the information that evidences the significant and reasonable increase of credit risk (including forward-looking information) since the original recognition. The main considerations include:

① Quantitative indicators:

If the contract is overdue for more than 30 days on the reporting date, it is concluded that the credit risk has increased significantly since the original recognition.

② Qualitative indicators:

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that the credit risk has increased significantly since the original recognition.

- a. The records of bounced checks of the debtors reported by the Group.
- b. The dishonored accounts announced by Taiwan Clearing House.
- c. People whose collateral at the Bank is held by compulsory enforcement by other banks.
- d. Informed of the incident that the debtors have applied for reorganization of their debts at other financial institutions when handling post-loan management procedures such as review or follow-up assessment.
- e. Listed as a receivable on demand or written-off of bad debts.
- f. Informed of the incident that the public certified accountants had issued an opinion on the financial statements of the debtors with a concern over the continuing operation of the audited debtors when implementing the post-loan management procedures of review, tracking, and assessment.



g. Informed of other non-performing loans of the debtors.

This assumption that "if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition" is not applicable to various credit assets of the Group.

Debt instruments

The Group assesses the change in the risk of default in the expected duration of each type of debt instrument on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Group considers the changes in credit rating that indicates the main evaluation indicator is a quantitative indicator since the original recognition. When the credit rating on each reporting date is lower to an extent than the credit rating on the original recognition date, it is determined that the credit risk has increased significantly since the original recognition. This assumption that "if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition" is not applicable to various debt instrument the Group.

(9) Definition of the Group's default and credit impairment financial assets

Credit extension

The Group's definition of default on various types of credit assets is the same as the default and credit impairment of each type of credit assets. If one or more of the following conditions are met, the Group determines that the various types of credit assets have been defaulted with credit impairment resulted:

① Quantitative indicators

If the contract is overdue for more than 90 days on the reporting date, it is concluded that default and credit impairment have occurred.

② Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If the matter shows objective evidence of impairment (i.e., agreement, bail-out, rehabilitated, etc.), it is determined that default and credit impairment have occurred.

### Debt instruments

The Group's definition of default on a debt instrument is the same as the credit impairment of a debt instrument. If one or more of the following conditions are met, the Group determines that the debt instrument has defaulted with credit impairment:

① Quantitative indicators

If the credit rating on each reporting date reaches the default level, it is determined as defaulted with credit impairment.

② Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that default and credit impairment have occurred:

- a. An event of default occurred.
- b. The issuer's significant financial difficulties.
- c. The issuer is likely to apply for bankruptcy or other financial restructuring.

The foregoing definition of default and credit impairment is applicable to all financial assets held by the Group, is consistent with the definitions used for the purposes of internal credit risk management of financial assets, and is applied to the relevant impairment assessment model.

If the financial assets on the reporting date no longer meet the definition of default and credit impairment, they are concluded to be in the status of performance and are no longer regarded as financial assets that have defaulted with credit impairment.

#### (10) Write-off policy

When the Group cannot reasonably expect the financial assets to be recovered entirely or partially, it will write off the whole or part of the financial assets in a timely manner in accordance with the requirements of the competent authorities and in line with the Group's asset quality policy.

#### (11) Measurement of expected credit loss

For the purpose of assessing expected credit losses, the Group classifies financial assets into the following combinations according to the credit asset/debt instrument categories, credit ratings, and subject matter claim order:

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Credit asset/debt instrument category	Definition
Corporate banking loan	Grouped by risk characteristics, company size, and credit category
Consumer banking loan	Grouped by product category, loan type, etc.
Corporate bonds and financial bonds	Classified by long-term issuer rating (mainly Moody's) and subject matter claim order
Government bonds and Central Bank's convertible certificate of deposit	Classified by sovereign rating (primarily Moody's) and subject matter claim order

For financial instruments that have not significantly increased in credit risk (Stage 1) after their original recognition, the Group measures the allowance for loss of the financial instrument according to the expected credit loss amount within 12 months. For financial instruments with significant increases in credit risk after their original recognition (Stage 2) or with credit impairment (Stage 3), these are measured by the expected credit loss amount of the duration.

In order to measure the expected credit losses, the Group, while considering the probability of default (PD) of the borrower/issuer in the next 12 months and the duration, includes the loss given default (LGD) and multiplies it by the exposure at default (EAD), taking into account the impact of the time value of money to calculate the expected credit losses for 12 months and the duration. However, for off-balance sheet credit assets, it must be multiplied by the credit conversion factor (CCF) that is regulated with the Basel II standardized approach.

The probability of default (PD) and loss given default (LGD) used in the impairment assessment of the Group's credit business/investment business are adjusted and calculated according to the internal and external information of each combination and based on current observable information and forward-looking macroeconomic information (e.g., global economic growth rate, inflation rate, etc.).

The Group assesses the amount of financial asset default risk on the reporting date. In addition, based on internal and external information, the Company considers the financial assets to be used within 12 months after the reporting date and the amount expected to be used in order to determine the default risk exposure amount for the calculation of the expected credit loss.

There was no significant change in the estimation techniques or material assumptions that were used in 2023 to assess the expected credit loss.

(12) Consideration of prospective information

The Group uses archive data to analyze and identify the economic factors that affect the credit risk and expected credit losses of each asset portfolio, and estimates the impairment parameters after prospective adjustment based on the regression model or imputation adjustment method. The relevant economic factors and their impact on PD and LGD vary according to the type of financial instruments.

The relevant economic factor of credit assets identified by the Group in 2023 was the economic growth rate. The relevant economic factors of debt instrument identified by the Group in 2023 were the global economic growth rate and inflation rate.

(13) Allowance for loss

Changes in allowances for bad debts related to discount and loan

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2023 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
Beginning balance	\$293,702	\$3,218	\$20,532	\$317,452	\$3,258,679	\$3,576,131
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses of the duration	(3,818)	12,844	-	9,026	-	9,026
- Converted to financial assets with credit impairment	(7)	(5)	4,202	4,190	-	4,190
- Converted to 12-month expected credit loss	398	(716)	-	(318)	-	(318)
- Financial assets derecognized in the current period	(141,304)	(761)	(7,150)	(149,215)	-	(149,215)
Purchased or originated new financial assets	302,972	1,760	871,706	1,176,438	-	1,176,438
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(125,022)	(125,022)
Write-off bad debts	-	-	(870,224)	(870,224)	-	(870,224)
Recovered amount after write-off bad debts	-	-	933,677	933,677	-	933,677
Other Changes (Note)	-	-	(933,677)	(933,677)	-	(933,677)
Changes in exchange rate	-	-	-	-	863	863
Ending balance	\$451,943	\$16,340	\$19,066	\$487,349	\$3,134,520	\$3,621,869

Note: Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2022 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans"	Total
Beginning balance	\$239,069	\$9,673	\$29,344	\$278,086	\$2,891,703	\$3,169,789
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses of the duration	(387)	826	(767)	(328)	-	(328)
- Converted to financial assets with credit impairment	(8)	(27)	6,626	6,591	-	6,591
- Converted to 12-month expected credit loss	1,699	(5,889)	-	(4,190)	-	(4,190)
- Financial assets derecognized in the current period	(128,791)	(2,001)	(14,671)	(145,463)	-	(145,463)
Purchased or originated new financial assets	182,120	636	370,310	553,066	-	553,066
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non-accrual Loans"	-	-	-	-	346,298	346,298
Write-off bad debts	-	-	(370,310)	(370,310)	-	(370,310)
Recovered amount after write-off bad debts	-	-	754,944	754,944	-	754,944
Other Changes (Note)	-	-	(754,944)	(754,944)	-	(754,944)
Changes in exchange rate	-	-	-	-	20,678	20,678
Ending balance	\$293,702	\$3,218	\$20,532	\$317,452	\$3,258,679	\$3,576,131

Note: Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

Changes in the total book value of discount and loan

Changes in the total book value for the period from January 1 to December 31, 2023 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Total
Beginning balance	\$244,336,795	\$1,503,854	\$70,393	\$245,911,042
Converted to expected credit losses of the duration	(2,573,381)	2,395,160	-	(178,221)
Converted to financial assets with credit impairment	(18,766)	(6,223)	17,960	(7,029)
Transferred out from the financial assets with credit impairment	168,207	(268,365)	-	(100,158)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	114,275,374	700,979	5,749	114,982,102
Write-off bad debts	-	-	(870,224)	(870,224)
Derecognition	(126,054,872)	(820,314)	845,665	(126,029,521)
Ending balance	\$230,133,357	\$3,505,091	\$69,543	\$233,707,991

Changes in the total book value for the period from January 1 to December 31, 2022 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Total
Beginning balance	\$206,426,018	\$3,003,338	\$97,368	\$209,526,724
Converted to expected credit losses of the duration	(438,856)	427,161	(3,376)	(15,071)
Converted to financial assets with credit impairment	(9,802)	(20,028)	26,102	(3,728)
Transferred out from the financial assets with credit impairment	1,914,816	(1,920,333)	-	(5,517)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	146,602,977	629,274	-	147,232,251
Write-off bad debts	-	-	(370,310)	(370,310)
Derecognition	(110,158,358)	(615,558)	320,609	(110,453,307)
Ending balance	\$244,336,795	\$1,503,854	\$70,393	\$245,911,042



Changes in expected credit losses of the financial assets-debt instrument measured at fair value through other comprehensive income by the Group are as follows:

Financial assets measured at FVOCI — Allowance for loss	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses as of January 1, 2023	\$24,998	\$329,440	\$-	\$1,106,527	\$1,460,965
Changes in financial instruments recognized on January 1, 2023					
- Converted to expected credit losses of the duration	(3,208)	111,090	-	-	107,882
- Converted to financial assets with credit impairment	-	-	-	-	-
- Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(4,998)	-	-	-	(4,998)
Financial assets written off in the current period	-	-	-	(1,106,527)	(1,106,527)
Purchased or originated new financial assets	2,718	-	-	-	2,718
Changes in model/risk parameters	3,071	36,423	-	-	39,494
Other changes and exchange rate changes	14	291	-	-	305
Expected credit losses as of December 31, 2023	\$22,595	\$477,244	\$-	\$-	\$499,839

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Financial assets measured at FVOCI — Allowance for loss	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses as of January 1, 2022	\$14,542	\$79,009	\$-	\$-	\$93,551
Changes in financial instruments recognized on January 1, 2022					
- Converted to expected credit losses of the duration	(561)	85,309	-	-	84,748
- Converted to financial assets with credit impairment	(872)	-	-	1,106,527	1,105,655
- Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(2,420)	(2,718)	-	-	(5,138)
Purchased or originated new financial assets	5,517	-	-	-	5,517
Changes in model/risk parameters	7,659	159,525	-	-	167,184
Other changes and exchange rate changes	1,133	8,315	-	-	9,448
Expected credit losses as of December 31, 2022	\$24,998	\$329,440	\$-	\$1,106,527	\$1,460,965

Changes in the total book value of the Group's financial assets—debt instruments measured at FVOCI are further explained as follows:

Financial assets measured at FVOCI — Total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2023 (note)	\$38,581,533	\$3,167,476	\$-	\$1,807,401	\$43,556,410
Converted to expected credit losses of the duration	(3,192,937)	3,204,022	-	-	11,085
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Purchased or originated new financial assets	3,811,984	-	-	-	3,811,984
Financial assets derecognized	(8,483,831)	-	-	-	(8,483,831)
Financial assets written off	-	-	-	(1,807,401)	(1,807,401)
Other changes and exchange rate changes	(35,645)	(5,489)	-	-	(41,134)
Total book value on December 31, 2023 (note)	\$30,681,104	\$6,366,009	\$-	\$-	\$37,047,113

Note: Total book value does not include an evaluation adjustment.

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Financial assets measured at FVOCI — Total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2022 (note)	\$37,600,533	\$1,858,109	\$-	\$-	\$39,458,642
Converted to expected credit losses of the duration	(1,062,436)	1,176,440	-	-	114,004
Converted to financial assets with credit impairment	(1,636,185)	-	-	1,807,401	171,216
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Purchased or originated new financial assets	8,284,554	-	-	-	8,284,554
Financial assets derecognized	(6,886,087)	(57,307)	-	-	(6,943,394)
Other changes and exchange rate changes	2,281,154	190,234	-	-	2,471,388
Total book value on December 31, 2022 (note)	\$38,581,533	\$3,167,476	\$-	\$1,807,401	\$43,556,410

Note: Total book value does not include an evaluation adjustment.

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The allowance for loss of the Group's receivables is measured with the expected credit loss amount of the duration. The assessments of the allowances for loss as of December 31, 2023 and 2022 are described as follows:

The Group's receivables are not overdue. Considering counterparties' credit rating and regional and industrial factors, along with measuring the allowance for loss with the provision matrix, total book values were NTD13,154,486 thousand and NTD12,008,636 thousand, respectively, and the allowance for loss is measured with an expected credit loss rate of 0%~1%, for amounts of NTD175,086 thousand and NTD145,255 thousand, respectively.

Changes in allowances or loss of notes and accounts receivables of the Group for the years ended December 31, 2023 and 2022 are as follows:

	Receivables
2023.1.1	\$145,255
Amount appropriated in current period	74,515
Write-off amount	(138,731)
Recovery of write-off amount	94,047
2023.12.31	\$175,086
2022.1.1	\$111,145
Amount appropriated in current period	139,290
Write-off amount	(190,739)
Recovery of write-off amount	85,559
2022.12.31	\$145,255

(14) The Group's financial assets with the maximum credit risk exposures as of December 31, 2023 and 2022 amounted to NTD265,037,186 thousand and NTD279,549,759 thousand, respectively. These include financial assets measured at FVOCI and discounts and loans.

(15) The maximum credit risk exposure amount of the financial instruments that are not subject to impairment requirements is as follows:

	2023.12.31	2022.12.31
Financial assets measured at FVTPL		
- Debt instruments	\$39,934,846	\$35,787,190
- Derivatives	52,849	7,389

#### (16) Collateral and other credit enhancements

The Group adopts a series of policies and measures for the credit business to reduce credit risk, one of the commonly used methods is to request the borrowers to provide collateral. For the collateral assessment management and loan collateral value calculation, the Group has procedures for the range of collateral collected, the valuation, management, and disposal of collateral formulated to ensure loans. The main types of collateral for the Group's financial assets are as follows:

- Real estate mortgage: The loan amount is set separately according to the location of the real estate. For larger amount or special products, the public appraisers are entrusted to perform price evaluation.
- Stocks: The reasonable loan amount and evaluation criteria are formulated by the conditions of listing, OTC, emerging market, and unlisted stocks.
- Property: An appropriate loan amount is determined according to the nature of disposition and cost.
- Certificate of Deposit: Mainly refers to the Bank's certificate of deposit in foreign currency.
- Credit insurance: It is handled with credit insurance for small and medium-sized enterprises.
- Rights pledge: Special rights, such as, land rights and creditor's rights are judged separately on a case-by-case basis.

The credit contract states the creditor's right security clauses and collateral clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, and others to reduce the credit risk.

The collateral of other non-credit business is subject to the nature of the respective financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-based financial instruments.

The Group's collateral policy has no significant change occurring on the balance sheet date and there has been no significant change in the quality of the overall collateral.

The Group closely observes the value of collateral for financial instruments and determines the impairment to be appropriated for the financial assets with credit impairment occurred. The financial assets with credit impairment are as follows:

	Total book value	Provision for impairment	Total exposure (cost after amortization)
Impaired financial assets:			
Discounts and loans	\$66,090	\$16,972	\$49,118
Total financial assets with impairment	\$66,090	\$16,972	\$49,118

#### 4. Liquidity Risk

##### (1) Sources and definitions of liquidity risk

The definition of the Group's liquidity risk refers to the possible financial losses due to the inability of having assets cashed or obtaining loans to have the funds needed to liquidate the financial liabilities, for example, depositors' terminating deposits before the maturity date, financing channels and conditions for inter-bank lending become worse or difficult due to specific market influences. Also, the debtor's credit default situation has deteriorated, which makes the recovery of funds abnormal and the realization of financial instruments difficult. The aforementioned circumstances may weaken the Group's source of cash for financial activities, such as, loans, trading, and investment. In some extreme situation, the lack of liquidity may result in a decline in the position of the balance sheet, the sale of the asset, or the failure in meeting the borrowing commitment. Liquidity risk exists in the inherent risks of all banking operations and may be affected by various industry-specific or market-wide events, including but not limited to: credit events, mergers or acquisitions, systemic impact, and natural disasters.

##### (2) Liquidity risk management policy

The liquidity management procedures of the Group are executed separately in the Finance Department and the Risk Management Department. However, the branches are required to notify the Finance Department of the funding gap for the unified control of the Finance Department and are monitored by the

independent Risk Management Department. The procedures include:

- ① Schedule daily finds, monitor future cash flows to ensure the fulfillment of various needs.
- ② Maintain an appropriate amount of high liquidity assets that can be easily realized to buffer unforeseen and unexpected events that may interrupt cash flow.
- ③ Monitor the liquidity ratio of the consolidated balance sheet in accordance with the internal management purposes and external regulatory requirements.

The monitoring process is based on the measurement and speculation of the flow of funds one day and one month in the future (such period is used by the Group for the management of liquidity risk). The estimation of future cash flows begins with an analysis of the contractual maturity date of financial liabilities and the expected cash realization date of financial assets. The Risk Management Department of the Group also monitors the extent and pattern of contingent liabilities, such as mid-term and long-term borrowing commitments, discount quotas, and guarantee letters.

Relevant information is regularly reported to the Group's Risk Management Committee and the Board of Directors.

- (3) Regarding the financial liabilities held for the purpose of managing the liquidity risk, the due date of the Group's financial liability contracts is summarized in the table below. The amounts disclosed in the table are based on contractual cash flows, so the amount disclosed in some of projects does not correspond to the related items on the consolidated balance sheet.



Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2023.12.31

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
Non-derivative financial liabilities					
Deposits from the Central Bank and other banks	\$13,308,286	\$-	\$-	\$-	\$13,308,286
Funds borrowed from Central Bank and other banks	750,000	3,250,000	1,300,000	99,000	5,399,000
Securities sold under agreement to repurchase	5,748,943	1,350,000	-	-	7,098,943
Deposits and remittances	27,878,460	30,958,661	122,193,702	116,654,075	297,684,898
Lease liabilities (Note)	7,787	15,436	68,240	234,442	325,905
Other financial liabilities	1,369,092	4,165,973	-	-	5,535,065
Derivative financial liabilities					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$2,606,812	\$-	\$-	\$-	\$2,606,812
Cash inflow	2,570,876	-	-	-	2,570,876
Net cash flow	\$(35,936)	\$-	\$-	\$-	\$(35,936)

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2022.12.31

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative</u>					
<u>financial</u>					
<u>liabilities</u>					
Deposits from the Central Bank and other banks	\$24,092,259	\$-	\$-	\$-	\$24,092,259
Funds borrowed from Central Bank and other banks	1,100,000	1,800,000	1,800,000	349,000	5,049,000
Securities sold under agreement to repurchase	11,340,985	4,486,144	-	-	15,827,129
Deposits and remittances	39,389,804	43,560,035	90,085,223	110,474,972	283,510,034
Lease liabilities (Note)	7,638	15,103	64,588	255,474	342,803
Other financial liabilities	1,219,493	2,715,441	693,759	-	4,628,693
<u>Derivative financial</u>					
<u>liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$4,490,237	\$-	\$-	\$-	\$4,490,237
Cash inflow	4,455,034	-	-	-	4,455,034
Net cash flow	\$(35,203)	\$-	\$-	\$-	\$(35,203)

Note: Further information on the maturity analysis of the lease liabilities is provided in the following table:

Lease liabilities	Period to expiry				Total
	Less than 1 year	1~5 years	6~10 years	10~15 years	
2023.12.31	\$91,463	\$211,581	\$22,861	\$-	\$325,905
2022.12.31	\$87,329	\$224,353	\$31,121	\$-	\$342,803

## 5. Market Risk

### (1) Source and definition of market risk

Market risk refers to the loss of the positions that may occur on and off the balance sheet due to the changes in market prices. The so-called market price refers to interest rate, exchange rate, stock price, and product price.

The Group shall classify the holding position into a trading book and a banking book according to its purpose. The market risks faced by each position can be divided into four risk categories: interest rate, equity securities, foreign exchange, and product.

① The "trading book" includes the position of the financial products (including goods and derivative financial products) and physical products held for the purpose of trading or for the risk hedging of the trading book position. The term "trading purpose" stated in the preceding paragraph refers to the intention of a short-term gain or to generate or secure the arbitrage from actual or expected short-term price fluctuations.

② Financial products and physical products that are not held for the aforementioned purpose are within the scope of the "banking book."

③ Market risk management scope:

- I. For interest rates and equity securities, it is only necessary to compute the capital needed for market risk of the trading book.
- II. For foreign exchange and products, it is necessary to compute the capital needed for all market risks.

### (2) Market risk management strategy

① Market risk management strategies should be documented to explain market risk management objectives and to ensure consistency in market risk management of the Bank.

② The market risk management strategies shall be appropriately adjusted in response to the Group's operating environment and changes in risk. They shall also be in line with the Group's business strategies and objectives, and cover all key market risks associated with the business.

- ③ The market risk management strategies shall include at least the following:
- I. Market risk measurement methods: including qualitative and quantitative methods.
  - II. Market risk monitoring methods: such as limits management, stop-loss mechanism, etc.
  - III. The Group shall establish an approval hierarchy and regulate the standard operating procedure for overrun.

(3) Market risk management process

The market risk management process includes risk identification, measurement, communication, and monitoring. The Group shall effectively identify, measure, communicate, and monitor market risks associated with all major trading products, trading activities, processes, and systems.

① Risk identification

- I. The so-called market risk factor refers to the market ratio and price that influence the price of the position. The Group's risk measurement system should have sufficient risk factors to measure the risks in the on- and off-balance sheet trading position.
- II. For any structured financial product, the market risk factors of each part should be identified in order to provide the basis for a correct measurement of the market risk exposure of the structured product.
- III. The selection of risk factors includes interest rates, exchange rates, equity securities prices, and product prices.
- IV. Each unit of the Group shall identify the market risk in business activities or financial products.

② Risk measurement

- I. The risk management personnel of the Group's business trading units shall establish reasonable verification and control procedures for the sources of market data, such as, product market price, interest rate, and exchange rate.

- II. When the risk management personnel of the business transaction units measure market risk, they should consider the market liquidity risk caused by insufficient market depth, low market transparency, or market disorder.
- III. The risk management personnel of the financial transaction unit shall evaluate the trading position base on the market price at least once a day. All model parameters should be evaluated daily if the model is used for evaluation.
- IV. The Group should develop a procedure for measuring the overall position risk exposure according to the scale and complexity of the portfolio held to avoid excessive concentration of the investment portfolio on a certain risk factor. When performing risk measurement, the individual risk of the subject matter of the transaction and the possible risk dispersion effect should be taken into account upon evaluating the volatility and correlation of the subject matter of the transaction. And a position with poor liquidity or insufficient market price transparency should be evaluated conservatively in order to fully assess the market risks faced by the Group.

### ③ Risk communication

- I. Internal report
  - i. Market risk reports shall regularly provide accurate, consistent, and timely information to senior executives as a reference for their decisions.
  - ii. The Group should establish various operating procedures to ensure that overruns and exceptions (e.g., violations of policies and procedures) can be immediately reported to the governing management.
- II. External disclosure
  - i. The market risks faced by the Group should be fully disclosed.
  - ii. The computed capital of the following risks should be disclosed:
  - iii. Interest rate risk, equity securities risk, foreign exchange risk, and product risk.
  - iv. The extent of information disclosure should be in line with the scale, risk profile, and complexity of the Group's sales operations.

④ Risk monitoring

- I. Each business unit of the Group shall establish a transaction limit system, which shall be controlled by the risk management personnel on a daily basis. If there is a lack of risk management, such as, overrun or other special circumstances, it shall be reported in due course to facilitate the adoption of the response measures.
- II. The status of the transaction shall be monitored immediately and comprehensively, such as whether the changes in position, changes in profit or loss, trading patterns, and subject matter of the transaction are within the scope of business authorization.
- III. Information needed for the review of financial products valuation should be obtained by the Group externally or through a channel other than the trading unit in order to avoid manipulation of price data due to conflicts of interest.
- IV. The Group shall stipulate the limits management, stop-loss mechanism, and overrun process to effectively monitor market risks.
  - i. Limits management  
The responsible business department shall set the limits for financial product transactions according to the product characteristics and authorization hierarchy, such as, traders, risk category, counterparty's trading position limits, stop-loss limits, etc.
  - ii. Stop-loss mechanism  
The responsible business department shall establish a clear stop-loss mechanism and implement it to effectively control the loss within the expected range.
  - iii. Overrun processing  
The responsible business department shall clearly establish a defined limit and overrun mechanism and implement it to effectively handle the extraordinary cases.

(4) Trading book risk management policy

Financial transactions should be divided into trading books and banking books according to the intention of holding, which are defined as follows:

① The scope and definition of the trading book:

The trading book includes the position held for the purpose of trading or risk hedging of the trading book. The position must be free from any contractual restrictions in trade, or the risk can be completely hedged. The positions included in the trading book are summarized as follows:

- I. The positions held for earning a profit from the actual or expected spread.
- II. The positions held for earning a profit from other price changes.
- III. The position held due to engaging in the brokerage and trade business.
- IV. The position held to offset all or most of the risks of another asset position or portfolio on the trading book.
- V. All positions that can be traded within the predetermined investment amount.

② Trading Book Authorization Projects:

- I. Monetary market transactions: short-term bill (bond) within one year.
- II. Capital market transactions: More than one year government bonds, corporate bonds, financial bonds, beneficiary securities, asset securitization bonds, stocks, various types of fund beneficiary certificates, and convertible corporate bonds.
- III. Derivative financial product transactions: exchange rates, interest rates, stocks, etc.
- IV. Foreign exchange market transactions: foreign exchange spot, swap, forward foreign exchange, and forward rate agreement.

③ Evaluation mechanism of the transaction book:

The evaluation mechanism of the Group's trading book position shall be handled by the risk management personnel who are independent of the trading desk. The trading book position shall be valued on a daily or weekly basis in accordance with the "Market to Market Method" with information from an independent source and readily available, such as, exchange prices, electronic screen quotes, or quotes from independent brokers, which should be presented to the Board of Directors for approval and future reference.

④ Management specifications and procedures for the position limits, monitoring, early warning, stop-loss, and reporting: These should be handled in accordance with the Group's Regulations Governing Market Risk, Regulations Governing Security Investment, Regulations Governing Derivatives Transactions, Regulations Governing Foreign Exchange Business, Regulations Governing Loans Business, Interest Rate Risk Management Policy, Liquidity Risk Management Policy, and other relevant regulations.

(5) Management of interest rate risk in banking book

① Management strategy and process

Make adequate adjustment to respond to the changes in the Group's operating environment and the changes in risks. Maintain the Group's operational strategies and deepen the Group's operations. Enhance the performance of the Bank's asset portfolio. Assess the impact of changes in interest rate on economic value or earnings. Establish the interest rate risk in banking book control mechanism in accordance with the "Regulations Governing Interest Rate Risks in Banking Book," which is implemented in accordance with the procedures of identification, measurement, communication, and monitoring, so that the interest rate risk is maintained at an appropriate level. Consistency of objectives and coverage of all-important interest rate risks in banking book associated with the business.

② Management organization and structure

- A. The Board of Directors is the highest decision-making authority of the Group's interest rate risk in banking book management and bears ultimate responsibility for the Group's interest rate risk in banking book.
- B. The Asset and Liability Management Committee is responsible for assessing the Group's operating performance, capital position, asset and liability risk position and interest rate sensitivity, as well as researching and adjusting the best ratio of various assets and liabilities, and evaluating the Group's deposit and loan interest rate pricing strategy.
- C. The Risk Management Committee is responsible for implementing the interest rate risk in banking book management decisions approved by the Board of Directors, coordinating the interest rate risk in banking book management matters, and continuously monitoring the performance of risk management.
- D. The Risk Management Department is the exclusive unit for the Group's



interest rate risk in banking book management. It is responsible for planning, establishing, and integrating the Group's interest rate risk in banking book management operations, and implementing the Bank's overall interest rate risk in banking book management and monitoring work in order to assess the impact of changes in interest rate on the economic value or earnings. Also, regularly aggregating the Bank's interest rate risk in banking book management information and then report it to the Risk Management Committee and the Board of Directors, and disclose risk management information according to the regulations of the competent authorities.

- E. The business units in the head office are responsible for setting and managing the respective regulations and operating procedures for the interest rate risks in banking book, and assisting the Risk Management Department to manage the interest rate risk position related to their business.
- F. All units (including business units) of the Company are responsible for identifying the interest rate risks in the banking book, cooperating with the implementation of the interest rate risk in banking book management decisions, and adopting the risk offset treatment method or response measures approved by the President to operate and adjust the interest rate risk exposure position on and off the balance sheet.

③ Risk reporting/measurement system scope, characteristics, and frequency

The Group makes the "The Ratio of Change in Economic Value of Equity ( $\Delta$ EVE) Accounting for Net Tier 1 Capital When Banking Book Position Is under the Scenarios of Interest Rate Volatility of Six Management and Supervision Recommendations" the supervision and management index to control the Group's interest rate risk in the banking book within the tolerance, and reports it to the Risk Management Committee on a monthly basis. The Group analyzes the changes and compares them to the conditions of the last month. The Group also provides the management with correct, consistent, and prompt information as a reference for their decision-making and have it disclosed in the risk control report to the Board of Directors on a quarterly basis. The content and scope of the risk control report are as follows: (I) Measurement indicators: 1. Earnings perspective (interest rate risk warning and reporting) and 2. Economic value (The Ratio of Change in Economic Value of Equity ( $\Delta$ EVE) Accounting for Net Tier 1 Capital When Banking Book Position Is under the Scenarios of Interest Rate Volatility of Six Management and Supervision

Recommendations); (II) Stress test: (1) the impact of changes in interest rate on the "earnings" of the next year and (2) the impact of interest rate volatility on economic value. The Information Department and the business units are to provide the information of relevant electronic files or written materials to the Risk Management Department in order to effectively grasp overall risk position and provide appropriate risk measurement results to assist with the interest rate risk in banking book management.

④ Risk hedging/risk-reducing policies and strategies and processes for keeping the monitoring and hedging/reducing risk tools effective continuously.

When handling banking book interest rate risk related businesses and transactions, assess the probability of occurrence of the event or transaction loss and the severity of the loss. Also, adopt countermeasures such as, risk hedging, risk reduction or transfer, risk control, and risk endurance.

In case of special circumstances that may seriously affect the Group's earnings or economic value, the Risk Management Department or the business units in the head office shall report it to the President and adopt appropriate risk offset methods or response measures to reduce the banking book interest rate sensitivity net impacted position or increase the Group's capital.

(6) Market risk assessment

① Stress test

The stress test is used to assess the Group's risk tolerance ability under a stress scenario so that the Group is able to develop specific and feasible hedging strategies and response plans in order to monitor possible changes in risk conditions under various scenarios. Also, the Board of Directors and the executives are authorized to determine whether the Group's risk exposure is suitable for its risk appetite. This serves as one of the important tools for identifying, measuring, and controlling capital adequacy and liquidity planning decisions.

※ The Group has investments classified according to the investment classification principle:

A. Domestic and foreign bonds and bills and equity investments in banking books

a. Domestic bond investment: Book value on the base date is treated as the exposure at default (EAD) and included for calculation. The default rate (PD) is calculated according to the risk linked indicator and referring to the default rate table, and the loss given default (LGD) is divided into with and without guarantee, which are estimated separately by referring to the experience of recovery.

b. Domestic equity investment: The book value on the base date is treated as the exposure at default (EAD). The probability of default (PD) is estimated by referring to the stress test of the credit risk of the credit position, and the loss given default (LGD) is estimated at 100% since the probability of recovery is very small.

c. Foreign bills and bonds and equity investments: The assets related to foreign bill and bond investments and equity investments has a fixed loss rate (PD\*LGD) given to calculate the expected losses under stress scenario. Among them, sovereign state-based risk is mainly based on its external rating results to give a default rate, and stress tests are only conducted for more serious scenarios. Otherwise, counterparties are given a different probability of default (PD) depending on whether the counterparties belong to the financial industry. For the calculation of the exposure at default, the investment position is calculated on the basis of the book value.

B. Securities and derivative products transactions in the trading book

Based on the current calculation of the market risk stress test of the second pillar, the Group uses market risk factor sensitivity analysis to calculate the impact on profit or loss arising from asset impairment due to the changes in risk factors, including equity security, interest rates, gold and exchange rates, products, and credit-derived products. Changes in each risk factor lead to different benefits and losses depending on the severity of the scenario. Among all risk factors and domestic and foreign scenarios, there may be losses in certain parts of

the position and gains in other parts in the same scenario. The greatest loss resulting from fluctuations in scenario is deemed as the estimated loss in the stress scenario.

① Sensitivity Analysis

Test items: For the main trading book positions in different markets, the listed scenario test is carried out if the computed market risk capital of the position accounts for more than 5% of the total market risk capital.

A. Interest rate risk

Assuming all other factors were unchanged, if the yield curves of all markets in the world shifted downward/upward by 100 basis points on December 31, 2023, the Group's net profit or loss would increase/decrease by NTD1,699,775 thousand.

B. Exchange rate risk

Assuming all other factors were unchanged, if the major currency exchange rates on December 31, 2023 relatively appreciated/depreciated by 3%, the Group's net profit or loss before tax would increase/decrease by NTD25,493 thousand. The main currencies are the USD, EUR, and JPY.

C. Equity securities price risk

Assuming all other factors were unchanged, if the price of equity securities on December 31, 2023 were relatively increased/decreased by 15%, the Group's net profit or loss before tax would increase/decrease by NTD378,574 thousand.

D. Sensitivity analysis is compiled as follows:

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January 1 to December 31, 2023

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	378,574	1,634,379	23.16%
	Major stock markets -15%	(378,574)		-23.16%
Interest rate market	Main interest rate +100bp	(1,699,775)		-104.00%
	Main interest rate -100bp	1,699,775		104.00%
Foreign exchange market	Main currency +3%	25,493		1.56%
	Main currency -3%	(25,493)		-1.56%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(2,052,856)		-125.60%

January 1 to December 31, 2022

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	\$150,366	\$1,428,797	10.52%
	Major stock markets -15%	(150,366)		-10.52%
Interest rate market	Main interest rate +100bp	(1,518,924)		-106.31%
	Main interest rate -100bp	1,518,924		106.31%
Foreign exchange market	Main currency +3%	25,467		1.78%
	Main currency -3%	(25,467)		-1.78%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(1,643,823)		-115.05%

(7) Exchange rate risk concentration information

The Group's foreign currency financial assets and liabilities with significant impact are as follows:

	2023.12.31			2022.12.31		
	Foreign currency (thousand)	Exchan ge rate	NTD	Foreign currency (thousand)	Exchan ge rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$1,414,546	30.74	\$43,476,080	\$1,558,354	30.71	\$47,853,926
HKD	209,100	3.93	822,601	214,942	3.94	846,504
AUD	4,145	21.00	87,059	4,750	20.83	98,942
JPY	6,202,699	0.22	1,348,467	8,615,067	0.23	2,002,141
EUR	1,512	34.01	51,440	2,357	32.71	77,113
RMB	10,471	4.33	45,353	38,061	4.41	167,764
<u>Non-monetary items</u>	-	-	-	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$1,433,225	30.74	\$44,050,156	\$1,657,626	30.71	\$50,902,392
HKD	9,108	3.93	35,831	11,429	3.94	45,010
AUD	29,177	21.00	612,842	33,971	20.83	707,598
JPY	3,596,510	0.22	781,881	2,098,883	0.23	487,780
EUR	1,655	34.01	56,281	2,355	32.71	77,024
RMB	196,012	4.33	848,986	226,959	4.41	1,000,389
<u>Non-monetary items</u>	-	-	-	-	-	-

Due to the wide variety of foreign currencies of the Group, it is impossible to disclose the exchange gains and losses information of monetary financial assets and financial liabilities by each foreign currency with significant impact. The Group's foreign currency exchange (loss) gain from January 1 to December 31, 2023 and 2022 were NTD(15,266) thousand and NTD(97,203) thousand, respectively.

(8) Others

Due to the outbreak of Russo-Ukrainian War in 2022, credit rating agencies have downgraded the sovereign rating of Russia, which has increased the credit risk of financial instruments in the Group's investment in Russia. When preparing the financial report, the Group has considered the relevant impacts and made appropriate provision for impairment. However, it is assessed that the overall economic environment has no material impact on the Group's financial condition and ability as a going concern.

## XV. Capital Management

### 1. Overview

In response to the trend of capital management, the Group's overall business monitoring indicators are established to match the business development strategy and to reflect the overall risk situation. The various capital management indicators of the Group are as follows:

- (1) The Bank's overall capital adequacy ratio shall not be less than 10.5%.
- (2) Tier 1 capital shall not be less than 8.5% of the total risk assets.
- (3) The common stock equity shall not be less than 7.0% of the total risk assets.
- (4) The total business reserve and allowance for bad debt as stated in Tier 2 capital with a credit risk standard adopted shall not exceed 1.25% of the total amount of credit risk and weighted risk assets.

### 2. Capital management procedure

- (1) The Group's capital management objectives are based on the "Legal Capital":  
Legal Capital Management Objectives: To meet the legal capital requirements of the supervisory authority, set the Company's capital adequacy ratio target, and ensure that the Company can operate safely and steadily.

#### (2) Legal capital management

##### ① Demand legal capital

The Group uses the "Methods for calculating Bank's regulatory capital and Risk Weighted Assets" (hereinafter referred to as the "calculation methods") that is issued by the competent authority to calculate the unanticipated losses arising from the credit risk, market risk, and operational risk under the existing assets and operating conditions, and compute the relative capital in response to the situation accordingly.

##### ② Legal capital available

The Group's legal capital available is based on the rules published by the competent authorities to have the Group's capital classified by its source and characteristics as follows:



#### Tier 1 Capital:

- (1) Refers to the common stock equity net of the intangible assets, the deferred income tax assets arising from the losses of previous years, the business reserve and the insufficient appropriation of the allowance for bad debt, the revaluation increments of real estate, the unamortized loss of the bad debts sold, and other legal adjustment items specified and stipulated according to the calculation methods.

Common stock equity: Includes common stock and its share premium, advance capital, additional paid-in capital, legal reserve, special reserve, accumulated profit or loss, non-controlling equity, and other equity items.

- (2) Other Tier 1 capital other than common stock equity: Includes perpetual non-cumulative preferred stock and its share premium, non-cumulative subordinated bonds without a maturity date, perpetual non-cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and non-cumulative subordinated bonds without a maturity date.

#### Tier 2 Capital:

Includes perpetual cumulative preferred stock and its share premium, cumulative subordinate bonds without a maturity date, convertible subordinate bonds, long-term subordinate bonds, non-perpetual preferred stock and its share premium, real estate's first-time adoption of IAS, increase of retained earnings arising from the fair value or the revaluation value used as the cost, the valuation increments arising from the subsequent measurement of investment real estate at fair value and 45% of the unrealized benefits of the financial assets measured at FVOCI, business reserve and allowances for bad debts, perpetual cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and cumulative subordinated bonds without maturity date, convertible subordinate bonds, long-term subordinate bonds, and non-perpetual preferred stock and its share premium. The items ought to be deducted as stipulated in the explanation of the calculation methods.

The allowance for bad debt included in Tier 2 capital in the preceding paragraph refers to the amount that the bank's allowance for bad debt exceeds the estimated loss of the bank based on historical losses.

③ The management of legal capital is to convert the unanticipated losses of each risk to the total amount of risk assets, and then divide the legal capital available by the total amount of the risk assets to calculate the capital adequacy ratio. The basic objective is to ensure that the Group's capital adequacy ratio is higher than the mandatory legal ratio.

### (3) Capital Adequacy

The Group's consolidated qualified regulatory capital ratios and risk assets ratios as of December 31, 2023 and 2022 were 16.58% and 14.05%, respectively. These were in line with the capital management regulations of the competent authorities.

## XVI. Supplementary Disclosure

### 1. Information on significant transactions

- (1) Cumulative amount of the stock of the same investee purchased or sold totaling NTD300 million or more than 10% of the paid-in capital: None.
- (2) Acquisition of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
- (3) Disposal of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
- (4) Discount of service charges in transaction with related party totaling more than NTD5 million: None.
- (5) Receivables from related party totaling NTD300 million or more than 10% of the paid-in capital: None.
- (6) Information regarding sale of non-performing loan: None.
- (7) The types of securitized products and related information applied and approved for process according to the "Financial Assets Securitization Act" or the "Clauses of the Real Estate Securitization Act": None.
- (8) Business relationships or significant transactions and amounts between parent company and subsidiaries and among subsidiaries: Please refer to Table 1.
- (9) Other important transactions sufficient to affect the decision-making of financial statements users: None.

### 2. Information on reinvestment and total shareholding

- (1) Information on reinvestment: None.
- (2) Loaning to others: Please refer to Table 2.
- (3) Endorsements/guarantees to others: None.
- (4) Marketable securities held at the end of the period (Note): Please refer to Table 3.
- (5) Cumulative amount of the stock of the same investee purchased or sold totaling NTD300 million or more than 10% of the paid-in capital: None.
- (6) Information on trading in derivative instruments: None.
- (7) Acquisition of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
- (8) Disposal of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
- (9) Discount of service charges in transaction with related party totaling more than NTD5 million: None.
- (10) Receivables from related party totaling NTD300 million or more than 10% of

the paid-in capital: None.

- (11) Information regarding sale of non-performing loan: None.
- (12) The types of securitized products and related information applied and approved for process according to the "Financial Assets Securitization Act" or the "Clauses of the Real Estate Securitization Act": None.
- (13) Other important transactions sufficient to affect the decision-making of financial statements users: None.

Note: If the reinvestment belongs to the financial industry, insurance industry, or securities industry, relevant information may be exempt from disclosure in accordance with laws and regulations.

3. Setting up branches and investments in Mainland China

No such event.

4. Information on major shareholders: Please refer to Table 4.

5. Disclosure of other supplementary information

- (1) Loans and receivables and allowance for bad debt assessment form: Please refer to XIV. 3 (13) for details.
- (2) Quality of assets: Please refer to Table 5.
- (3) Non-performing loans or overdue accounts receivable exempted from report: Please refer to Table 6.
- (4) Concentration of credit risk: Please refer to Table 7 and Table 7-1.
- (5) Interest rate sensitive assets and liabilities analysis table: Please refer to Table 8 and 8-1.
- (6) Profitability: Please refer to Table 9.
- (7) Maturity date structure analysis table: Please refer to Table 10 and Table 10-1.
- (8) Capital adequacy: Please refer to Tables 11.

## XVII. Department Information

1. For management purposes, the Group divided its operating units based on different products and services, and categorized them into the following two operation departments for reporting:
  - (1) Branch business operation department: Handle deposits and loans, foreign exchange, guarantees, discounts and cashiers, safe deposit boxes, trust business promotion, and assets, liabilities, income, and expenses that cannot be directly attributed or cannot be classified to an operating department.
  - (2) Financial market operation department: Handle the Bank's fund scheduling and investment related work.

The management individually monitors the operational results of each operating department and has made decisions on resource allocation and performance evaluation. The performance evaluation of the department is based on the operating profit or loss. The accounting policies of the operating department are the same as the summary of the significant accounting policies described in Note IV.

2023

	Branch business	Financial market	Adjustments and elimination	Total
Interest revenue	\$4,840,815	\$894,828	\$-	\$5,735,643
Service fee income	2,354,190	-	-	2,354,190
Investment profit	103,661	1,576,216	-	1,679,877
Other income and expenditures	202,306	-	-	202,306
Total revenue	<u>7,500,972</u>	<u>2,471,044</u>	<u>-</u>	<u>9,972,016</u>
Depreciation and amortization	(89,281)	(63,969)	-	(153,250)
Total operating expenses	(2,073,683)	(302,241)	-	(2,375,924)
Other major non- cash accounts				
Bad debt appropriation	(83,837)	-	-	(83,837)
Segment profit/loss	<u>\$5,254,171</u>	<u>\$2,104,834</u>	<u>\$-</u>	<u>\$7,359,005</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd.  
and its subsidiaries (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2022

	Branch business	Financial market	Adjustments and elimination	Total
Interest revenue	\$4,702,318	\$1,310,943	\$-	\$6,013,261
Service fee income	2,296,541	-	-	2,296,541
Investment profit	(35,898)	(3,035,547)	-	(3,071,445)
Other income and expenditures	114,013	-	-	114,013
Total revenue	<u>7,076,974</u>	<u>(1,724,604)</u>	<u>-</u>	<u>5,352,370</u>
Depreciation and amortization	(77,658)	(61,825)	-	(139,483)
Total operating expenses	(1,804,791)	(247,182)	-	(2,051,973)
Other major non- cash accounts				
Bad debt appropriation	(216,683)	-	-	(216,683)
Segment profit/loss	<u>\$4,977,842</u>	<u>\$(2,033,611)</u>	<u>\$-</u>	<u>\$2,944,231</u>

The information relating to the assets of the Group's operating department as of December 31, 2023 and 2022 is shown in the following table:

	Branch business	Financial market	Adjustments and elimination	Total
2023.12.31				
Segment assets	<u>\$283,238,175</u>	<u>\$100,671,338</u>	<u>\$438,546</u>	<u>\$384,348,059</u>
2022.12.31				
Segment assets	<u>\$283,040,645</u>	<u>\$96,499,536</u>	<u>\$446,615</u>	<u>\$379,986,796</u>

2. Product information:

The Bank and its subsidiaries are divided into operating departments on the basis of business operations. Therefore, no further business information will be disclosed.

3. Regional information:

The revenues of the Bank and its subsidiaries are entirely generated in Taiwan.

4. Important customer information:

The Bank and its subsidiaries did not generate revenues from one specific external customer for an amount more than 10% of the Bank's income.

Table 1

Business Relationships and Significant Transactions Between Parent Company and Subsidiaries:

Unit: NTD thousand

Serial No. (Note 1)	Trader's name	Counterparty	Relationship with trader (Note 2)	2023.01.01~2023.12.31			
				Transactions			
				Account	Amount	Terms and conditions	Percentage of consolidated total revenue or total assets (Note 3)
0	The Company	Kings Town Bank International Lease Corporation	1	Deposits and remittances	27,411	General	0.01
0	The Company	Kings Town Bank International Lease Corporation	1	Other non-interest net profit or loss	1,928	General	0.02
0	The Company	Kings Town Intl. Construction Management Corporation	1	Deposits and remittances	16,520	General	-
0	The Company	Kings Town Intl. Construction Management Corporation	1	Other non-interest net profit or loss	576	General	0.01
0	The Company	Kings Town Securities Co., Ltd.	1	Deposits and remittances	96,791	General	0.03
0	The Company	Kings Town Securities Co., Ltd.	1	Payables	201	General	-
0	The Company	Kings Town Securities Co., Ltd.	1	Receivables	204	General	-
0	The Company	Kings Town Securities Co., Ltd.	1	Other business and administrative expenses	1,961	General	0.02
0	The Company	Kings Town Securities Co., Ltd.	1	Other non-interest net profit or loss	820	General	0.01

Note1. The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

1. 0 is for the Parent Company.
2. Subsidiaries are numbered from number 1.

Note2. There are three types of relationships with traders, please mark the type intended.

1. Parent company vs. subsidiaries
2. Subsidiaries vs. parent company
3. Subsidiary vs. subsidiary

Note3. For computing the percentage of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.



Table 2

Loaning to Others

Unit: NTD thousand

No. (Note 1)	Lender of funds	Borrower of funds	Transaction title	Are they related parties	Maximum balance for the period	Ending balance	The actual disbursed Amount	Interest rate Range	Nature of loan (Note 4)	Business transaction amount (Note 5)	Reasons for necessity of short- term financing (Note 6)	Amount of provision for bad debt allowance	Collateral		Loan limit amount for each individual (Note 2)	Total limit on financing amount (Note 3)
													Name	Value		
1	King's Town Bank International Leasing Co., Ltd	Company A	Accounts Receivable	No	549,659	518,455	518,455	5%~16%	1	500		10,818	Real estate	501,315	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company B	Accounts Receivable	No	480,000	480,000	480,000	5%~16%	1	100		4,870	Real estate	537,879	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company C	Accounts Receivable	No	418,000	418,000	418,000	5%~16%	1	80,000		4,305	Real estate	201,464	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company D	Accounts Receivable	No	300,000	300,000	300,000	5%~16%	1	100		3,088	Real estate	265,914	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company E	Accounts Receivable	No	300,000	300,000	300,000	5%~16%	2	-	Operation needs	3,146	Real estate	248,650	415,037	664,059
1	King's Town Bank International Leasing Co., Ltd	Other customer	Accounts Receivable	No	6,901,257	2,750,493	2,637,474	5%~16%	1	1,027,148		32,398	No/ Movable property/ Real estate	6,053,918	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Other customer	Accounts Receivable	No	583,353	331,232	257,232	5%~16%	2	-	Operation needs	2,839	No/Real estate	574,132	415,037	664,059

Note1. The financial information of the Company and its subsidiaries should be indicated in the corresponding column. The numbering method is as follows:

- (1) For the column of the issuer, please fill in "0."
- (2) Investee is numbered starting from number 1.

Note2. Subsidiary's limit amount for each individual:

- (1) Business counterparty:

Unsecured: The individual loan amount shall not exceed 50% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Total secured/unsecured amount: The individual loan amount shall not exceed 150% of the lending company's net value in the most recent financial report audited by the certified public accountant.

- (2) Those who need financial support: The individual loan amount shall not exceed 25% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note3. The subsidiary's loan amount may not exceed 40% of the lending company's net value in the most recent financial report audited by the certified public accountant. For the business counterparty, the loan amount may not exceed 12 times of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note4. The nature of loan is illustrated as follows:

- (1) For the business counterparty, please fill in "1."
- (2) For those who need a short-term loan, please fill in "2."

Note5. For the nature of type 1, the amount of business dealings should be provided. The amount of business dealings refers to the amount business transaction amount between the lender and the borrower in the most recent year.

Note6. For the nature of type 2, the reasons for the need, purpose and use of the loan shall be provided. Such reasons may include repayment of loans, purchase of equipment, operation needs, etc.

Note7. The investee, King's Town International Leasing Co., Ltd., has granted loans to 94 customers; however, a detailed list has not been prepared as no individual loan amount exceeds 5% of the total loaned.

Table 3

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Venture):

Unit: NTD thousand

Holding company	Types and names of securities (Note 1)	Relationship with the securities issuer	Accounts in books	End of period				Note
				Shares (thousand shares)	Book value	Share- holding ratio	Fair value	
King's Town Bank International Leasing Co., Ltd	Bank of Panhsin	-	Financial assets measured at FVOCI	12,838	112,586	0.75%	112,586	
King's Town Bank International Leasing Co., Ltd	Hoyii Life Co., Ltd.	-	Financial assets measured at FVOCI	132	1,638	1.28%	1,638	
King's Town Bank International Leasing Co., Ltd	Long-Shun Green Energy Technology Ltd.	-	Financial assets measured at FVOCI	250	7,110	0.71%	7,110	
King's Town Bank International Leasing Co., Ltd	Cathay No. 1 Real Estate Investment Trust (Trustee - Land Bank)	-	Financial assets measured at FVOCI	24,164	410,312	-	410,312	
King's Town Bank International Leasing Co., Ltd	Forest Water Environmental Engineering Co., Ltd.	-	Financial assets measured at FVTPL	3,727	113,302	2.54%	113,302	
King's Town Bank International Leasing Co., Ltd	Radium Life Tech Co., Ltd.	-	Financial assets measured at FVTPL	1,500	14,715	0.17%	14,715	
King's Town Bank International Leasing Co., Ltd	Lian Ding Capital Investment Limited Partnership	-	Financial assets measured at FVTPL	-	227,926	10.23%	227,926	

Note1. Securities as stated in this table are the stocks, bonds, beneficiary certificates, and the securities deriving from the above items within the scope of IFRS 9, "Financial Instruments."

Table 4

Information on major shareholders

Shareholding Name of major shareholder	No. of shares held (shares)	Shareholding ratio
Chen-Chih Tai	78,209,000	7.03%
Tien-Tsan Tsai	72,752,033	6.54%

Note1. The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

Note2. For the above are shares entrusted by the shareholders, the information thereto shall be based on the shares disclosed by the individual trust account of opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.

Quality of Assets

Non-performing Loans and Overdue Accounts Receivable

Unit: NTD thousand, %

Year / month		December 31, 2023					December 31, 2022				
Business category / Items		Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)	Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)
Corporate banking	Secured	\$32,070	\$142,936,511	0.02%	\$2,219,848	6,921.88%	\$28,338	\$145,467,588	0.02%	\$2,152,522	7,595.89%
	Unsecured	-	74,122,802	-	1,123,193	-	-	83,022,009	-	1,149,618	-
Consumer banking	Residential mortgage loans (Note 4)	11,834	13,670,534	0.09%	234,908	1,985.03%	8,055	13,620,582	0.06%	218,737	2,715.54%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)	342	72,937	0.47%	1,914	559.65%	274	128,554	0.21%	3,171	1,157.30%
	Others (Note 6)	Secured	3,591	2,806,673	0.13%	40,707	1,133.66%	3,649	3,626,127	0.10%	51,461
Unsecured		-	98,534	-	1,299	-	-	46,182	-	622	-
Total amount		\$47,837	\$233,707,991	0.02%	\$3,621,869	7,571.27%	\$40,316	\$245,911,042	0.02%	\$3,576,131	8,870.25%
		Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate	Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate
Credit card		\$469	\$469	100.00%	\$337	71.86%	\$469	\$469	100.00%	\$337	71.86%
Non-recourse receivables factoring business (Note 7)		-	-	-	-	-	-	-	-	-	-

Note1. The non-performing loan is the overdue amount reported in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans. The Non-performing credit card amount is reported according to Jin-Guan-Yin-(IV)-Zi Letter No. 0944000378, dated July 6, 2005.

Note2. Non-performing loan ratio = Non-performing loan/total loan amount. Non-performing credit card ratio = Non-performing amount/balance of accounts receivable.

Note3. Coverage ratio of allowance for bad debt = Allowance for bad debt appropriated for loans/NPL amount. Coverage ratio of allowance for bad debt of credit card = Allowance for bad debt appropriated for credit card receivables/NPL amount.

Note4. The residential mortgage loan refers to the borrower providing the resident purchased (owned) by the borrower of his/her spouse or minors as collateral to financial institutions in exchange for funds in order to purchase or construct or furnish houses.

Note5. Small credit loans refer to small credit loans other than credit cards and cash cards. These are also subject to Jin-Guan-Yin-(IV)-Zi Official Letter No. 09440010950 dated, dated December 19, 2005.

Note6. "Other" consumer finance refers to secured or unsecured consumer finance loans other than residential mortgage loans, cash cards, and small credit loans, excluding credit cards.

Note7. The accounts receivable business without recourse is reported as non-performing loans within three months upon confirming that the accounts receivable factoring banks or insurance companies decline to compensate in accordance with the Jin-Guan-Yin-(V)-Zi No. 094000494 Official Letter dated July 19, 2005.

Table 6

Non-performing Loans or Overdue Accounts Receivable Exempted from Report

Unit: NTD thousand

	December 31, 2023		December 31, 2022	
	Total NPL exempted from report	Total non-performing receivable accounts exempted from report	Total NPL exempted from report	Total non-performing receivable accounts exempted from report
Exempted amount after a debt negotiation and contractual performance (Note 1)	\$683	\$13	\$1,285	\$19
Performance of debt clearance program and rehabilitation program (Note 2)	2,662	1	4,308	3
Total	\$3,345	\$14	\$5,593	\$22

Note1. For the Jin-Guan-Yin-(I)-Zi No. 09510001270 Official Letter dated April 25, 2006. It is regarding the matters to be disclosed additionally according to the credit reporting methods and information disclosure requirement of the cases approved according to the “Unsecured Debt Negotiation Mechanism for Consumer Finance Cases of the Bankers Association of the Republic of China.”

Note2. For the Jin-Guan-Yin-(I)-Zi No 09700318940 Official Letter dated September 15, 2008. It is regarding the matters to be disclosed additionally according to the credit reporting and information disclosure requirements of the pre-negotiation, rehabilitation, and liquidation cases approved according to the “Consumer Debt Clearance Act.”

Table 7

Concentration of Credit Risk

Unit: NTD thousand, %

Year	December 31, 2023		
Ranking (Note 1)	Industry that Company or Group is engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of current net value (%)
1	Company (Group) A - Construction engineering business	7,867,169	15.70%
2	Company (Group) B - Film and television production business	6,093,001	12.16%
3	Company (Group) C - Unclassified other financial service business	4,900,289	9.78%
4	Company (Group) D - Real estate development business	4,130,888	8.24%
5	Company (Group) E - Power supply business	3,905,986	7.79%
6	Company (Group) F - Glass container manufacturing business	3,840,000	7.66%
7	Company G - Other holding business	3,688,200	7.36%
8	Company H - Power supply business	3,487,047	6.96%
9	Company (Group) I - Unclassified other financial service business	3,254,402	6.49%
10	Company (Group) J - Non-alcoholic beverage wholesale business	3,184,170	6.35%

Note1. Ranked according to the total credit balance of the debtors. Please list the names of the top 10 debtors that are not government agencies or state-owned enterprises. If the debtor is an enterprise of the Group, the credit amount of said enterprise should be attributed and included in the total amount, as well as disclosed in the form of “code” + “industry” [for example: Company (or Group) A Manufacture of Liquid Crystal Panel and Components]. For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified in the “detailed category” according to the Standard Industrial Classification System of the Republic of China as issued by the Directorate-General of Budget, Accounting and Statistics.

Note2. The group refers to those defined in Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note3. The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Table 7-1

Concentration of Credit Risk

Unit: NTD thousand, %

Year	December 31, 2022		
Ranking (Note 1)	Industry that Company or Group is engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of current net value (%)
1	Company (Group) A - Construction engineering business	7,820,450	18.44%
2	Company (Group) B - Unclassified other financial service business	4,852,891	11.44%
3	Company (Group) C - Unclassified other financial service business	4,806,039	11.33%
4	Company (Group) D - Glass container manufacturing business	4,684,000	11.04%
5	Company (Group) E - Real estate development business	4,355,888	10.27%
6	Company F - Other holding business	3,684,960	8.69%
7	Company (Group) G - Power supply business	3,586,609	8.46%
8	Company (Group) H - Real estate development business	3,492,280	8.23%
9	Company (Group) I - Unclassified other financial service business	3,217,655	7.59%
10	Company (Group) J—Wholesale of metal building materials	3,072,800	7.24%

Note1. Ranked according to the total credit balance of the debtors. Please list the names of the top 10 debtors that are not government agencies or state-owned enterprises. If the debtor is an enterprise of the Group, the credit amount of said enterprise should be attributed and included in the total amount, as well as disclosed in the form of “code” + “industry” [for example: Company (or Group) A Manufacture of Liquid Crystal Panel and Components]. For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified in the “detailed category” according to the Standard Industrial Classification System of the Republic of China as issued by the Directorate-General of Budget, Accounting and Statistics.

Note2. The group refers to those defined in Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note3. The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.



Table 8

Interest Rate Sensitive Assets and Liabilities Analysis Table (NTD)

2023.12.31

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$245,095,112	\$10,502,658	\$4,252,144	\$43,521,252	\$303,371,166
Interest rate sensitivity liabilities	224,847,746	17,410,865	24,592,593	1,942,528	268,793,732
Interest rate sensitivity gap	20,247,366	(6,908,207)	(20,340,449)	41,578,724	34,577,434
Net value					51,537,037
Interest rate sensitivity assets and liabilities rate					112.86
Interest rate sensitivity gap and net value rate					67.09

2022.12.31

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$258,039,749	\$2,508,728	\$613,622	\$38,090,947	\$299,253,046
Interest rate sensitivity liabilities	242,486,972	8,317,666	15,603,847	1,191,017	267,599,502
Interest rate sensitivity gap	15,552,777	(5,808,938)	(14,990,225)	36,899,930	31,653,544
Net value					45,513,749
Interest rate sensitivity assets and liabilities rate					111.83
Interest rate sensitivity gap and net value rate					69.55

Note1. This table is prepared to report the amount in NTD(excluding foreign currency) of the head office and domestic and foreign branches.

Note2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.

Note3. Interest rate sensitivity gap = Interest rate sensitivity assets - Interest rate sensitivity liabilities.

Note4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in NTD)

Table 8-1

Interest rate sensitivity assets and liabilities analysis data (USD)

2023.12.31

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$358,550	\$7,020	\$-	\$1,033,015	\$1,398,585
Interest rate sensitivity liabilities	1,059,385	95,612	270,171	1,734	1,426,902
Interest rate sensitivity gap	(700,835)	(88,592)	(270,171)	1,031,281	(28,317)
Net value					(46,282)
Interest rate sensitivity assets and liabilities rate					98.02
Interest rate sensitivity gap and net value rate					61.18

2022.12.31

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$421,075	\$7,099	\$8,680	\$1,093,095	\$1,529,949
Interest rate sensitivity liabilities	1,489,977	29,924	129,183	-	1,649,084
Interest rate sensitivity gap	(1,068,902)	(22,825)	(120,503)	1,093,095	(119,135)
Net value					(100,854)
Interest rate sensitivity assets and liabilities rate					92.78
Interest rate sensitivity gap and net value rate					118.13

Note1. This table is prepared to report the amount in USD of the head office and domestic branches, international financial business branches, and overseas branches, excluding contingent assets and contingent liabilities.

Note2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.

Note3. Interest rate sensitivity gap = Interest rate sensitivity assets - Interest rate sensitivity liabilities.

Note4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in USD)

Table 9

Profitability

Unit: %

Item		2023.12.31	2022.12.31
Return on Assets (ROA)	Before tax	1.93	0.81
	After tax	1.62	0.61
Return on Equity (ROE)	Before tax	15.91	6.45
	After tax	13.42	4.84
Net profit rate		62.25	41.30

Note1.  $ROA = \text{Income before (after) tax} / \text{Average total assets}$

Note2.  $ROE = \text{Income before (after) tax} / \text{Average net value}$

Note3.  $\text{Profit rate} = \text{Income after tax} / \text{income-net}$

Note4. Income before (after) tax means the income accumulated from January of the current year until the current quarter

Table 10

Maturity Date Structure Analysis Table (NTD)

2023.12.31

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$329,831,850	\$86,744,248	\$19,627,355	\$26,909,213	\$55,737,478	\$140,813,556
Outward remittance of due fund	369,130,793	35,542,248	40,461,576	57,131,634	67,256,939	168,738,396
Period difference	(39,298,943)	51,202,000	(20,834,221)	(30,222,421)	(11,519,461)	(27,924,840)

2022.12.31

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$322,369,816	\$74,605,730	\$20,302,096	\$23,309,351	\$65,670,661	\$138,481,978
Outward remittance of due fund	362,016,137	55,514,187	48,033,788	47,264,533	54,627,103	156,576,526
Period difference	(39,646,321)	19,091,543	(27,731,692)	(23,955,182)	11,043,558	(18,094,548)

Table 10-1

Maturity Date Structure Analysis Table (USD)

2023.12.31

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$1,464,650	\$134,312	\$6,378	\$10,470	\$17,802	\$1,295,688
Outward remittance of due fund	1,448,023	689,665	309,791	96,045	271,057	81,465
Period difference	16,627	(555,353)	(303,413)	(85,575)	(253,255)	1,214,223

2022.12.31

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$1,639,473	\$183,423	\$9,134	\$8,425	\$23,776	\$1,414,715
Outward remittance of due fund	1,622,865	939,124	465,918	30,190	129,888	57,745
Period difference	16,608	(755,701)	(456,784)	(21,765)	(106,112)	1,356,970

Table 11

Capital Adequacy (Explanation 1)

Unit: NTD thousand

Items		Year (Explanation 2)	December 31, 2023	December 31, 2022
Self-owned capital	Common stock equity		49,720,670	42,301,965
	Other Tier 1 Capital			
	Tier 2 Capital		3,719,496	3,713,615
	Self-owned capital		53,440,166	46,015,580
Risk-weighted assets	Credit Risk	Standardized approach	283,379,463	292,957,404
		Internal ratings-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	16,853,389	15,593,389
		Standard Method/Selective Standard Method	-	-
		Advanced Measurement	-	-
	Market Risk	Standardized approach	22,060,586	18,938,873
		Internal models approach	-	-
	Total risk-weighted assets		322,293,438	327,489,666
Capital adequacy ratio		16.58%	14.05%	
Ratio of Common Stock Equity to Risk-Based assets		15.43%	12.92%	
Ratio of Tier 1 capital to Risk-Based Assets		15.43%	12.92%	
Leverage ratio		12.55%	10.72%	

Note1. The amount of the regulatory capital, weighted risk assets, and total risk exposure should be calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Description and Table of Calculation Methods for Capital and Risk Assets of Banks."

Note2. The capital adequacy ratio for the current period and the previous period should be filled in the annual financial statement. The interim financial statements shall, in addition to disclosing the ratio of the current period and the previous period, also disclose the capital adequacy ratio at the end of the previous year.

Note3. This table should demonstrate the following formula:

- (1) Self-owned capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital.
- (2) Total amount of risk-weighted-assets = Credit risk-weighted assets + Capital charge of (operational risk + market risk) x 12.5.
- (3) Capital Adequacy ratio = Total self-owned capital/Total amount risk-weighted assets.
- (4) Ratio of common stock equity to risk assets = Common stock equity / Total risk weighted assets.
- (5) Ratio of Tier 1 capital to risk-based assets = (Common stock equity + Tier 1 capital) / Total risk-weighted asset.
- (6) Leverage ratio = Tier 1 capital/Total exposure.

Note4. This table may not be disclosed in the financial statements for Q1 and Q3.

## Appendix II

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**King's Town Bank Co., Ltd.**  
**Financial Statements and Independent Auditor's Report**  
**January 1 to December 31, 2023 and 2022**

Address: No. 506, Section 1, Ximen Road, West Central District, Tainan City  
Tel: +886-6-213-9171

### Notice to Readers

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. The figures are not yet audited by CPA. 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 version independent auditors' report and consolidated financial statements shall prevail.



## Independent Auditors' Report

To King's Town Bank Co., Ltd.

### **Audit opinion**

We have audited the accompanying balance sheets of King's Town Bank Co., Ltd. as of December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity, statements of cash flows, and notes to the financial statements (including a summary of significant accounting policies) from January 1 to December 31, 2023 and 2022.

In our opinion, based on our audit results and the audit reports of other CPAs (please refer to the section titled "Other Matters"), the parent company only financial statements referred to above present fairly, in all material aspects, the financial position of King's Town Bank Co., Ltd. as of December 31, 2023 and 2022, and the results of its financial performance and cash flows from January 1 to December 31, 2023 and 2022 in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

### **Basis for opinion**

We have audited the accompanying parent company only financial statements in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," Jin-Guan-Yin-Fa-Zi No. 10802731571 Letter and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the section on responsibilities of auditors for the audit of the financial statements. We are independent of King's Town Bank Co., Ltd. in accordance with the Code of Ethics for Certified Public Accountants in the part relevant to the audit of the financial statements of King's Town Bank Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other CPAs, 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 matter that, in our professional judgment, were of most significant in our audit of the financial statements of King's Town Bank Co., Ltd. for 2023. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

### Financial instrument evaluation

King's Town Bank Co., Ltd. invests in different types of financial assets. As of December 31, 2023, the total financial assets measured at fair value were NTD81,889,389 thousand, accounting for about 22% of total assets. Of these, for the investments classified as Level II in the fair value hierarchy, including the derivative financial instruments of bonds and FX swap contracts, there was a book value of NTD43,353,890 thousand, accounting for 53% of the financial assets measured at fair value. Since the Level II investment evaluation is based on an internal evaluation model, the key input values are the yield rate and exchange rate, both of which have a significant impact on the estimation of fair value. Therefore, we consider this to be a key audit matter.

Our audit procedures include (but are not limited to) evaluating and testing the effectiveness of internal controls related to financial instrument evaluation, including the evaluation models and their assumptions managed and approved by the management. We have used the sampling basis to understand and evaluate the rationality of the key assumptions, perform an independent evaluation calculation, and adopt the assistance of internal evaluation experts to compare the differences against the evaluations made by the management in order to see whether they are within the tolerance range.

Please refer to Notes V, VI, XIII, and XIV of the financial statements for the disclosures of financial assets of King's Town Bank Co., Ltd.

### Appropriated allowance for bad debt from loans

As of December 31, 2023, the book value of the loans of King's Town Bank Co., Ltd. was NTD230,086,122 thousand, accounting for about 62% of the total assets, which is significant to the financial statements and is subject to the assessment of expected credit losses as stipulated in IFRS 9 Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans. The assumptions adopted by the management in estimating the expected credit losses include the conditions for determining whether the credit risk is significantly increased, whether credit impairment has occurred, the selection and evaluation of the forward-looking factors, the probability of default (PD), the loss given default (LGD) parameters, etc., and involve a high degree of professional judgment. Therefore, we also consider these to be key audit matters.

Our audit procedures include (but are not limited to) evaluating and testing internal controls related to the calculation of expected credit losses, examining whether the expected credit loss assessment model has been approved by the management, assessing the source of expected credit losses, and having internal experts review the reasonableness of the expected credit loss model, the appropriateness and rationality of the input parameters of the expected credit loss model in the sampling test, including the probability of default (PD) and the loss given default (LGD). In addition, we also examine whether the management complies with the requirements of the relevant authority's written order to confirm that the loan classification and allowance for bad debts are in compliance with the statutory requirements.

Please refer to Notes V, VI, and XIV of the financial statements for the disclosure of the allowance for bad debt of King's Town Bank Co., Ltd.

#### **Other Matters — Mentioning of the Audit Result of Other Certified Public Accountants (CPAs)**

We did not audit the financial statements of certain investees furnished to the financial statements. The financial statements of these investees were audited by other independent accountants. Therefore, our opinions regarding to the amounts listed in such investee financial reports from the financial statements mentioned above are based on the audit report from other CPAs. The investments in the aforementioned investees under the equity method as of December 31, 2023 and 2022 were NTD1,035,375 thousand and NTD1,013,424 thousand, respectively, accounting for 0.28% and 0.27% of the total assets, respectively. The Company's shares of profit of associates under the equity method for the first halves of 2023 and 2022 were NTD27,623 thousand and NTD(18,902) thousand, respectively, accounting for 0.38% and (0.66)% of the net income before tax, respectively, and the Company's shares of other comprehensive income of associates under the equity method were NTD(5,672) thousand and NTD2,972 thousand, respectively, accounting for (0.21)% and (0.05)% of the net other comprehensive income, respectively.

#### **Responsibilities of Management and Those in Charge of Governance with Regard to the Financial Statements**

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and for such internal control as the management determines is necessary to enable the preparation of the financial statements to be free from significant misstatement

whether due to fraud or error.

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

The governance unit of King's Town Bank Co., Ltd. (including the Audit Committee or supervisors) is responsible for supervising the financial reporting process.

### **Independent Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a significant 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 internal control effective in King's Town Bank Co., Ltd.

3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the exists related to events or conditions that may cast significant doubt on King's Town Bank Co., Ltd. and its ability to continue as a going concern. If we conclude that a significant uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause King's Town Bank Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall expression, structure, and content of the financial statements (including related notes) and whether the financial statements include the relevant transactions and events expressed adequately.
6. Obtain sufficient and appropriate audit evidence for the financial information of the Group to express an opinion on the financial statements. We are responsible for guiding, supervising, and implementing the audit of the Group. We remain solely responsible for our opinion.

We communicate the following events with the governance unit, including the planned scope and audit time, as well as major audit findings (including significant deficiencies of internal control identified during the audit process).

We also provide a statement to the governance unit that the personnel of the CPA Firm who are subject to the regulation of independence are indeed complying with the independence requirements in accordance with the Code of Professional Ethics. Also, they communicate to the governance unit all relationships and matters (including related protective measures) that may be considered as affecting our independence.

We use the matters communicated with the governance unit to decide the key audit matters for the audit of the financial statements of King's Town Bank Co., Ltd. for 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure of 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.

Ernst & Young Global Limited  
The Securities and Futures Bureau of the Financial  
Supervisory Commission approved the financial report of  
the public offering company

Auditing and Certification No.:  
Jin-Guan-Cheng-Shen-Zi No. 1100352201  
Jin-Guan-Cheng-Shen-Zi No. 1050043324

Kuo-Sen Hung

CPA

Sheng-An Hsieh

February 26, 2024

King's Town Bank Co., Ltd.  
Balance Sheets  
December 31, 2023 and 2022

Unit: NTD thousand

Assets			December 31, 2023		December 31, 2022	
Code	Account Item	Note	Amount	%	Amount	%
10000	Assets					
11000	Cash and cash equivalents	IV/VI.1	\$3,723,861	1	\$5,037,635	1
11500	Due from the Central Bank and call loans to other banks	IV/VI.2/VIII	25,614,640	7	15,206,369	4
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	42,511,519	11	36,707,318	10
12100	Financial assets measured at FVOCI	IV/VI.4, 24/VIII	39,377,870	11	42,292,760	11
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 24	19,397,863	5	17,598,455	5
13000	Receivables, net	IV/VI.6, 24/VIII	1,133,020	-	1,269,696	-
13500	Discounts and loans, net	IV/V/VI.7, 24	230,086,122	62	242,334,911	66
15000	Investments accounted for using the equity method, net	IV/VI.8	3,223,125	1	2,673,570	1
15500	Other financial assets, net	IV/VI.9	369	-	42	-
18500	Property and equipment, net	IV/VI.10	4,950,842	1	4,614,394	1
18600	Right-of-use assets, net	III/IV/VI.25	280,835	-	290,400	-
19300	Deferred tax assets	IV/VI.28	399,247	-	410,995	-
19500	Other assets, net	VI.11	2,012,721	1	1,963,820	1
	Total assets		<u>\$372,712,034</u>	<u>100</u>	<u>\$370,400,365</u>	<u>100</u>

(Please refer to Notes to the Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Balance Sheets (continued)  
December 31, 2023 and 2022

Unit: NTD thousand

Liabilities and Equity			December 31, 2023		December 31, 2022	
Code	Account Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from the Central Bank and other banks	IV/VI.12	\$13,308,286	4	\$24,092,259	7
22000	Financial liabilities measured at FVTPL	IV/VI.13	35,936	-	35,203	-
22500	Securities sold under agreement to repurchase	IV/VI.14	7,098,943	2	15,827,129	4
23000	Payables	VI.15	3,013,082	1	2,221,563	1
23200	Current income tax liabilities	IV/VI.28	531,106	-	730,764	-
23500	Deposits and remittances	VI.16	297,825,619	80	284,191,511	76
25600	Provisions	IV/VI.17, 18, 24	268,912	-	268,501	-
26000	Lease liabilities	III/IV/VI.25	287,140	-	295,487	-
29300	Deferred tax liabilities	IV/VI.28	54,940	-	52,560	-
29500	Other liabilities	VI.19	173,504	-	268,652	-
	Total liabilities		<u>322,597,468</u>	<u>87</u>	<u>327,983,629</u>	<u>88</u>
31000	Equity	VI.20				
31100	Share capital		11,112,343	3	11,112,343	3
31500	Capital surplus		55,192	-	55,192	-
32000	Retained earnings					
32001	Legal reserve		14,831,519	4	14,831,519	4
32003	Special reserve		1,540,617	-	120,039	-
32011	Unappropriated retained earnings		21,304,844	6	17,763,770	5
32500	Other equity interest	IV	1,270,051	-	(1,466,127)	-
	Total equity		<u>50,114,566</u>	<u>13</u>	<u>42,416,736</u>	<u>12</u>
	Total liabilities and equity		<u>\$372,712,034</u>	<u>100</u>	<u>\$370,400,365</u>	<u>100</u>

(Please refer to Notes to the Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen



King's Town Bank Co., Ltd.  
Statements of Comprehensive Income  
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Code	Account Item	Note	January 1 to December 31, 2023		January 1 to December 31, 2022	
			Amount	%	Amount	%
41000	Interest revenue	IV	\$9,873,545	103	\$7,668,647	153
51000	Less: Interest expenses	IV	(4,662,841)	(49)	(2,111,836)	(42)
	Net interest income	VI.21	5,210,704	54	5,556,811	111
	Non-interest net income					
49100	Net service fee income	IV/VI.22	2,169,346	23	2,161,407	43
49200	Gain (loss) on financial assets and liabilities at FVTPL	IV/VI.23	2,777,577	29	(1,409,086)	(28)
49310	Realized (loss) gain on financial assets at FVOCI	IV	(186,372)	(2)	(224,242)	(5)
49600	Net exchange (loss)	IV	(15,266)	-	(97,203)	(2)
47003	Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	IV	568,305	6	226,384	5
49700	Impairment of assets (loss)	IV/VI.24	(965,603)	(10)	(1,264,373)	(25)
49800	Other non-interest net income	IV	38,881	-	50,423	1
	Net income		9,597,572	100	5,000,121	100
58200	(Provision) of allowances for bad debts, commitments and guarantees	IV/VI.6, 7, 17, 24	(8,733)	-	(71,756)	(2)
58400	Operating expenses					
58500	Employee benefits expenses	VI.18, 26	(1,260,714)	(13)	(1,069,702)	(21)
59000	Depreciation and amortization expenses	IV/VI.10, 24, 25	(134,762)	(1)	(130,055)	(3)
59500	Other business and administrative expenses	IV	(941,249)	(10)	(858,739)	(17)
61000	Net income before taxes from continuing operations		7,252,114	76	2,869,869	57
61003	Income tax (expenses)	IV/VI.28	(1,045,013)	(11)	(659,447)	(13)
64000	Net income after tax		6,207,101	65	2,210,422	44
65000	Other comprehensive income (loss)					
65200	Items not reclassified to income:	IV/VI.27, 28				
65201	Remeasurements of the defined benefit plan		(8,714)	-	23,219	-
65204	Gain (loss) on evaluation of equity instruments at FVOCI		419,562	4	(263,895)	(4)
65207	Share of other comprehensive income of associates accounted for using the equity method - items that will not be reclassified subsequently to profit or loss		(18,750)	-	17,465	-
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		1,742	-	14,400	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.27, 28				
65301	Exchange differences from the translation of financial statements of foreign operations		(5,017)	-	33,855	1
65308	Gain (loss) on debt instrument investments at FVOCI		2,323,261	24	(5,789,990)	(116)
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		1,003	-	(4,665)	-
	Other comprehensive income (after tax)		2,713,087	28	(5,969,611)	(119)
66000	Total comprehensive income (after tax)		\$8,920,188	93	\$(3,759,189)	(75)
	Earnings per share (NTD)	VI.29				
67500	Basic Earnings Per Share		\$5.59		\$1.98	
67700	Diluted earnings per share		\$5.59		\$1.98	

(Please refer to Notes to the Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Statements of Changes in Equity  
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Item	Share capital	Capital surplus	Retained earnings			Other equity items		Treasury stock	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized (loss) gain on financial assets measured at FVOCI		
Balance as of January 1, 2022	\$11,212,343	\$77,735	\$13,076,248	\$120,039	\$19,795,409	\$(23,165)	\$4,622,419	\$-	\$48,881,028
The 2021 appropriation and distribution of earnings									
Appropriation of legal reserve	-	-	1,755,271	-	(1,755,271)	-	-	-	-
Common stock cash dividends	-	-	-	-	(2,354,592)	-	-	-	(2,354,592)
Net income from January 1 to December 31, 2022	-	-	-	-	2,210,422	-	-	-	2,210,422
Other comprehensive income from January 1 to December 31, 2022	-	-	-	-	37,619	29,190	(6,036,420)	-	(5,969,611)
Total comprehensive income from January 1 to December 31, 2022	-	-	-	-	2,248,041	29,190	(6,036,420)	-	(3,759,189)
Cost of treasury stocks repurchase	-	-	-	-	-	-	-	(350,511)	(350,511)
Cost of disposal of treasury stocks	(100,000)	(22,543)	-	-	(227,968)	-	-	350,511	-
Disposal of equity instruments measured at FVOCI	-	-	-	-	58,151	-	(58,151)	-	-
Balance as of December 31, 2022	11,112,343	55,192	14,831,519	120,039	17,763,770	6,025	(1,472,152)	-	42,416,736
The 2022 appropriation and distribution of earnings									
Appropriation of special reserve	-	-	-	1,420,578	(1,420,578)	-	-	-	-
Common stock cash dividends	-	-	-	-	(1,222,358)	-	-	-	(1,222,358)
Net income from January 1 to December 31, 2023	-	-	-	-	6,207,101	-	-	-	6,207,101
Other comprehensive income from January 1 to December 31, 2023	-	-	-	-	(6,972)	(4,014)	2,724,073	-	2,713,087
Total comprehensive income from January 1 to December 31, 2023	-	-	-	-	6,200,129	(4,014)	2,724,073	-	8,920,188
Disposal of equity instruments measured at FVOCI	-	-	-	-	(16,119)	-	16,119	-	-
Balance as of December 31, 2023	\$11,112,343	\$55,192	\$14,831,519	\$1,540,617	\$21,304,844	\$2,011	\$1,268,040	\$-	\$50,114,566

(Please refer to Notes to the Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Statements of Cash Flows  
January 1 to December 31, 2023 and 2022

Unit: NTD thousand

Item	January 1 to December 31, 2023	January 1 to December 31, 2022	Item	January 1 to December 31, 2023	January 1 to December 31, 2022
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$7,252,114	\$2,869,869	Acquisition of property and equipment	(391,038)	(1,024,453)
Adjustments:			Proceeds from disposal of property and equipment	-	1,650
Non-cash income and expense items			Proceeds from disposal of other assets	-	20,000
Expected credit impairment loss/bad debt expense provision	8,733	71,756	Net cash flow (outflow) from investing activities	(391,038)	(1,002,803)
Impairment of assets loss	965,603	1,264,373			
Depreciation and amortization expenses	134,762	130,055	Cash flows from financing activities:		
Net interest income	(5,210,704)	(5,556,811)	(Decrease) in funds borrowed from Central Bank and other banks	-	(567,450)
Share of (profit) of subsidiaries accounted for using the equity method	(568,305)	(226,384)	(Decrease) increase in securities sold under agreement to repurchase	(8,728,186)	3,697,194
Loss (proceeds) from disposal and retirement of property, plant and equipment	285	(1,236)	Cash dividend paid	(1,222,358)	(2,354,592)
(Gain) on disposal of other assets	-	(2,000)	Cost of treasury stocks repurchase	-	(350,511)
Changes in operating assets and liabilities			Repayment of the principal amount of lease liabilities	(86,426)	(82,874)
Due from the Central Bank and call loans to other banks (increase)	(585,318)	(1,534,868)	Net cash (outflow) inflow from financing activities	(10,036,970)	341,767
(Increase) decrease in financial assets measured at FVTPL	(5,804,201)	2,714,770			
Decrease (increase) in receivables	94,144	(67,241)	Effect of exchange rate changes on cash and cash equivalents	(5,017)	33,855
Discount and loan decrease (increase)	12,267,367	(35,979,006)			
Financial assets measured at FVOCI decrease (increase)	4,696,494	(3,167,522)	Increase in cash and cash equivalents for current period	8,509,179	1,347,480
Debt instrument investments measured at amortized cost (increase) decrease	(1,800,000)	599,999	Cash and cash equivalents at beginning of the period	11,672,968	10,325,488
Other financial assets (increase)	(327)	(105,604)	Cash and cash equivalents at end of the period	\$20,182,147	\$11,672,968
Other assets (increase)	(48,901)	(401,879)			
Deposits from the Central Bank and other banks (decrease) increase	(10,783,973)	5,640,712	Composition of cash and cash equivalents		
Increase in financial liabilities measured at FVTPL	733	20,511	Cash and cash equivalents recorded on the balance sheets	\$3,723,861	\$5,037,635
Payables (decrease)	755,070	(282,073)	Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements" recognized by FSC	16,458,286	6,635,333
Deposits and remittances increase	13,634,108	31,376,066	Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements" recognized by FSC	-	-
Liability reserve (decrease)	(36,203)	(36,059)			
(Decrease) increase in other liabilities	(95,148)	126,659	Cash and cash equivalents at end of the period	\$20,182,147	\$11,672,968
Interest received	9,916,666	7,322,394			
Interest paid	(4,622,997)	(1,895,328)			
Income tax paid	(1,227,798)	(906,492)			
Net cash inflow from operating activities	18,942,204	1,974,661			

(Please refer to Notes to the Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd.  
Notes to the Financial Statements  
January 1 to December 31, 2023 and 2022  
(Unless otherwise provided, Unit: NTD Thousand)

I. Company History

1. King's Town Bank Co., Ltd. (hereinafter referred to as "the Company") was restructured from Tainan District Joint Saving Co., Ltd, on January 1, 1978. The Company had applied for restructuring into a commercial bank according to the resolution reached in the extraordinary Shareholders' Meeting on November 29, 2005 and was renamed as "King's Town Bank Co., Ltd." The Company started trading on the Taiwan Stock Exchange Corporation in July 1983. The place of registration and the general management office are located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches are set up nationwide.
2. The Company's main business services are: (1) accepting check deposits, (2) accepting other deposits, (3) issuing financial bonds, (4) handling loans, (5) handling bill discounts, (6) handling various investment businesses, (7) handling domestic and foreign exchange, (8) handling draft acceptance, (9) issuing domestic and foreign letters of credit, (10) handling domestic and foreign guarantees, (11) handling collections and advances, (12) handling the depository and agency services related to the various businesses listed above, and (13) other business chartered by the government.
3. The Company had 975 employees and 1,001 employees as of December 31, 2023 and 2022, respectively.

II. Approval Date and Procedures of the Financial Statements

The financial statements of the Company as of December 31, 2023 and 2022 were approved for publication by the Board of Directors on February 26, 2024.

III. Application of New, Revised, and Amended Standards and Interpretations

1. Changes in accounting policies resulting from the first-time application of International Financial Reporting Standards

The Company has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Notices that have been approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC") for application after January 1, 2023. The first-time application has no significant impact on the Company.

2. As of the date of the issuance of the financial report, the Company has not adopted the following newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet approved by the FSC.

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	January 1, 2024
2	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024
3	Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024
4	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024

- (1) Classification of Liabilities as Current or Non-current (Amendment to IAS 1)

This amendment targets sections 69–76 in IAS 1 Presentation of Financial Statements concerning the classification of liability as either current or non-current.

- (2) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

These amendments specify a seller-lessee adds additional accounting treatment to a sale and leaseback transaction in IFRS 16 “Lease” to improve the consistent application of the standard.

- (3) Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments aim to improve the information provided by companies regarding long-term debt with covenants. The amendments specify that

covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(4) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

These amendments not only provide additional explanation regarding supplier finance arrangements, but also new disclosure requirements for supplier finance arrangements.

The aforementioned standards or interpretations have been issued by the International Accounting Standards Board and have been approved by the FSC, effective for the annual period beginning on or after January 1, 2024. After evaluation, the new announcement or amendment of the standard or interpretation has no significant impact on the Company.

3. As of the date of the issuance of the financial report, the Company has not adopted the following newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet approved by the FSC:

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 10 - Consolidated Financial Statements, and IAS 28 - Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by International Accounting Standards Board
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025

- (1) Amendments to IFRS 10 - Consolidated Financial Statements, and IAS 28 - Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments addressed the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures,” in dealing with the loss of control of a subsidiary that has contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture shall be offset through downstream sale. IFRS 10 requires full profit or loss recognition other loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets as defined in IFRS 3 shall be recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(2) IFRS 17 “Insurance Contracts”

This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the standard is general, and under this model, initial recognition measures the insurance contract group by the combination of the cash flow from performance obligation and contract service margin; the book amount at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to the general model, a specific applicable method (Variable Fee Approach, VFA) for contracts with direct participation features as well as a simplified approach for short-term contracts (Premium Allocation Approach, PAA) are provided.

This standard was issued in May 2017 and was amended in 2020 and 2021. The amendments include deferral of the date of initial application of the standard by two years (from the original January 1, 2021 to January 1, 2023); provide additional transition reliefs; simplify some requirements to reduce the costs of applying this standard and revise some requirements to make the results easier to interpret. This standard replaces an interim standard (IFRS 4 “Insurance Contracts”).

(3) Lack of Exchangeability (Amendments to IAS 21)

These amendments explain the exchangeability and lack of exchangeability between currencies, and how to estimate a exchange rate when a currency lacks exchangeability. It further introduces additional disclosure requirements when currencies lack exchangeability. The amendments are applicable for annual reporting periods beginning on or after January 1, 2025.

The aforementioned standards or interpretations have been issued by the IASB but have yet to be approved by the FSC. The actual date of application is subject to the requirements of the FSC. The new announcement or amendment of the standard or interpretation has no significant impact on the Company.



#### IV. Summary of Significant Accounting Policies

##### 1. Compliance Statement

The Company's financial reports as of January 1 to December 31, 2023 and 2022 are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### 2. Basis of Preparation

Besides the financial instruments measured at fair value, the financial statements are prepared on the basis of historical costs. Unless otherwise specified, the financial statements are denoted in thousands of New Taiwan Dollars (NTD1,000).

##### 3. Foreign currency transactions

The financial statements of the Company are expressed in the Company's functional currency (New Taiwan Dollars). Each entity of the Company determines its own functional currency and measures its financial statements in that functional currency.

Transactions in foreign the currencies from the entities of the Company are recorded by their respective functional currency rates at the date of the transaction. At the end of every reporting period, items denoted in foreign currencies will be translated at the closing exchange rate of the day. Non-monetary foreign currency items measured at fair value will be translated using the exchange rate on the date when the fair value is measured. Non-monetary foreign currency items measured at historical cost are translated at the exchange rate of the date of the transaction.

Except for the following items, exchange differences resulting from delivery or exchange of monetary items will be recognized as gain or loss as they occur:

- (1) For the foreign currency borrowings arising from acquiring assets that meet the requirements, the resulting exchange differences are treated as an adjustment to the interest cost and are capitalized as part of the borrowing cost.
- (2) Foreign currency projects subject to the provisions of IFRS 9 "Financial Instruments" are treated in accordance with the accounting policies of financial instruments.
- (3) For the monetary items of the reporting entity that are an integral part of the net investment in the foreign operating institution, the resulting exchange differences were originally recognized in other comprehensive income and are reclassified from equity to profit or loss when the net investment is disposed. When the profit or loss of a non-monetary item is recognized as other

comprehensive income, any exchange profit or loss is recognized in other comprehensive income. When the profit or loss of a non-monetary item is recognized in profit or loss, any exchange profit or loss is recognized in profit or loss.

4. Translation of financial statements in foreign currency

When preparing the financial statements, the assets and liabilities of foreign operating institutions are translated into New Taiwan Dollars at the closing exchange rate on the balance sheet date. The income and loss items are translated at the average exchange rate for the current period. The income and loss items are translated at the average exchange rate for the current period. The exchange difference arising from the conversion is recognized as other comprehensive income. When the foreign operating institution is closed, the accumulated exchange difference previously recognized in other comprehensive income and included in the equity is reclassified from the equity to the profit or loss at the time of recognizing the disposal profit or loss.

5. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term and highly liquid time deposits or investments (including time deposits with a contract period within 12 months) that are readily convertible into fixed cash amount and have a very low risk of changes in value. For the Statement of Cash Flows, it also includes the deposits at the Central Bank, interbank lending, and resell (RS) bill and bond investments in accordance with the cash and cash equivalent stipulated in IAS 7 that is approved by the FSC.

6. Bonds Purchased under Resell/Notes Issued under Repurchase Agreements

The accounting process of RP/RS and bond transactions is as follows: (1) For an RP bill transaction, credit the RP bill and bond liability. The trade difference is booked as an interest expense; (2) For an RS bill transaction, debit the RS bill and bond investment. The trade difference is booked as interest income.

7. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the financial instrument contract.

Financial assets and financial liabilities subject to the provisions of IFRS 9 "Financial Instruments" at the time of original recognition, were measured at fair

value. The acquisition or issuance transaction costs that are directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities that are classified as measured at fair value through profit or loss) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The recognition and de-recognition of all the financial assets of the Company are handled with the trade date accounting.

The Company uses the following two items to have financial assets classified as subsequently measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss:

- A. Operating model of financial assets management
- B. Contractual cash flow characteristics of financial assets

Financial assets measured at cost after amortization

Financial assets that meet the following two criteria are to be measured at amortized cost and booked in the balance sheet in terms of notes receivable, accounts receivable, financial assets measured at amortized cost, and other receivables:

- A. Operating model of financial assets management: financial asset is held to receive contractual cash flows
- B. Contractual cash flow characteristics from the financial assets: cash flow is the interest paid solely on the principal and the outstanding principal.

These financial assets (excluding those involved in hedging) are subsequently measured at the amortized cost [the amount measured at the time of original recognition, less the principal paid, plus or minus the cumulative amortization amount (with the effective interest method) between the original amount and the amount due, and adjusting the allowance for loss]. For de-recognition, the benefits or losses are recognized in profit or loss through amortization procedures or recognition of impairment profit or loss.

Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:

- A. For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
- B. Other than those stated in the preceding paragraph, but which subsequently

become credit impaired, have the effective interest rate multiplied by the amortized cost of the financial assets.

#### Financial assets measured at FVOCI

Financial assets that meet the following two criteria are to be measured at fair value through other comprehensive income, and the financial assets measured at fair value through other comprehensive income are to be listed in the balance sheet:

- A. Operating model of financial assets management: Collect contractual cash flows and sell financial assets.
- B. Contractual cash flow characteristics from the financial assets: cash flow is the interest paid solely on the principal and the outstanding principal.

The recognition of the profit or loss related to such financial assets is as follows:

- A. Before de-recognition or reclassification, except for the impairment profit or loss and foreign currency exchange gains and losses recognized in profit or loss, the profit or loss is recognized in other comprehensive income.
- B. At the time of de-recognition, the cumulative profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- C. Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:
  - (a) For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
  - (b) Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of financial assets.

In addition, for equity instruments applicable to IFRS 9 and are not held as available-for-sale or applicable as a contingent consideration by the acquirer in business consolidation in IFRS 3, during initial recognition, the Company will choose (this is not reversible) to state its subsequent fair value changes in the other comprehensive income (loss). Amounts stated in other comprehensive income cannot be converted to income or loss (during disposal of such equity instrument, the accumulated amount stated in other equity item will be directly transferred to retained earnings), and will be stated in the Balance Sheet as

financial assets measured at fair value through other comprehensive income (loss). Investment dividends will be recognized in income or loss, unless such dividends clearly represent a portion of the investment cost.

#### Financial assets measured at FVTPL

In addition to the aforementioned measurement at cost after amortization for having met certain conditions or measurement at fair value through other comprehensive income (loss), financial assets are all measured at fair value through income or loss, and are stated in the balance sheet as financial assets at fair value through profit or loss.

These financial assets are measured at fair value, and any gain or loss from their revaluation will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial asset.

#### (2) Impairments of financial assets

For the debt instrument investments measured at fair value through other comprehensive income, debt instrument investments measured at amortized cost, and off-balance sheet debt instrument, the Company has them recognized as expected credit loss and with the allowance for loss measured. For the debt instrument investment measured at fair value through other comprehensive income, allowance for loss is recognized in the other comprehensive income (loss), and the book value of the investment will not be reduced. Loans and receivables and off-balance sheet credit assets are recognized and measured in accordance with the expected credit losses. Also, adequate allowances, reserve for guarantee liability, and financing commitment reserves are appropriated according to whichever is higher according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans."

The Company measures expected credit losses to reflect the following:

- A. An amount that is unbiased and weighted by probability through evaluating each possible outcome
- B. Time value of money
- C. Reasonable and corroborative information (that can be obtained on the balance sheet date without excessive costs or inputs) relating to past events, current conditions, and future economic forecasts

The methods used for measuring allowance for loss are as follows:

- A. It is measured by the 12-month expected credit loss amount: Including the credit risk that has not increased significantly since the original recognition of the financial assets, or it is determined as low credit risk on the balance sheet date. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significantly increased since the original recognition on the balance sheet date.
- B. The expected credit loss amount for the duration: Including the significant increase in credit risk of the financial assets since the original recognition, or the financial assets with credit impairment purchased or originated.
- C. For accounts receivable or contractual assets arising from transactions within the scope of IFRS 15, the Company measured the allowance for loss with the expected credit loss amount of the duration.
- D. For the rent receivables arising from the transactions as stipulated in IFRS 16, the Company uses the expected credit losses for the duration of the period to measure the allowance for losses.

In addition to the aforementioned assessments, the Company also has the credit assets assessed and classified according to the following classification methods by referring to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." Regarding the classification methods, except for the normal credit assets classified in Category I, non-performing credit assets are evaluated according to the status of the loan collateral and the length of time overdue, which are classified as Category II "Special Mention," Category III "Expected to be Recovered," Category IV "Doubtful" and Category V "Losses."

The allowance for bad debt is appropriated for a minimum amount equivalent to the total of 1% of net Category I credit assets of the obligation to Taiwanese government agencies, 2% of Category II credit assets, 10% of Category III credit assets, 50% of Category IV credit assets, and 100% of Category V credit assets.

On each balance sheet date, the Company assesses whether the credit risk of financial instruments after the original recognition has increased significantly by comparing the changes in the default risk of the financial instruments on the balance sheet date and the original recognition date. In addition, please refer to Note XIV for information related to credit risk.

### (3) Derecognizing financial assets

The Company's financial assets will be derecognized when one of the following conditions occurs:

- A. The contractual right from the cash flow of the financial asset is terminated.
- B. When nearly all risk and compensations associated with ownership of a financial asset has been transferred.
- C. Nearly all risk and compensations associated with ownership of an asset has neither been transferred nor retained, but the control of the asset has been transferred.

When a financial asset is derecognized in its entirety, the difference between its carrying amount and any cumulative gain or loss that has been received or is receivable and recognized in other comprehensive income (loss), will be recognized in profit or loss.

### (4) Financial liabilities and equity instruments

#### Classification of liability or equity

The Company classifies the liabilities and equities instrument issued as financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

#### Equity instruments

Equity instruments refer to any contract with residual interest after subtracting all liabilities from assets. Equity instruments issued by the Company are recognized by the acquisition cost minus direct distribution costs.

#### Hybrid instruments

The Company recognizes the financial liabilities and equity components of the convertible corporate bonds issued in accordance with contractual terms. In addition, the conversion of corporate bonds issued is based on the assessment of whether the economic characteristics and risks of the embedded purchase and sale rights are closely related to the primary debt commodity before classifying the equity elements.

For liabilities that do not involve derivatives, the fair value is measured using the market interest rate of a bond of comparable nature and without conversion characteristics. This amount is classified as a financial liability measured by

amortized cost before conversion or redemption settlement. For other embedded derivatives that are not closely related to the risk characteristics of the principal contract (for instance, the embedded buy-back and redemption rights are confirmed to be substantially inconsistent with the amortized cost of the debt commodity on each execution date), they will be classified as components of liability and is measured at fair value through profit or loss in subsequent periods except for equity components. The amount of the equity component is determined by the conversion of fair value of the corporate bonds subtract the component of the liability, and the carrying amount will not be remeasured in subsequent accounting periods. If the issued conversion corporate bonds from the Company do include an equity element, they are handled in accordance with IFRS 9 Hybrid Instruments.

The transaction costs are allocated to the liability and equity components in proportion to the ratio of the convertible corporate bonds' allocations to liability and equity components during initial recognition.

When the holder of the convertible corporate bonds should request to exercise conversion rights before the maturity of the convertible bond, the person should adjust the carrying amount of the liability component element to the carrying amount at the time of exercise as the basis of entry for issuance of ordinary shares.

#### Financial liabilities

Financial liabilities subject to the provisions of IFRS 9 are classified, at the original recognition, as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost.

#### Financial liabilities measured at FVTPL

Financial liabilities at fair value through profit or loss include available-for-sale financial liabilities and designated financial liabilities at fair value through profit and loss.

A financial asset will be classified as available-for-sale when it meets one of the following conditions:

- A. The primary purpose for acquisition of the asset is short-term sales;
- B. It is part of an identifiable financial instrument combination of the consolidated management at the time of initial recognition, and there is evidence that the combination is a short-term profit operating model in the



near future; or

- C. It is a derivative (except for financial guarantee contract or a designated and effective hedging instrument).

For contracts that include one or multiple embedded derivative instruments, the entire hybrid (integrated) contract could be designated as a financial instrument at fair value through profit or loss. In addition, when it meets one the following conditions and can provide more relevant information, it could be designated as at fair value through profit or loss during initial recognition:

- A. The designation can eliminate or significantly reduce the inconsistency of measurement or recognition; or
- B. The performance of a group of financial liabilities or a group of financial assets and financial liabilities is managed and assessed on a fair value basis according to the written risk management or investment strategies; also, the portfolio information provided to the management within the consolidated company is also based on the fair value.

The benefits or losses arising from the re-measurement of such financial liabilities are recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability.

#### Financial liabilities measured at the amortized cost

Financial liabilities measured at amortized cost include accounts payables and loans, and will continue to be measured through effective interest method after initial recognition. When financial liabilities are derecognized and amortized using effective interest method, related gain or loss and amortization will be recognized in profit or loss.

Calculation of the amortized cost will take discount or premium during acquisition and transaction cost into consideration.

#### De-recognition of financial liabilities

When the obligation of a financial liability is terminated, canceled or no longer effective, the financial liability will be derecognized.

When the Company and the creditors exchange debt instruments with significant differences, or make major changes to all or part of the existing financial liabilities (whether due to financial difficulties or otherwise), treatment will include derecognition of the original liabilities and the recognition of new liabilities. During derecognition of financial liabilities, the difference between

the carrying amount and the total amount of the consideration paid or payable, including the transferred non-cash assets or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities can only be offset and presented in net terms on the balance sheet only when the recognized amounts currently contain exercise of legal rights for offset and are intended to be settled on a net basis or can be realized simultaneously and the debt can be settled.

8. Derivatives

Derivatives held or issued by the Company are used to hedge exchange rate risk and interest rate risk, of which, the designated and effective hedging items are reported as hedging assets or liabilities on the balance sheet. For those not designated but effective hedging, they are presented on the balance sheet as financial assets or financial liabilities measured at fair value through profit or loss.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in fair value of derivatives are recognized directly in profit or loss. In the case of effective cash flow hedging and foreign operating institutions net investment hedging, it is recognized in profit or loss or equity based on the type of hedging.

For the main contract that is a non-financial asset or non-financial liability, when it is embedded in the derivative of the main contract, its economic characteristics and risks are not closely related to the main contract; also, when the main contract is not measured at fair value through profit or loss, the embedded derivative should be treated as an independent derivative.

9. Fair value measurement

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. Fair value measurement assumes that the transaction for the asset being sold or liability being transferred takes place in one of the following markets:

- (1) Principal market of the asset or liability, or
- (2) If no principal market exists, the most favorable market for the asset or liability

The Company needs to be able to enter the principal or most favorable market in

order to carry out the transaction.

Fair value measurement of the asset or liability uses the assumption that market participants would adopt while pricing the asset or liability, where the assumption is that the market participants would take the most favorable economic conditions into consideration.

The fair value measurement of a non-financial asset takes into consideration the market participant's use of the asset for its highest price and best use or by selling the asset to another market participant who will use the asset for its highest price and best use to generate economic benefits.

The Company uses valuation techniques that are appropriate and relevant in the relevant circumstances to measure fair value and maximize the use of observable inputs and to minimize the use of unobservable inputs.

#### 10. Impairment of non-financial assets

At the end of every reporting period, the Company will evaluate all assets for indicators of impairment pursuant to IAS 36 "Impairment of Assets". If signs of impairment exist or if regular annual impairment test is required for a certain asset, the Company will test it on the basis of individual assets or the cash generating unit to which the asset belongs. If result of the impairment test indicates that the carrying amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount, impairment loss will be recognized. The recoverable amount is the higher of fair value net of the disposal cost or the value in use.

At the end of every reporting period, the Company will evaluate all assets except for goodwill for indicators of whether previously recognized impairment loss no longer exists or has been reduced. If such signs exist, the Company will estimate the recoverable amount of the asset or the cash generating unit. If the estimated service potential of the asset changes, resulting in an increase in the recoverable amount, the impairment will be reversed to profit or loss. However, the carrying amount after reversal shall not exceed the amount of the depreciation or amortization of the asset after deducting the depreciation or amortization.

Impairment loss and reversal of continuing operations will be recognized in profit or loss.

#### 11. Collateral accepted

The accepted collateral is booked at the cost of acceptance. Also, it is valued at the

end of the period at the lower of cost or fair value net of selling cost (net realizable value).

## 12. Investment under the equity method

The Company's investment in subsidiaries is presented, valued and adjusted in accordance with the "Investment Accounted for using the equity method" as defined in Article 21 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" in order to have had the current profit and loss and other comprehensive profit and loss in the financial statements equivalent to the amortization amount of the current profit and loss and other comprehensive profit and loss in the financial statements that is attributable to the shareholders of the parent company; also, the shareholder's equity amount in the financial statements is same as the equity attributable to the shareholders of the parent company in the financial statements. Such adjustments are mainly based on the difference between having the "investment in subsidiaries" processed in accordance with IAS 27 "Separate Financial Statements" and IFRSs that is for different reporting entities; also, the said difference is debited or credited to the account of "Investment Accounted for using the equity method," "Profit and loss of the subsidiaries under the equity method, associates, and Joint Ventures" or "Other comprehensive profit and loss of the subsidiaries under the equity method, associates and Joint Ventures."

The Company's investment in associates, except for those classified as assets for sale, is processed in accordance with the equity method. Affiliates are business entities that are significantly influenced by the Company.

Under the equity method, the investment in associates is booked in the balance sheet for an amount equivalent to the cost plus the amount of the change in the associate's net assets recognized proportionally to the shareholding ratio. When the book value of the investment in associates and other related long-term equity under the equity method is with a zero balance, additional loss and liability is recognized within the scope of the statutory obligations, constructive obligations, or payments on behalf of associates incurred. Unrealized gains and losses arising from the transactions conducted between the Company and associates are written off proportionally to the equity ratio in associates.

When the change in the equity of an associate does not occur as a result of profit or loss and other comprehensive profit and loss; also, such change does not affect the Company's shareholding ratio, the Company recognizes the relevant changes in equity ownership proportionally to the shareholding ratio. Therefore, the recognized

additional paid-in capital will be transferred to profit or loss proportionally to the disposal amount when the associate is subsequently disposed.

When the associate issued new shares, the Company did not subscribe it proportionally to the shareholding ratio, causing the Company's investment ratio and net asset ratio in the associate changed, so, such change is adjusted to the "additional paid-in capital" and "Investment accounted for using the equity method." When the change in the investment ratio is reduced, the relevant items previously recognized in other comprehensive profit or loss should be reclassified to "profit or loss" or other appropriate accounts proportionally to the reduction ratio. The previously recognized additional paid-in capital is transferred to the profit or loss proportionally to the disposal ratio when the associate is disposed.

The financial statements of associates are prepared for the same reporting period as the Company and adjusted to have its accounting policies in line with the Company's accounting policies.

The Company confirms whether or not there is objective evidence indicating impairment of the investment in associates in accordance with the requirements of International Accounting Standards (IAS) No. 28 "Investment in Associates and Joint Ventures" at the end of each reporting period. If there is objective evidence of impairment, the Company shall calculate the impairment amount based on the difference between the recoverable amount and the book value of the associate in accordance with the requirements of IAS 36 "Impairment of Assets" and recognize such amount in the profit or loss from the associate. If the aforementioned recoverable amount is the investment value, the Company will determine the investment value according to the following estimates:

- (1) The present value of the estimated future cash flow of the associate attributable to the Company includes the cash flow generated by the associate in business operations and the proceeds from the investment disposed; or
- (2) The present value of the expected dividends and future cash flows generated from the investment disposed ultimately.

As the items that constitute the book value of the associate's goodwill are not separately recognized, it is not subject to the requirements of IAS 36 "Impairment of Assets" goodwill impairment test.

Upon the loss of significant impact on associates, the Company has the retained investment amount measured and recognized at fair value. Upon the loss of significant impact, the difference between the book value of the investment in associate and the fair value of the retained investment plus the proceeds from the

disposal is recognized as profit or loss.

### 13. Property, plant, and equipment

Property, plant, and equipment are recognized at the acquisition net cost of accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing, and restoring the location of the property, plant, and equipment and the necessary interest expense arising from the construction in progress. Depreciation is provided separately for the significant parts of the property, plant, and equipment. When major parts of property, plant, and equipment are subject to periodic replacement, the Company treats the parts as an individual asset and recognizes it separately with specific periods of durability and depreciation method. The book value of these replaced parts is derecognized in accordance with the provision of IAS 16 "Property, Plant, and Equipment." If the major repair and maintenance costs are in compliance with the recognition conditions, they are recognized as replacement costs and are recognized as part of the plant and equipment book value. Other repair and maintenance expenses are recognized in profit or loss.

Depreciation is calculated and appropriated in accordance with the declining balance method and the estimated useful life of the following assets:

Buildings and structures	3 to 60 years
Transport equipment	3 to 5 years
Other equipment	3 to 10 years

After the original recognition of the property, plant, and equipment or any significant parts, if it is disposed or no economic effect arising from the use or disposal is expected, it will be derecognized and recognized in profit or loss.

The residual value, years of useful life, and depreciation method of the property, plant, and equipment are assessed at the end of each financial year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimates.

### 14. Leases

The Company assesses whether the contract is (or includes) a lease on the date the contract is made. If a contract is signed to have the control over the use of identified assets transferred for a period of time in exchange for a consideration, it is (or includes) a lease. In order to assess whether a contract is signed to have the control over the use of identified assets transferred for a period of time, the Company

assesses whether there are the following two factors throughout the period of use:  
(1) Obtaining almost all economic benefits from the use of identified assets; and  
(2) Control the right-of-use of the identified assets.

For contracts that are (or include) leases, the Company will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. For leases that include one lease component and one or more additional lease or non-lease components, the Company will use the single comparison price of each lease component and the aggregated single prices of non-lease components as the basis, and distribute the consideration in the contract to the lease component. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Company will maximize the use of observable information to estimate their respective single unit prices.

#### The Company is the lessee

Except for leases that meet and select short-term leases or low-value asset leases, when the Company is the lessee of the lease contract, the right-of-use assets and lease liabilities are recognized for all leases.

On the commencement date, the Company measures the lease liability according to the present value of the lease payments that have yet to be paid on that date. If the lease implied interest rate is easy to determine, the lease payment is discounted according to the said implied interest rate. If the lease implied interest rate is not easy to determine, the incremental loan rate of the lessee shall prevail. On the commencement date, the lease payments included in the lease liability include the following payments relating to the use-of-rights underlying asset in the lease term that is yet to be paid on that date:

- (1) Fixed payments (including real fixed payments) net of any collectable lease incentives;
- (2) Lease payments depending on the change in an index or expense rate (measured at the index or expense rate on the commencement date);
- (3) The lessee's expected payment amount with the residual value guaranteed;
- (4) The exercise price of the purchase option, if the Company can reasonably assure that the option will be exercised; and
- (5) The penalty for the termination of the lease, if the lessee intends to exercise the option of having the lease terminated in the lease period.

After the commencement date, the Company measures the lease liability at the amortized cost, increases the book value of the lease liability by the effective interest method, and reflects the interest on the lease liability. The book value of the lease liability is reduced when the lease payment is made.

On the commencement date, the Company measures the right-of-use assets at cost. The cost of the right-of-use assets includes:

- (1) The originally measured amount of the lease liability;
- (2) Any lease payments paid on or before the commencement date, minus any lease incentives received;
- (3) Any original direct costs incurred to the lessee; and
- (4) The estimated cost for the lessee to have the underlying asset dismantled or removed and restore its location, or have the underlying asset restored to the form as stipulated in the clause and condition.

Subsequent measurement of the right-of-use asset is presented at cost net of the accumulated depreciation and accumulated impairment losses, that is, the right-of-use asset should be measured at cost.

If the ownership of the underlying assets is transferred to the Company at the end of the lease term, or if the cost of the right-of-use asset reflects that the Company will exercise the purchase option, the depreciation of the right-of-use asset is appropriated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company has the depreciation of the right-of-use asset appropriated from the commencement date to the end of the useful life of the right-of-use asset or the expiration of the lease term whichever is sooner.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is with impairment; also, handle the identified impairment losses.

Except for leases that meet and select short-term leases or low-value asset leases, the Company presents the right-of-use assets and lease liabilities on the balance sheet, and presents the depreciation expense and interest expense related to the lease separately in the comprehensive income statement.

For short-term leases and low-value asset leases, the Company chooses to have the related lease payments recognized as expenses over the lease period in accordance with the straight-line basis or a systematic basis.



## 15. Employee benefits

### (1) Retirement benefits plan

The retirement method for employees of the Company is applicable to all full-time employees. The employee retirement fund is fully appropriated to the Supervisory Committee of Business Entities' Labor Retirement Reserve and deposited in the pension fund account. The aforementioned pension is deposited in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve, which is completely separated from the Company, so it is not included in the financial statements in the preceding paragraph.

For the defined contribution pension plan, the monthly pension payable rate of the Company shall not be less than 6% of the employee's monthly salary, and the amount of the provision shall be recognized in the profit or loss of the current period.

For the defined contribution pension plan, an appropriation is made according to the project unit credit method and the actuarial report at the end of the annual reporting period. The re-measurement of net defined benefit liabilities (assets) includes the return on the plan asset and changes in the ceiling of the assets, deducting the net interest amount of the net defined benefit liabilities (assets) and the actuarial gains and losses. The net defined benefit liability (asset) re-measurement is included in other comprehensive income when incurred and immediately recognized in the retained earnings.

The prior-period service cost is the change in the present value of the defined benefit obligation arising from the revision or reduction of the pension plan and is recognized as an expense on the earlier of the following two dates:

- A. When the plan revision or reduction occurs; and
- B. When the Company recognizes the relevant restructuring costs or resignation benefits.

The net interest of the net defined benefit liability (asset) is determined by having the net defined benefit liability (assets) multiplied by the discount rate, both of which are determined at the beginning of the annual reporting period, and then consider the changes which have occurred in the net defined benefit liabilities (assets) for the period arising from the appropriation amount and benefit payment.

(2) Employees preferential deposit benefit

The Company provides preferential deposits, which include the payment of fixed preferential deposits for current employees and for retired employees (before January 1, 2010). The difference between the interest rate of these preferential deposits and the market interest rate is within the scope of employee benefits.

According to Article 28 of the "Regulations Governing the Preparation of Financial Reports by Public Banks," the excess interest arising from the retirement preferential deposit rate agreed upon with the employees over the general market interest rate shall be actuarially calculated according to the defined benefit plan as stipulated in IAS 19 that was approved by the Financial Supervisory Commission. However, the parameters of actuarial assumptions shall be handled in accordance with the provisions of the competent authority if it is available.

16. Treasury stock

When the Company obtains the shares of the Company (treasury stocks), it is recognized at the acquisition cost and is debited to the equity. The spread of treasury stock transactions is recognized in the equity.

17. Recognition of revenue

(1) Interest income from loans is estimated on an accrual basis. The overdue payment transferred to the collection account will cease to bear interest from the date of transfer and will be recognized as income upon collection. The interest income agreed to be posted as receivable due to the bail-out and the extension agreement is recognized as income upon collection.

(2) Service charge income is a fee charged for the various services provided to customers. The accounting treatment is as follows:

The service charge income of the Company is derived from the services provided at a specific point of time or for a certain period of time, or through the transaction services and it is recognized as income. When there is a transfer of services to the customer but without unconditional rights for collecting considerations, it is recognized as a contract asset. However, for some contracts, partial considerations are collected from the customers at the time of signing the contract, the Company must assume the obligation of providing services subsequently. Therefore, it is recognized as a contract liability.

The aforementioned contractual liabilities of the Company did not result in significant financial fluctuations.

#### 18. Share-based payment transaction

The share-based payment transaction cost for equity clearing between the Company and its employees is measured at the fair value on the vesting date of the equity instruments. Fair value is measured by the appropriate pricing model.

The "share-based payment" transaction cost for the equity clearing is recognized on a period-by-period basis during the period in which the service conditions and performance conditions are fulfilled, and the increase in equity is recognized. The cumulative fees recognized for equity clearing transactions at the end of each reporting period prior to the vesting date reflect the process of the vested period and the best estimate of the ultimate vested equity instruments by the Company. The cumulative cost changes recognized for the share-based payment transactions at the beginning and end of each reporting period are recognized in profit or loss for the period.

If the share-based payment is not in compliance with the vested conditions, no expense will be recognized. However, if the vested conditions of the equity clearing transaction are related to the market price condition or the non-vested conditions, when all the service or performance conditions have been fulfilled, the relevant expenses will be recognized regardless of whether the market price condition or the non-vested condition is fulfilled.

#### 19. Income tax

Income tax expense (profit) refers to the aggregated amount of current income tax and deferred income tax that is included in the current profit or loss.

##### Current income tax

The current income tax liabilities (assets) related to the current and prior periods are measured at the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The current income tax related to the items recognized in other comprehensive income or directly recognized in the equity is recognized in other comprehensive income or equity instead of being recognized in the profit or loss.

The additional business income tax levied on the undistributed earnings is recognized as income tax expense on the date when the distribution of earnings is

resolved in the Shareholders' Meeting.

### Deferred tax

The deferred income tax is calculated according to the temporary difference between the taxable amount of assets and liabilities and the book value on the balance sheet at the end of the reporting period.

All taxable temporary differences are recognized as deferred income tax liabilities except for the following two items:

- (1) the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination; at the time of the transaction, affects neither accounting profit nor taxable profit (loss); and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (2) The taxable temporary difference arising from the investment in subsidiaries, associates, and joint equity. Also, the timing of reversal is controllable, and it is not likely to be reversed in the foreseeable future.

Except for the following two items, deductible temporary difference and deferred income tax assets arising from the taxable losses and income tax credit are recognized within the range of probable future taxable income:

- (1) those related to the deductible temporary differences from the initial recognition of an asset or liability in a transaction which is not a business combination; at the time of the transaction, affects neither accounting profit nor taxable profit (loss); and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (2) It is related to the deductible temporary differences arising from the investment in subsidiaries, associates, and the joint equity. It is recognized within the range of probable reversal in the foreseeable future and there is sufficient taxable income at the time the temporary difference occurred.

Deferred income tax assets and liabilities are measured at the tax rate of the expected asset realization or in the period in which the liability is settled. The tax rate is based on the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be recovered or the book value of the liability is settled at the end of the reporting period. If the deferred income tax is related to items that are not included in the profit or loss, it will not be recognized in profit or loss, but recognized in other comprehensive income according to the relevant transactions or directly recognized

in equity. Deferred income tax assets are re-examined and recognized at the end of each reporting period.

Deferred income tax assets and liabilities can be offset against each other legally only in the current period, and the deferred income tax is related to the same taxation entity and is related to the income tax levied by the same taxation authority.

According to the provisions of temporary exception stated in the “International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)”, deferred tax assets and liabilities related to Pillar Two income taxes shall not be recognized, and relevant information shall not be disclosed.

V. Main Source of Significant Accounting Judgment, Estimation, and Assumption  
Uncertainties

When the financial statements are prepared by the Company, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosure of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

Estimation and assumption

The main source of information on the estimation and assumption uncertainties at the end of the reporting period has significant risks that result in significant adjustments to the book value of assets and liabilities in the next financial year. The explanations are given as follows:

(1) Loan impairment loss

The estimation of the Company's loan impairment loss is based on whether or not the credit risk has increased significantly since the original recognition to determine if it is necessary to have the allowance for loss assessed according to the 12-month expected credit loss amount or the expected credit loss amount throughout the duration. In order to measure the expected credit loss, the Company considers the default probability with the default loss rate included and then multiplied by the default risk exposure amount, and it also considers the impact of the time value of money to estimate the expected credit loss for 12 months as well as the duration. The Company considers historical experiences, current market conditions and forward-looking estimates on each reporting date to determine the assumptions and inputs to be used for calculating the impairments. Please refer to Note XIV for details.

(2) The fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including the income approach (such as, cash flow discount model) or market approach. The changes in the assumptions of the said approaches will affect the fair value of the financial instruments reported. Please refer to Note XIII.

(3) Retirement benefits plan

The present value of the defined benefit cost and the defined benefit obligations depends on the actuarial valuation. Actuarial valuation involves various assumptions, including: discount rate and changes in expected salary.

(4) Income tax

The uncertainty of income tax exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income tax benefits and expenses to be adjusted in the future. The appropriation of income tax is a reasonable estimation made according to the possible audit results of the local tax authorities of the countries in which the Company operates. The amount appropriated is based on different factors, such as: previous tax audit experience and the difference in tax law interpretation between the tax entity and the tax authority. The difference in interpretation may result in a variety of issues due to the local situation of the country where an individual enterprise of the Company operates.

The carryforwards of the taxable loss and income tax credit and deductible temporary differences are recognized as deferred income tax assets within the range of probable future taxable income or taxable temporary differences. The amount of the deferred income tax assets to be recognized is estimated according to the possible timing and level of the future taxable income and taxable temporary difference, and also, the future tax planning strategy.

VI. Descriptions of Material Accounting Items

1. Cash and cash equivalents

	2023.12.31	2022.12.31
Cash on Hand	\$1,498,578	\$2,983,898
Foreign currency on hand	47,493	40,169
Notes and checks for clearing	1,261,593	1,213,439
Due from Central Bank and other banks	916,197	800,129
Total	<u>\$3,723,861</u>	<u>\$5,037,635</u>

For the purpose of preparing the cash flow statement, cash and cash equivalents are the sum of the following items.

	2023.12.31	2022.12.31
Cash and cash equivalents recorded on the consolidated balance sheets	<u>\$3,723,861</u>	<u>\$5,037,635</u>
Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	16,458,286	6,635,333
Investments in bills and bonds purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	-	-
Cash and cash equivalents on the Consolidated Statement of Cash Flows	<u>\$20,182,147</u>	<u>\$11,672,968</u>

2. Due from the Central Bank and call loans to other banks

	2023.12.31	2022.12.31
Reserve for deposits - Type A	\$6,155,331	\$4,395,412
Reserve for deposits - Type B	9,156,354	8,571,036
Reserve for deposits - Foreign currency	39,955	39,921
Call loans to other banks	10,263,000	2,200,000
Total	<u>\$25,614,640</u>	<u>\$15,206,369</u>



The deposit reserve is calculated according to the monthly legal reserve appropriated for each type of deposit by law, the average daily amount and legal reserve ratio for the current period. Also, it is deposited with the Central Bank. Type A deposit reserve accounts and foreign currency depositor accounts do not bear interest and can be accessed at any time. Type B accounts bear interest, but they cannot be used except in compliance with the regulations.

3. Financial assets measured at FVTPL

	2023.12.31	2022.12.31
Mandatorily measured at fair value through profit or loss:		
Stock	\$2,523,824	\$912,739
Domestic and foreign bonds	39,934,846	35,787,190
Derivatives	52,849	7,389
Total	<u>\$42,511,519</u>	<u>\$36,707,318</u>

Please refer to Note VIII for details of the financial assets provided as collateral that the Company has them measured at fair value through profit or loss.

4. Financial assets measured at FVOCI

	2023.12.31	2022.12.31
Debt instrument investments measured at FVOCI:		
Government bonds	\$5,051,665	\$5,521,383
Corporate bonds	29,887,655	35,035,969
Financial bonds	2,107,793	2,999,058
Subtotal (total book value)	<u>37,047,113</u>	<u>43,556,410</u>
Valuation adjustment	(1,596,210)	(4,880,597)
Subtotal	<u>\$35,450,903</u>	<u>\$38,675,813</u>

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

	2023.12.31	2022.12.31
Equity instrument investments measured at FVOCI:		
TWSE/TPEX-listed stocks	-	89,700
Non-TWSE/TPEX-listed stocks	3,926,967	3,527,247
Subtotal	<u>3,926,967</u>	<u>3,616,947</u>
Total	<u>\$39,377,870</u>	<u>\$42,292,760</u>

Please refer to Note VIII for details of the financial assets provided as collateral that the Company has them measured at fair value through other comprehensive income.

Please refer to Note VI for information on allowance for loss for the debt instrument investments measured at fair value through other comprehensive income. Also, please refer to Note XIV for information related to credit risk.

The recognized dividend income of the Company from equity instrument investments measured at fair value through other comprehensive income for the period from January 1 to December 31, 2023 and 2022 were NTD113,423 thousand and NTD228,914 thousand, respectively, of which NTD112,323 thousand and NTD136,881 thousand were related to investments held on the balance sheet date and the remainders were related to investments derecognized in the period from January 1 to December 31, 2023 and 2022.

The Company's investment in financial assets and equity measured at fair value through other comprehensive income was disposed from January 1 to December 31, 2023 and 2022, the fair values at the time of disposition were NTD109,543 thousand and NTD983,033 thousand, respectively. Additionally, the accumulated unrealized loss in valuation at the time of disposal for the amounts of NTD(9,135) thousand and NTD58,151 thousand were transferred from other equity to retained earnings.

5. Financial assets measured at cost after amortization

	2023.12.31	2022.12.31
Convertible certificate of deposit (Total book value)	\$19,400,000	\$17,600,000
Less: loss allowance	(2,137)	(1,545)
Total	<u>\$19,397,863</u>	<u>\$17,598,455</u>

The Company classifies certain financial assets into financial assets measured at amortized cost. Please refer to Note VI for the information provided on allowances for loss. Also, refer to Note XIV for information related to credit risk and it is not provided as collateral.

6. Receivables, net

	2023.12.31	2022.12.31
Accounts receivable and notes	\$32,018	\$64,314
Interests receivable	1,086,473	1,129,594
Clearing amount receivable	-	60,860
Other receivables	20,531	19,022
Subtotal (total book value)	1,139,022	1,273,790
Less: loss allowance	(6,002)	(4,094)
Net	\$1,133,020	\$1,269,696

The Company assesses impairments in accordance with IFRS 9. Please refer to Note VI for the allowance for loss related information in detail; also, refer to Note XIV for the credit risk related information in detail.

7. Discounts and loans, net

	2023.12.31	2022.12.31
Export Negotiations	\$-	\$7,081
Overdrafts	5,000	111,897
Loans	233,667,114	245,756,243
Collections of overdue loans	35,877	35,821
Total amount	233,707,991	245,911,042
Less: allowance for bad debt	(3,621,869)	(3,576,131)
Net	\$230,086,122	\$242,334,911

The Company assesses impairments in accordance with IFRS 9. Please refer to Note VI for the allowance for loss related information in detail; also, refer to Note XIV for the credit risk related information in detail.

8. Investment under the equity method

	2023.12.31		2022.12.31	
	Book value	Share-holding (%)	Book value	Share-holding (%)
Invested companies:				
Kings Town Bank International Lease Corporation	\$2,187,750	100.00	\$1,660,146	100.00
King's Town Securities Co, Ltd.	1,035,375	100.00	1,013,424	100.00
Total	<u>\$3,223,125</u>		<u>\$2,673,570</u>	

The gains and losses of the investment in subsidiaries under the equity method for the years ended December 31, 2023 and 2022 were recognized for an amount of NTD568,305 thousand and NTD226,384 thousand, respectively.

9. Other financial assets, net

	2023.12.31	2022.12.31
Short-term advance	\$369	\$42
Subtotal (total book value)	369	42
Less: loss allowance	-	-
Total	<u>\$369</u>	<u>\$42</u>

10. Property, plant, and equipment

The Company's booked property and equipment are owned and used by the Company.

	Land	Buildings and structures	Transport equipment	Other equipment	Construction in progress and prepayments	Total
Cost:						
2023.01.01	\$4,126,476	\$1,191,735	\$15,511	\$260,615	\$60,767	\$5,655,104
Acquisition	-	6,648	-	22,134	362,256	391,038
Disposal	-	(11,470)	(51)	(13,053)	-	(24,574)
Other Changes	296,473	39,283	-	-	(335,756)	-

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

	Land	Buildings and structures	Transport equipment	Other equipment	Construction in progress and prepayments	Total
2023.12.31	\$4,422,949	\$1,226,196	\$15,460	\$269,696	\$87,267	\$6,021,568
2022.01.01	\$3,169,370	\$1,191,735	\$15,082	\$229,624	\$38,194	\$4,644,005
Acquisition	-	-	6,221	38,553	979,679	1,024,453
Disposal	-	-	(5,792)	(7,562)	-	(13,354)
Other	957,106	-	-	-	(957,106)	-
Changes						
2022. 12.31	\$4,126,476	\$1,191,735	\$15,511	\$260,615	\$60,767	\$5,655,104

Depreciation  
and  
impairment:

2023.01.01	\$-	\$818,191	\$10,535	\$211,984	\$-	\$1,040,710
Depreciation	-	19,900	1,836	28,777	-	50,513
Disposal	-	(11,470)	(51)	(12,768)	-	(24,289)
Impairment	-	3,792	-	-	-	3,792
2023.12.31	\$-	\$830,413	\$12,320	\$227,993	\$-	\$1,070,726
2022.01.01	\$-	\$799,495	\$14,064	\$190,926	\$-	\$1,004,485
Depreciation	-	18,696	2,033	28,436	-	49,165
Disposal	-	-	(5,562)	(7,378)	-	(12,940)
2022.12.31	\$-	\$818,191	\$10,535	\$211,984	\$-	\$1,040,710

Net book  
value:

2023.12.31	\$4,422,949	\$395,783	\$3,140	\$41,703	\$87,267	\$4,950,842
2022.12.31	\$4,126,476	\$373,544	\$4,976	\$48,631	\$60,767	\$4,614,394

The Company did not provide property, plant, and equipment as collateral.

11. Other assets, net

	2023.12.31	2022.12.31
Prepayments	\$4,976	\$9,041
Inter-bank clearing fund	1,503,993	1,636,270
Refundable deposits	226,931	302,476
Collateral accepted	262,138	-
Others	14,683	16,033
Net	<u>\$2,012,721</u>	<u>\$1,963,820</u>

As of December 31, 2023 and 2022, the other asset – other accumulated impairment of each period amounted to NTD3,280 thousand.

12. Deposits from the Central Bank and other banks

	2023.12.31	2022.12.31
Deposits of other banks	\$2,041	\$2,775
Call loans to other banks	13,306,245	24,089,484
Total	<u>\$13,308,286</u>	<u>\$24,092,259</u>

13. Financial liabilities measured at FVTPL

	2023.12.31	2022.12.31
Available-for-sale financial liabilities:		
Derivatives	<u>\$35,936</u>	<u>\$35,203</u>

14. Securities sold under agreement to repurchase

	2023.12.31	2022.12.31
Government bonds	\$2,350,887	\$4,576,847
Corporate bonds	4,375,306	10,586,187
Financial bonds	372,750	664,095
Total	<u>\$7,098,943</u>	<u>\$15,827,129</u>

The Company's liabilities of bonds and securities sold under repurchase agreements were processed at the agreed price for an amount of NTD7,125,894 thousand and NTD15,901,719 thousand as of December 31, 2023 and 2022, respectively.

15. Payables

	2023.12.31	2022.12.31
Accrued expenses	\$446,404	\$296,652
Interest payable	332,620	296,171
Notes and checks in clearing	1,261,593	1,213,439
Clearing amount payable	561,251	-
Other payables - taxation	14,298	11,011
Others	396,916	404,290
Total	<u>\$3,013,082</u>	<u>\$2,221,563</u>

16. Deposits and remittances

	2023.12.31	2022.12.31
Check deposits	\$3,179,905	\$3,474,325
Demand deposits	55,678,843	51,810,315
Time deposits	74,244,528	74,112,372
Savings deposit	164,716,669	154,786,762
Remittances	5,674	7,737
Total	<u>\$297,825,619</u>	<u>\$284,191,511</u>

17. Provisions

	2023.12.31	2022.12.31
Retirement benefits plan	\$62,880	\$90,370
Reserve for guarantee liability	161,214	152,313
Provision for commitment of financing	44,818	25,818
Total	<u>\$268,912</u>	<u>\$268,501</u>

The changes in the provisions for guarantee liability are as follows:

	2023	2022
Beginning balance	\$152,313	\$186,281
Amount appropriated (reversed) for the period	8,900	(33,975)
Foreign exchange impact amount	1	7
Ending balance	<u>\$161,214</u>	<u>\$152,313</u>

The changes in the financing commitment reserve are as follows:

	2023	2022
Beginning balance	\$25,818	\$21,818
Amount appropriated for the period	19,000	4,000
Foreign exchange impact amount	-	-
Ending balance	\$44,818	\$25,818

18. Retirement benefits plan

Defined contribution pension plan

The Company has established the Regulations for Employee Retirement in accordance with the "Labor Pension Act", which is a defined contribution pension plan. According to the Act, the monthly labor pension payable rate of the Company shall not be less than 6% of the employee's monthly salary. In accordance with the Regulations for Employee Retirement, the Company has been allocating six percent of each employee's monthly salary to their individual retirement account at the Bureau of Labor Insurance.

The amount of the Company's defined contribution pension plan for the years ended December 31, 2023 and 2022 were NTD36,106 thousand and NTD34,737 thousand, respectively.

Defined benefit plan

The employee retirement plan established by the Company in accordance with the Labor Standards Act is considered a defined benefit plan. Pension payments for employees are calculated in accordance with the base of service years rendered and the average salaries or wages of one month after the retirement is approved. Two bases are given for each full year of service over the first 15 years, and one base is given for an additional year of service thereafter, provided that the total bases do not exceed 45. In accordance with the Labor Standards Act, the Company contributes on a monthly basis of the total salary (wages) as the pension fund from 8% to 15% since March 2012, which is deposited in a designated account of the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Fund. In addition, prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the



end of March of the following year.

In accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, asset allocation is carried out by the Ministry of Labor. The fund's investments are conducted through self-operation and entrusted management, adopting a combination of active and passive management for medium to long-term investment strategies. The Ministry of Labor considers market, credit, liquidity, and other risks to establish fund risk limits and control plans, allowing for sufficient flexibility to achieve target returns without taking on excessive risk. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19.142. The Company expects to allocate NTD34,655 thousand to the defined benefit plan for the next fiscal year as of December 31, 2023.

As of December 31, 2023 and 2022, the Company's defined benefit plan were expected to expire in 2029.

The table below summarizes the costs of defined benefit plans recognized in profit or loss:

	2023	2022
Current service cost	\$179	\$300
Net interests of net defined benefit liabilities	5,379	2,333
Projected return on plan assets	(4,478)	(1,674)
Total	\$1,080	\$959

The reconciliation for present value of defined benefit obligation and fair value of plan assets are as follows:

	2023.12.31	2022.12.31
Defined benefit obligation	\$457,521	\$470,032
Fair value of plan assets	(394,641)	(379,662)
Provisions - booked value of net defined	\$62,880	\$90,370

The reconciliation of net defined benefit liabilities (assets):

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2022.1.1	\$502,604	\$(352,949)	\$149,655
Current service cost	300	-	300
Interest expenses (income)	2,333	(1,674)	659
Subtotal	505,237	(354,623)	150,614
Remeasurement of defined benefit			
Actuarial gains and losses resulting	4,561	-	4,561
Experience adjustment	-	-	-
Remeasurement of defined benefit	-	(27,779)	(27,779)
Subtotal	4,561	(27,779)	(23,218)
Benefit paid	(39,766)	39,766	-
Employer contribution amount	-	(37,026)	(37,026)
2022.12.31	\$470,032	\$(379,662)	\$90,370
Current service cost	179	-	179
Interest expenses (income)	5,379	(4,478)	901
Subtotal	475,590	(384,140)	91,450
Remeasurement of defined benefit			
Actuarial gains and losses resulting	12,213	-	12,213
Experience adjustment	-	-	-
Remeasurement of defined benefit	-	(3,500)	(3,500)
Subtotal	12,213	(3,500)	8,713
Benefit paid	(30,282)	28,446	(1,836)
Employer contribution amount	-	(35,447)	(35,447)
2023.12.31	\$457,521	\$(394,641)	\$62,880

The following key assumptions are used to determine the Company's defined benefit plan:

	2023.12.31	2022.12.31
Discount rate	1.25%	1.25%
Expected salary increase rate	2.00%	2.00%

The sensitivity analysis of each significant actuarial assumption:

	2023		2022	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Increase in discount rate by	\$-	\$(3,231)	\$-	\$(3,886)
Decrease in discount rate by	3,315	-	3,992	-
Increase in expected salary by	6,833	-	8,201	-
Decrease in expected salary by	-	(6,561)	-	(7,850)

When the aforementioned sensitivity analysis is conducted, an analysis is performed on the potential impact on the defined benefit obligation when a reasonable change occurs in a single actuarial assumption (such as discount rate or expected salary), assuming all other assumptions remain constant. In practice, it is rare for only a single actuarial assumption to change due to the interrelated nature of some actuarial assumptions, so the analysis has its limitations.

The method and assumptions used for the of the sensitivity analysis for the current period are the same as those used in the previous period.

#### 19. Other liabilities

	2023.12.31	2022.12.31
Deposits received	\$7,858	\$7,020
Advance income	53,603	74,143
Temporary receipts and accounts to be carried over	106,709	186,878
Others	5,334	611
Total	<u>\$173,504</u>	<u>\$268,652</u>

## 20. Equity

### (1) Common stock

As of December 31, 2023 and 2022, the authorized capital stock of the Company were NTD18,000,000 thousand and NTD30,000,000 thousand, respectively. The issued capital stock amounted to NTD11,112,343 thousand for each period, issued at par value of NTD10 per share, amounting to 1,202,234 thousand shares. Each share is entitled to one voting right and the right to receive dividends.

### (2) Capital surplus

	2023.12.31	2022.12.31
Common stock premium	\$52,563	\$52,563
Others	2,629	2,629
Total	\$55,192	\$55,192

Adjustment of various capital surplus from January 1 to December 31, 2023 and 2022 was as follows:

	Common stock premium	Treasury stock transactions	Others	Total
Balance on January 1, 2023	\$52,563	\$-	\$2,629	\$55,192
Share-based payment transaction	-	-	-	-
Transfer of treasury stock	-	-	-	-
Adjustment based on percentage of ownership	-	-	-	-
Balance on December 31, 2023	\$52,563	\$-	\$2,629	\$55,192
Balance on January 1, 2022	\$53,036	\$22,070	\$2,629	\$77,735

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

	Common stock premium	Treasury stock transactions	Others	Total
Share-based payment transaction	-	-	-	-
Cancellation of treasury stock	(473)	(22,070)	-	(22,543)
Adjustment based on percentage of ownership	-	-	-	-
Balance on December 31, 2022	\$52,563	\$-	\$2,629	\$55,192

According to the law, additional paid-in capital shall not be used for any purpose except for making up for Company losses. When the Company has no losses, a certain percentage of the additional paid-in capital from the stock premium and gifts can be applied to replenish capital every year. The aforementioned additional paid-in capital can be allocated in cash to shareholders proportionally to their original shareholding ratio.

(3) Treasury stock

a. Changes in treasury stocks are as follows:

January 1 to December 31, 2023: None.

January 1 to December 31, 2022:

Cause	Number of	Increase in	Decrease in	Number of
Protect the company's	-	10,000 thousand	10,000 thousand	-
Total	-	10,000	10,000	-

b. For the year ended December 31, 2022, the buy-back amount of treasury stocks was NTD350,511 thousand for 10,000 thousand shares. Based on the resolution of the Board of Directors, it had scheduled September 30, 2022 as the base date of de-capitalization. A total of 10,000 thousand shares of treasury stock were bought back and canceled with a total of NTD100,000 thousand.

- c. The treasury stocks held by the Company shall not be pledged, nor shall they be entitled to the distribution of dividends and voting rights according to the Securities and Exchange Act.

(4) Earnings allocation and dividend policy

According to the Articles of Incorporation of the Company, if there are earnings at the annual final accounts, it should be distributed in the following order:

- A. Payment of all taxes and dues.
- B. Offset operation losses.
- C. Appropriate 30% as the legal reserve.
- D. Other special surplus reserve recognized or reversed in accordance with laws and regulations or supervisory authorities.
- E. The remaining earnings shall be distributed by the Board of Directors according to the dividend policy, and reported to the shareholders' meeting.

The principle of dividend distribution of the Company is based on the business operation needs of the Company and the revision of major laws and regulations. The Board of Directors presents the proposal in the Shareholders' Meeting for resolutions with the ratio of the cash dividend moderately adjusted, which shall not be less than 1% of the total dividends. If the cash dividend per share is less than NTD0.1, it will not be distributed.

Pursuant to the Banking Act, legal capital reserve shall be appropriated until the total sum of which has reached the total capital. Unless and until the accumulated legal capital reserve equals the paid-in capital, the maximum cash surplus which may be distributed shall not exceed 15% of the total paid-in capital. The legal reserve can be used to set off deficits. When the Company has no loss, the portion of the legal reserve exceeds 25% of the paid-in capital should be distributed as new shares or cash to shareholders proportional to their original shareholding ratio.

According to the provisions of the Securities and Exchange Act, when the competent authorities consider it necessary, it may request the listed companies to have a certain percentage of special reserve appropriated in addition to appropriating the legal reserve lawfully at the time of distributing earnings.

When the Company distributes earnings that are distributable, an additional special reserve is appropriated for an amount equivalent to the difference between the balance of the special reserve appropriated at the first-time adoption of IFRSs and the net debit of other equity. If other stockholders' equity deductions are reversed afterward, the reversal part of net amount of the deduction of other equity and special reserve reversed may be applicable for the appropriation of earnings.

In accordance with Jin-Guan-Cheng-Fa-Zi No. 1090150022, issued by the FSC on March 31, 2021, upon the first-time adoption of IFRS, for the booked unrealized revaluation increase and aggregated adjustment amount (interest) that have been transferred into retained earnings on the transition date due to adoption of exemption items in IFRS 1 First-time Adoption of IFRS, the Company set aside special surplus reserve. Where relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

As of January 1, 2023 and 2022, the special reserve at the first-time adoption amounted to NTD45,549 thousand. In addition, the Company did not use, dispose of, or reclassify relevant assets from January 1 to December 31, 2023 and 2022 that would cause the reversal of special reserve to undistributed earnings. As of December 31, 2023 and 2022, the special reserve for the first time was NTD45,549 thousand.

At the board meeting on February 26, 2024, and the annual general meeting of shareholders on May 23, 2023, the Company proposed and resolved on the earnings appropriation and distribution and the dividend per share for the year 2023 and 2022, respectively, as outlined below:

	Distribution of retained earnings		Dividends per share (NTD)	
	2023	2022	2023	2022
Legal reserve	\$1,855,203	\$-		
Special reserve	(1,420,578)	1,420,578		
Common stock cash dividends	3,333,703	1,222,358	\$3.0	\$1.1
Total	<u>\$3,768,328</u>	<u>\$2,642,936</u>		

Please refer to Note VI for the relevant information on the estimation basis and recognition amount of the employee compensation and the remuneration to directors and supervisors.

21. Net interest income

	2023	2022
<u>Interest revenue</u>		
Discount and loan interest income	\$7,690,182	\$5,691,015
Due from bank and interbank offered interest income	151,218	44,600
Security investment interest income	1,981,191	1,896,093
Other interest incomes	50,954	36,939
Subtotal	<u>9,873,545</u>	<u>7,668,647</u>
<u>Interest expenses</u>		
Deposits Interest expenses	(3,499,033)	(1,510,449)
Interest expense of funds borrowed from Central Bank and other banks	(718,316)	(317,651)
Interest expense of the RP bonds	(442,097)	(279,267)
Others	(3,395)	(4,469)
Subtotal	<u>(4,662,841)</u>	<u>(2,111,836)</u>
Total	<u>\$5,210,704</u>	<u>\$5,556,811</u>

22. Net service fee income

	2023	2022
Service fee income	\$2,220,100	\$2,211,220
Service fee expenses	(50,754)	(49,813)
Total	<u>\$2,169,346</u>	<u>\$2,161,407</u>

23. Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2023	2022
Stock investment	\$1,824,212	\$(1,024,588)
Bond investment	801,126	(777,760)
Derivatives	141,097	398,183
Others	11,142	(4,921)
Total	<u>\$2,777,577</u>	<u>\$(1,409,086)</u>



24. (Impairment loss) of assets and (provision) reversal of allowances for bad debts, commitments, and guarantee liabilities

	2023	2022
Financial assets measured at FVOCI	\$(961,219)	\$(1,263,808)
Financial assets measured at cost after amortization	(592)	(565)
Fixed asset	(3,792)	-
Subtotal	<u>(965,603)</u>	<u>(1,264,373)</u>
Loan and receivables bad debt reversal (appropriation)	19,167	(101,731)
(Provision) reversal of allowances for guarantees	(8,900)	33,975
Financing commitments reserve (appropriation)	(19,000)	(4,000)
Subtotal	<u>(8,733)</u>	<u>(71,756)</u>
Total	<u><u>\$(974,336)</u></u>	<u><u>\$(1,336,129)</u></u>

Please refer to Note XIV for credit risk related information.

25. Leases

(1) The Company is the lessee

The Company leases several assets, including real estate (buildings and structures) and other equipment. The lease period for each contract is for 3-10 years.

The impacts of the lease on the Company's financial position, financial performance, and cash flow are as follows:

A. Amount recognized on the balance sheet

(a) Right-of-use assets

The book value of the right-of-use assets

	2023.12.31	2022.12.31
Buildings and structures	\$275,939	\$284,169
Other equipment	4,896	6,231
Total	<u><u>\$280,835</u></u>	<u><u>\$290,400</u></u>

The Company had added right-of-use assets for the amounts for the years ended December 31, 2023 and 2022 were NTD74,684 thousand and NTD41,753 thousand, respectively.

(b) Lease liabilities

	2023.12.31	2022.12.31
Lease liabilities	<u>\$287,140</u>	<u>\$295,487</u>
Current	<u>\$287,140</u>	<u>\$295,487</u>

The interest expenses of the Company's lease liabilities for the years ended December 31, 2023 and 2022 were NTD3,395 thousand and NTD3,552 thousand, respectively. For the maturity analysis of the lease liabilities as of December 31, 2023 and 2022, please refer to Note XIV.4 Liquidity Risk Management.

B. Amount recognized in the statements of comprehensive income

Depreciation of the right-of-use assets

	2023	2022
Buildings and structures	<u>\$82,914</u>	<u>\$79,335</u>
Other equipment	1,335	1,555
Total	<u>\$84,249</u>	<u>\$80,890</u>

C. The lessee and the lease activity related income, expense, and loss

	2023	2022
Short-term lease expense	<u>\$3,625</u>	<u>\$2,505</u>
Low-value asset lease expense (excluding the low-value assets lease expense of the short-term leases)	2,798	2,893

D. The lessee and the lease activity related cash outflow

The total cash outflow for the lease of the Company for the years ended December 31, 2023 and 2022 were NTD92,849 thousand and NTD88,272 thousand, respectively.

26. Operating expenses

The employee benefits, depreciation, and amortization expenses are summarized by function as follows:

	2023	2022
Employee benefits expenses		
Salaries and wages	\$1,082,249	\$900,919
Labor insurance and national health insurance	79,408	76,709
Pension expenses	37,186	35,696
Remuneration to directors	17,113	17,999
Other employee benefits expenses	44,758	38,379
Depreciation	134,762	130,055
Total	<u>1,395,476</u>	<u>1,199,757</u>

The numbers of employees of the Corporation for the current year and the previous year were 975 and 1,001, respectively, among which the number of directors who were not concurrent employees were both 7, respectively.

According to the Articles of Incorporation, if the Company has earnings for the year, no less than 0.01% of the earnings should be appropriated to pay employees' remuneration and no more than 2% of the earnings should be appropriated as remuneration to directors. However, when there are accumulated losses, an equivalent amount should be appropriated to make up for losses. The aforementioned remuneration to employees is to be paid in the form of shares or cash. Approval for such benefits should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of all Board members. The results should be reported during Shareholders' Meeting. Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange Corporation for information on employee remuneration and remuneration to directors resolved by the Board of Directors.

Based on the Company's profit for the years ended December 31, 2023 and 2022, the Company appropriates 0.01% of the earnings to be remuneration to employees,

which were NTD730 thousand and NTD290 thousand, respectively, and were listed in the "salary expense" account.

The Company's Board of Directors had resolved on February 26, 2024 to distribute the 2023 remuneration to employees and directors and supervisors at the amounts of NTD730 thousand and NTD0 thousand, respectively, which was not significantly different from the expenses booked in the 2023 financial report.

The Company's Board of Directors had resolved on February 20, 2023 to distribute the 2022 remuneration to employees and directors and supervisors at the amounts of NTD290 thousand and NTD0, respectively, which was not significantly different from the expenses booked in the 2022 financial report.

There is no significant difference between the actual employees' remuneration and remuneration to directors distributed in 2023 and the expenses booked in the 2022 financial report.

27. Other comprehensive income

Other comprehensive income for the year ended December 31, 2023 is as follows:

	Accrued in the current year	Current reclass- ification adjustment	Other com- prehensive income (loss)	Income tax gains	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	\$419,562	\$-	\$419,562	\$-	\$419,562
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(18,750)	-	(18,750)	-	(18,750)
Remeasurements of the defined benefit plan	(8,714)	-	(8,714)	1,742	(6,972)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences from the translation of financial statements of foreign operations	(5,017)	-	(5,017)	1,003	(4,014)
Gains or loss from debt instrument investment measured at FVOCI	2,023,466	299,795	2,323,261	-	2,323,261
Total	<u>\$2,410,547</u>	<u>\$299,795</u>	<u>\$2,710,342</u>	<u>\$2,745</u>	<u>\$2,713,087</u>

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Other comprehensive income for the year ended December 31, 2022 is as follows:

	Accrued in the current year	Current reclass- ification adjustment	Other com- prehensive income (loss)	Income tax (expenses)	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	\$(263,895)	\$-	\$(263,895)	\$-	\$(263,895)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	17,465	-	17,465	-	17,465
Remeasurements of the defined benefit plan	23,219	-	23,219	14,400	37,619
Items that may be reclassified subsequently to profit or loss:					
Exchange differences from the translation of financial statements of foreign operations	33,855	-	33,855	(4,665)	29,190
Gains or loss from debt instrument investment measured at FVOCI	(6,243,146)	453,156	(5,789,990)	-	(5,789,990)
Total	<u>\$(6,432,502)</u>	<u>\$453,156</u>	<u>\$(5,979,346)</u>	<u>\$9,735</u>	<u>\$(5,969,611)</u>

The Company's debt instrument investment measured at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 are reclassified to profit or loss from the cumulative other comprehensive income at the time of de-recognition for an amount of NTD (299,795) thousand and NTD (453,156) thousand, respectively.

28. Income tax

The main composition of income tax expenses (benefits) is as follows:

Income tax recognized in the profit or loss

	2023	2022
Current income tax expenses:		
Current income tax liabilities	\$1,042,113	\$1,007,250
The income tax of the previous years adjusted in the current period	(13,973)	31,264
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to the original generation of temporary difference and its reversal	16,873	(379,067)
Income tax expenses	<u>\$1,045,013</u>	<u>\$659,447</u>

Income tax recognized in the other comprehensive income

	2023	2022
Deferred income tax (benefit):		
Exchange differences from the translation of financial statements of foreign operations	\$(1,003)	\$4,665
Actuarial (loss) from defined benefit plan	(1,742)	(14,400)
The other comprehensive income related income tax	<u>\$(2,745)</u>	<u>\$(9,735)</u>

The reconciliation of the amount of income tax expense and accounting profit multiplied by the applicable income tax rate

	2023	2022
Net income before tax of the continuing business units	\$7,252,114	\$2,869,869
Tax amount calculated at the domestic tax rate applicable to the income of the relevant country	1,450,422	\$573,974
Income tax effects of tax-exempt income	(375,053)	(415,602)
Income tax effects of non-deductible expenses on tax returns	(2,255)	(3,444)
Income tax effect of deferred income tax assets/liabilities	(14,128)	388,802
Surtax on undistributed earnings	-	84,453
The income tax of the previous years adjusted in the current period	(13,973)	31,264
Total income tax expense recognized in profit or loss	1,045,013	\$659,447

Deferred income tax assets (liabilities) balances related to the following items

2023

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	\$89,954	\$(93,337)	\$-	\$(3,383)
Allowance for bad debt	207,968	35,187	-	243,155
Impairment of Assets	73,896	46,814	-	120,710
Employees' leave benefits liabilities	6,358	70	-	6,428
Compensation payable	1,903	-	-	1,903
Reserve for guarantee liability	12,529	1,633	-	14,162



Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

	Beginning balance	Recognized in the profit or loss	Recognized in the other com- prehensive income (loss)	Ending balance
Net determined benefit liability - non-current	18,387	(7,240)	1,742	12,889
Conversion difference of the financial statements of foreign institutions	(1,506)	-	1,003	(503)
Gain on bargain purchase	(919)	-	-	(919)
Deferred income tax benefit		(16,873)	2,745	
Net deferred income tax assets	\$408,570			\$394,442
The information expressed on the balance sheet is as follows:				
Deferred tax assets	\$410,995			\$399,247
Deferred tax liabilities	2,425			4,805
Deferred income tax liabilities - land value incremental tax reserve	50,135			50,135
Total	\$52,560			\$54,940

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2022

	Beginning balance	Recognized in the profit or loss	Recognized in the other com- prehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	\$(137,807)	\$227,761	\$-	\$89,954
Allowance for bad debt	119,447	88,521	-	207,968
Impairment of Assets	2,434	71,462	-	73,896
Employees' leave benefits liabilities	3,815	2,543	-	6,358
Compensation payable	1,149	754	-	1,903
Reserve for guarantee liability	10,344	2,185	-	12,529
Net determined benefit liability - non-current	18,146	(14,159)	14,400	18,387
Conversion difference of the financial statements of foreign institutions	3,159	-	(4,665)	(1,506)
Gain on bargain purchase	(919)	-		(919)
Deferred income tax benefit		379,067	9,735	
Net deferred income tax assets	\$19,768			\$408,570
The information expressed on the balance sheet is as follows:				
Deferred tax assets	\$158,494			\$410,995
Deferred tax liabilities	\$138,726			2,425
Deferred income tax liabilities - land value incremental tax reserve	50,135			50,135
Total	\$188,861			\$52,560

Income tax declaration and audit

The Company's income tax returns before 2021 (inclusive) had already been assessed and approved by the tax authority.

29. Earnings per share

The basic earnings per share is calculated by having the net profit attributable to the holder of the common stock shares of the parent company divided by the weighted average number of common stock shares outstanding in the current period.

The diluted earnings per share is calculated by dividing the net profit of parent company ordinary shares by weighted average number of ordinary shares outstanding during the period, plus the weighted average number of common stock shares to be issued when all dilutive potential common stock shares were converted into common stock shares.

	2023	2022
(1) Basic Earnings Per Share		
Net income (NTD thousands)	\$6,207,101	\$ 2,210,422
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,111,234	1,117,220
Base earnings per share (NTD)	\$5.59	\$1.98
(2) Diluted earnings per share		
Net income (NTD thousands)	\$6,207,101	\$ 2,210,422
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,111,234	1,117,220
Dilutive effect	-	-
Weighted average number of common stock shares (thousand shares) after adjusting the dilutive effect	1,111,234	1,117,220
Diluted earnings per share (NTD)	\$5.59	\$1.98

There was no other transaction performed to cause significant changes to the outstanding common stock shares or the potential common stock shares after the reporting period and before the release of the financial statements.

VII. Related Party Transactions

1. Names of related parties and their relationship

Name	Relationship with the Company
Kings Town Bank International Lease Corporation	Subsidiaries of the Company
Kings Town Intl. Construction Management Corporation	Sub-subsidiary of the Company
Kings Town Securities Co., Ltd.	Subsidiaries of the Company
Chen-Chih Tai	Chairman of the Company
Chiung-Ting Tsai	Vice Chairman of the Company
Hung-Liang Chiang	President of the Company (assumed office on March 1, 2022)
Jih-Cheng Chang	President of the Company (Resigned on February 28, 2022)
Tiangang Investment Co., Ltd	Director of the Company
Fu Chiang Investment Co., Ltd.	Director of the Company
Chao-Long Chen	Independent Director of the Company
Bing-Sung Wu	Independent Director of the Company (assumed office on May 9, 2022)
Chuan-Fu Hou	Independent Director of the Company
Others	Representatives of the Company's managers, incorporated directors and supervisors, and second degree of kinship and substantive stakeholders

2. Significant transactions with related parties

(1) Deposits

Account Item	Amount	% of the account balance
<u>2023.12.31</u>		
Deposits	\$641,506	0.22%
<u>2022.12.31</u>		
Deposits	\$1,203,047	0.42%

For the deposit interest rate between the Company and its related parties, except for when the bank clerk's savings deposit amount within the prescribed limit with interest calculated according to a preferential deposit interest rate, the amount exceeding the threshold and the deposit interest rate of the other related party are same as the interest rate of the general customers.

(2) Loans

Account Item	Amount	% of the account balance
<u>2023.12.31</u>		
Loans	\$31,325	0.01%
<u>2022.12.31</u>		
Loans	\$43,278	0.02%

2023.12.31

Type	Number of accounts or name of related parties	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-related parties
				Normal loans	Non-performing loans		
Consumer loan	8	\$3,810	\$3,645	\$3,645	\$-	None	None
Residential mortgage loan	3	5,527	5,406	5,406	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	10,299	10,299	10,299	-	Real estate	None
Other loans	Huang, OO	300	300	300	-	Real estate	None

2022.12.31

Type	Number of accounts or name of related parties	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-related parties
				Normal loans	Non-performing loans		
Consumer loan	10	\$5,249	\$5,083	\$5,083	\$-	None	None
Residential mortgage Loan	7	12,794	12,567	12,567	-	Real estate	None
Other loans	Chou, OO	1,100	1,100	1,100	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	12,853	12,853	12,853	-	Real estate	None

(3) Leases

① The rent revenue received by the Company from leasing offices and virtual host space to related parties for the periods from January 1 to December 31, 2023 and 2022 were NTD3,167 thousand and NTD2,532 thousand, respectively.

② The rental expenses paid to the related party for the lease of the office for the periods from January 1 to December 31, 2023 and 2022 were NTD6,447 and NTD4,688 thousand, respectively.

- (4) The rebates paid to related parties by the Company for the periods for the years ended December 31, 2023 and 2022 (recorded in the “statements of comprehensive income—other business and administrative expenses”) are as follows:

	2023	2022
Kings Town Securities Co., Ltd.	<u>\$1,961</u>	<u>\$1,856</u>

- (5) Guarantees: None.
- (6) Derivative financial instrument transactions: None.
- (7) Sales of non-performing loan: None.
- (8) Remuneration of directors and key management personnel of the Company

	2023	2022
Short-term employee benefits	<u>\$34,030</u>	<u>\$33,033</u>
Retirement benefits	<u>1,195</u>	<u>2,236</u>
Total	<u>\$35,225</u>	<u>\$35,269</u>

VIII. Pledged Assets

The Company has the following assets provided as collateral:

Item	Book value		Guaranteed debt
	2023.12.31	2022.12.31	
Financial assets measured at FVTPL	\$2,579,477	\$5,371,489	RP transaction
Financial assets measured at FVTPL	703,500	698,814	Various business reserves and collaterals
Financial assets measured at FVOCI	5,095,535	11,711,565	RP transaction
Financial assets measured at FVOCI	1,669,358	1,509,874	Funds borrowed from other banks
Total	<u>\$10,047,870</u>	<u>\$19,291,742</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) The Company has the following or various trust agents and guarantees:

	2023.12.31	2022.12.31
Receivable and collection	\$10,119,190	\$11,808,019
Receivable guarantees	9,040,598	8,949,674
Receivables from L/C	-	14,325
Trust and custody	46,105,616	41,681,285
Agreed financing amount	42,145,938	43,384,378

(2)

Major contents	Contract amount	Amount paid	Amount yet to be paid
Land in Guang Pu Phase II	\$423,500-\$653,400	\$21,175	\$402,325-\$632,225



X. Contents and Amount of Trust Business Handled in Accordance with the Provisions of the Trust Enterprise Act

The Company provides the trust balance sheet, income statement, and property list to the Trust Department in accordance with Article 17 of the Enforcement Rules of the Trust Enterprise Act as follows:

Balance Sheet of Trust Accounts

Trust assets	2023.12.31	2022.12.31	Trust liabilities	2023.12.31	2022.12.31
Bank deposits	\$1,465,109	\$1,941,864	Mid-term borrowings	\$8,385,868	\$4,581,230
Stock	2,505,935	3,281,381	Long-term borrowings	614,806	614,806
Funds	10,411,109	10,547,586	Payables	41,862	31,533
Real estate	30,448,708	24,683,104	Other liabilities	90,646	90,884
Other assets	1,108,372	1,069,145	Trust capital	37,463,185	36,647,197
			Reserves		
			Cumulative earnings	(657,134)	(442,570)
Total trust assets	\$45,939,233	\$41,523,080	Total trust liabilities	\$45,939,233	\$41,523,080

### Income Statement of Trust Accounts

Item	2023	2022
Trust revenue		
Interest revenue	\$4,833	\$3,045
Rent revenue	722,968	628,404
Dividend income	198,222	215,612
Unrealized exchange gains	185,648	169,410
Other profits	24,166	24,232
Subtotal	1,135,837	1,040,703
Trust expenses		
Administrative expenses	(72,139)	(72,816)
Tax expenses	(47,113)	(40,342)
Interest expenses	(124,185)	(76,838)
Unrealized capital loss	(1,137,652)	(930,274)
Appraisal expenses	(2,089)	(1,280)
Compensation expenses	(1,200)	(1,200)
Other Expenses	(24,740)	(65,265)
Subtotal	(1,409,118)	(1,188,015)
Net profit (loss) before tax	(273,281)	(147,312)
Income tax expenses	-	-
Net loss after tax	\$(273,281)	\$(147,312)

### Property Catalog of Trust Accounts

	2023.12.31	2022.12.31
Bank deposits	\$1,465,109	\$1,941,864
Stock	2,505,935	3,281,381
Funds	10,411,109	10,547,586
Real estate		
Land	21,673,131	17,036,126
Buildings and structures	8,767,927	7,463,149
Construction in progress	7,650	183,829
Others	1,108,372	1,069,145
Total	\$45,939,233	\$41,523,080

The above funds accounted under the business of “handling of specific money in foreign currency trust’s investment in foreign securities” of the international financial business branch as of December 31, 2023 and 2022 both amounted to NTD0 thousand.

XI. Significant Disaster Loss

No such event.

XII. Significant Subsequent Events

No such event.

XIII. Fair Value and Grade Information of Financial Instruments

1. Information on the fair value of financial instruments

Financial assets:

	2023.12.31		2022.12.31	
	Book value	Fair value	Book value	Fair value
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	\$42,511,519	\$42,511,519	\$36,707,318	\$36,707,318
Financial assets measured at FVOCI	39,377,870	39,377,870	42,292,760	42,292,760
Financial assets measured at cost after amortization:				
Debt instrument investments measured at amortized cost	19,397,863	19,397,863	17,598,455	17,598,455
Cash and cash equivalents (excluding cash on hand)	2,177,790	2,177,790	2,013,568	2,013,568
Due from the Central Bank and call loans to other banks	25,614,640	25,614,640	15,206,369	15,206,369
Receivables	1,133,020	1,133,020	1,269,696	1,269,696
Discounts and loans	230,086,122	230,086,122	242,334,911	242,334,911
Other financial assets	369	369	42	42

Financial liabilities:

	2023.12.31		2022.12.31	
	Book value	Fair value	Book value	Fair value
Financial liabilities measured at cost after amortization:				
Deposits from the Central Bank and other banks	\$13,308,286	\$13,308,286	\$24,092,259	\$24,092,259
Securities sold under agreement to repurchase	7,098,943	7,098,943	15,827,129	15,827,129
Payables	3,013,082	3,013,082	2,221,563	2,221,563
Deposits and remittances	297,825,619	297,825,619	284,191,511	284,191,511
Lease liabilities	287,140	287,140	295,487	295,487
Financial liabilities measured at FVTPL:				
Held for transaction purposes	35,936	35,936	35,203	35,203

The derivative financial instrument transactions are detailed as follows:

Item	Contract amount	Fair value
2023.12.31		
Foreign exchange contracts	\$2,772,210	\$16,913
2022.12.31		
Foreign exchange contracts	\$3,797,927	\$(27,814)

2. Methods and assumptions used in the fair value of financial instruments

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. The methods and assumptions used by the Company to measure or disclose the fair value of financial assets and financial liabilities are as follows:

- (1) The fair value of short-term financial products is estimated based on the book value on the balance sheet. As the maturity date of such products is very close or the current collection price is equivalent to the book value, the book value is a reasonable basis for estimating the fair value. This method is applied to cash and cash equivalents, deposits at the Central Bank and inter-bank loans, RS bills and bond investments, receivables, deposits of the Central Bank and other banks, funds borrowed from Central Bank and other banks, RP bills and bond liabilities, payables, deposits and remittances, and other financial liabilities.

- (2) For financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, available-for-sale financial assets, and held-to-maturity financial assets, if there is a public market price available, such market price is the fair value, which refers to the closing price on the balance sheet date for the listed (OTC) equity security with a market price available, the net asset value on the balance sheet date for the fund, the closing price or reference price on the balance sheet date for the bond, and the settlement price or the counterparty's quote for the derivative financial products. If no market price is available for reference, the evaluation method is used for estimation. When the Company adopts the market price including the purchase price and the selling price, the Company will evaluate the selling (purchasing) position at the market buying (selling) price. If there is no market price available at the time of evaluation but there is the most recent market transaction price available, then the said transaction price is the fair value of such financial asset.
- (3) Discounts, loans, and deposits are all interest-bearing financial assets and liabilities, so their book value is similar to the current fair value. The book value of the collection is the estimated recovery amount net of the allowance for bad debt. Therefore, the book value is the fair value.
- (4) For debt-based instruments that are without an active market price, the fair value is determined by the counterparty's quotation or valuation method. The valuation method is based on the discounted cash flow analysis. The assumptions of interest rate and discount rate are mainly based on information related to similar instruments (for example, Taipei Exchange reference yield curve, the Reuters commercial promissory interest rate average quotation, and credit risk information).
- (5) The fair value of derivatives (including forward foreign exchange and foreign exchange transactions) is the amount that the Company is expected to obtain or pay if it wishes to terminate the contract at the agreed reporting date. The Company calculates the fair value of the position held based on the parameters or quotation information disclosed by the Reuters Information System.
- (6) The fair value of the equity instruments (e.g., private company's stock shares) that do not have a market price available is estimated with the market approach, which is with the fair value estimated with the price generated in market transactions of the same or comparable company's equity instruments and other relevant information (e.g., lack of liquidity discount factor, the profit ratio of

the similar company's stock, and the input value of the similar company's stock price book ratio).

Please refer to Note XIII.3 for the information on the fair value bracket of the Company's financial instruments.

### 3. Fair value hierarchy

#### (1) The definition of the Company's three-level fair value

##### ① Level I

It refers to the public offer (unadjusted) of the same financial instrument available on the active market on the measurement date. The fair value of the listed (OTC) stocks, beneficiary certificates, corporate bonds, financial bonds, convertible corporate bonds, and derivatives with a market price available invested in by the Company is classified as Level I.

##### ② Level II

It refers to the observable prices other than the quote in an active market, including the observable input parameters directly (e.g., prices) or indirectly (e.g., derived from prices) acquired from an active market. This includes the convertible corporate bonds, Taiwan Central Government bonds, and general derivatives invested by the Company.

##### ③ Level III

It means that the input parameters for measuring fair value are not based on information available from the market or by the quotations provided by the counterparty. This includes the unlisted stocks in which the Company invests.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, the classification is re-evaluated at the end of each reporting period to determine whether there is a transfer between the fair value levels.

#### (2) Information on the fair value measurement levels:

The Company does not have non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is shown below.

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2023.12.31

	Total	Level I	Level II	Level III
<u>Assets measured at fair value</u>				
Financial assets measured at FVTPL				
Stock investment	\$2,523,824	\$2,523,824	\$-	\$-
Bond investment	39,934,846	1,901,171	38,033,675	-
Derivatives	52,849	-	52,849	-
Financial assets measured at FVOCI				
Stock investment	3,926,967	-	-	3,926,967
Bond investment	35,450,903	30,183,537	5,267,366	-
<u>Liabilities measured at fair value</u>				
Financial liabilities measured at FVTPL				
Derivatives	35,936	-	35,936	-

2022.12.31

	Total	Level I	Level II	Level III
<u>Assets measured at fair value</u>				
Financial assets measured at FVTPL				
Stock investment	\$912,739	\$912,739	\$-	\$-
Bond investment	35,787,190	2,083,063	33,704,127	-
Derivatives	7,389	-	7,389	-
Financial assets measured at FVOCI				
Stock investment	3,616,947	89,700	-	3,527,247
Bond investment	38,675,813	33,241,237	5,434,576	-

	Total	Level I	Level II	Level III
<u>Liabilities measured</u>				
<u>at fair value</u>				
Financial liabilities				
measured at				
FVTPL				
Derivatives	35,203	-	35,203	-

(3) Transfer between Level I and Level II fair value

From January 1 to December 31, 2023 and 2022, the Company's assets and liabilities measured at repetitive fair value did not experience any transfer between fair value Level I and II.

(4) Changes in Repetitive Fair Value Level III Statement

For the Company's liabilities measured at repetitive fair value that are categorized as Level III, adjustments from beginning to ending balance is as follows:

	Financial assets measured at
	FVOCI - Stock
	<hr/>
2023.01.01	\$3,527,247
Total benefits recognized for 2023:	
Recognized in other comprehensive income	399,720
(reported in "Unrealized gain (loss) on	
valuation of equity instrument	
investments measured at FVOCI")	
Acquired in the period	-
2023.12.31	<hr/> <hr/>
	\$3,926,967



	Financial assets measured at FVOCI - Stock
2022.01.01	\$3,591,670
Total benefits recognized for 2022:	
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on valuation of equity instrument investments measured at FVOCI")	(64,423)
Acquired in the period	-
2022.12.31	\$3,527,247

Significant unobservable input value information of Level III fair value

For the Company's assets measured at repetitive fair value and categorized in fair value Level III, the material unobservable input used toward fair value measurement is as follows:

	Valuation technique	Significant unobservable input value	Range	Relationship between input value and fair value
Financial assets measured at FVOCI				
Stock	Market approach	Lack of liquidity discount rate	20%~30%	The higher the lack of liquidity, the lower the estimated fair value

Evaluation process for Level III fair value

The financial instrument evaluation team of the Company's Risk Management Department is responsible for independent fair value verification. Data from an independent source is used to bring the evaluation results close to the market, to confirm that the data sources are independent, reliable, consistent with other resources, representing executable prices, and that the valuation model is regularly calibrated and evaluated, performing backtracking tests, updating input values and information required for the evaluation model, and any other necessary fair value adjustments to ensure that the valuation results are reasonable.

(5) Not measured at fair value but must disclose fair value level information

Assets in which only fair value is disclosed:

	Level I	Level II	Level III	Total
<u>2023.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit		\$- \$19,397,863		\$- \$19,397,863
<u>2022.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit		\$- \$17,598,455		\$- \$17,598,455

4. Transfer of financial assets

Transferred financial assets that are not fully derecognized

In the daily trading activities of the Company, for the transferred financial assets that did not meet the overall de-recognizing conditions, most of them are RP debt securities as collateral held by the counterparty of the transaction. Such transactions are essentially secured borrowings and reflect the Company's liabilities from repurchasing the obligation of the transferred financial assets at a fixed price in the future. For such transactions, the Company is unable to use, sell, or pledge the transferred financial assets during the effective period of the transaction, but the Company still bears the interest rate risk and credit risk. Therefore, it has not been derecognized entirely.

The table below shows the financial assets not qualified under all conditions and related financial liabilities:

2023.12.31					
Category of financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Financial assets measured at FVTPL with R/P agreement	\$2,579,477	\$2,638,640	\$2,579,477	\$2,638,640	\$(59,163)
Financial assets measured at FVOCI with R/P agreement	5,095,535	4,460,303	5,095,535	4,460,303	635,232

#### XIV. Financial Risk Management

##### 1. Overview

The Company uses its business growth scale to establish a capital adequacy assessment process that meets the risk profile in order to maintain adequate capital. Also, based on overall risk exposure, the Company implements appropriate overall capital allocation, and establishes management mechanisms for various business risks in order to strengthen business performance. The risks in the businesses on and off the balance sheet, such as credit risk, market risk, operational risk, liquidity risk, country risk, and interest rate risk in the banking book, are included in the Company's scope of risk management. Policies and methods such as the Credit Policy, Rules Governing Credit Review and Authorization, and Rules Governing Risks are stipulated according to different risks. Furthermore, management guidelines are formulated according to the needs of the policies and methods in accordance with the Rules Governing Risks, including the Regulations Governing Credit Risk, Regulations Governing Market Risk, and Regulations Governing Operational Risk, and these are reviewed and approved by the Board of Directors to effectively identify, measure, communicate, and monitor various risks.

##### 2. Risk management organizational structure

The risk management of the Company is carried out by the Risk Management Department in accordance with the risk management policy approved by the Board of Directors. The Risk Management Department works closely with business units to identify, assess, and prevent risks. The Board of Directors has a written policy for risk management that covers specific risk exposure, such as, interest rate risk, credit

risk, etc. In addition, the Audit Office reviews the risk management and operating procedures of the Company regularly (at least once a year) and as necessary to ensure that the Company's risk management mechanism is operating effectively. Audit records related to various risks—such as transaction records, statements, and valuations—are kept for review by the Audit Office.

(1) Risk Management Committee

For the purpose of upgrading the risk management mechanism, improving various risks management, avoiding all possible adverse effects on the Company, and seeking maximized profits with limited risks, the Risk Management Committee is established with the President acting as the Chief Commissioner, and the department head of the Finance Department, Digital Service and Business Department, Risk Management Department, Credit Review Department, Administration Office, International Sales Department, Compliance Department, and the Business Management Department and other personnel designated by the President act as the Members of the Committee. The chief auditor may attend the Committee meeting, but is not entitled with voting rights. The Committee holds meetings once a month with the following missions to fulfill:

- ① Add and amend the Company's risk management policy.
- ② Coordinate the risk management issues of the Company, such as, credit risk, market risk, and operational risk.
- ③ Review the ratio of the Company's regulatory capital to risk assets (referred to as "capital adequacy ratio")
- ④ Handle and review the major risk exposure and unauthorized events which occur.
- ⑤ Major issues or discussions related to risk management proposed by each unit.
- ⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

The "Risk Management Department" is the execution unit of the Risk Management Committee and the risk management planning and management unit of the Bank. It independently monitors and manages the risks of the Bank. The department head of the Risk Management Department acts as the Executive Secretary who is appointed by the Board of Directors. The Risk Management Department is responsible for calculating and monitoring capital adequacy and comprehensively handles risk management and reports to the competent authorities in accordance with various risk management guidelines. It submits a

risk control report to the Committee on a quarterly basis and forwards it to the Board of Directors, while the Committee sets rules to control various investment positions and transaction quotas, and handles transaction clearing and settlement, such as bank-wide fund scheduling and securities trading.

(2) Asset and Liability Management Committee

The President of the Company is the Chief Commissioner of the Company's Asset and Liability Management Committee. The members are composed of the personnel designated by the President and the department head of the Digital Service and Business Department, the Risk Management Department, the Finance Department, and the Administration Office. In response to the domestic and foreign financial situation, the committee is responsible for adjusting the business strategy in a timely manner, maintaining liquidity, safety, and profitability, and holding regular meetings at least once a month. The main tasks are as follows:

- ① Assess the impact of changes in domestic and foreign political and economic situations and the trend of government policies on financial business operations.
- ② Predict the impact of domestic and foreign funds, exchange rates, interest rate trends, and other relevant financial indicators on the Company's business operations.
- ③ Assess the Company's operating performance, capital position, asset and liability risk position, and interest rate sensitivity, as well as study and adjust the best ratio of various assets and liabilities.
- ④ Assess the Company's pricing strategy for deposit and loan interest rates.
- ⑤ Estimate the Company's future operating performance and moderately adjust the Company's business strategy.
- ⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

(3) Credit Review Committee

The Credit Review Committee is chaired by the President and consists of the head of the Credit Review Department, the Risk Management Department, and the Digital Service and Business Department, and the personnel designated by the President to strengthen the review and risk control of credit extensions and to ensure the Company's credits. In principle, a meeting will be held once a week to review the credit cases to be granted by the Board of Directors, and the results of the review will be presented to the Board of Directors for approval. The process and transfer of the proposals will be handled by the Credit Review

## Department.

### (4) Investment Management Committee

In order to respond to changes in domestic and foreign financial situations, the Company timely adjust investment strategies and control investment risks to maintain the safety and profitability of the Company's investment positions. The Investment Management Committee has been established as the highest management unit responsible for the Company's investment business. The Committee is chaired by the President, and the members include the head of the Finance Department and other personnel appointed by the President. The Committee holds meetings once a month with the following missions to fulfill:

- ① Set the Bank's investment strategies and principles according to the changes in domestic and foreign political and economic situations and trends in government policy.
- ② Assess whether the performance of the investment portfolio meets the expected objectives, predict the impact of changes in domestic and foreign capital situation, exchange rate, interest rate, and other relevant financial indicators on the investment position of the Company, and study whether the investment strategy should be adjusted.
- ③ Review the proportion, allocation, and reinvestment-orientation of various financial investment projects.
- ④ Review the source of funds and cost structure of the investment.

### (5) Information Security Management Committee

The Information Security Management Committee was formed to improve the information security management system, respond to all information security-related laws and regulations, and comply with the relevant government regulations in order to reduce the risk impact and influence on the Company due to information security. The Committee has one convener appointed who is the President or an individual appointed by the President. The members are the heads of the Risk Management Department, Information Office, Digital Service Department, and Compliance Department, and the department head or designated individual from the department designated by the convener. The Audit Department may attend the Committee meeting, but is not entitled with voting rights. The Committee will hold meetings from time to time as needed. The main tasks are as follows:

- ① Propose the information security policy of the Company.

- ② Promote the information security management system.
- ③ Assess the infrastructure of the information security management system.
- ④ Handle and review major information security incidents.
- ⑤ Major issues or discussions related to information security proposed by each unit.
- ⑥ Discussion of other information security issues.

### 3. Credit Risk

#### (1) Source and definition of credit risk

Credit risk refers to the risk of default loss caused by the borrower or counterparty due to the poor business condition or other factors (such as, disputes between the company and its counterparty), resulting in the borrower or counterparty not fulfilling its contractual obligations. The sources of credit risk included on- and off-balance sheet items. Regarding the Company's credit risk exposure, the items on the balance sheet mainly come from discounts and loans, deposits and interbank lending, debt instrument investments and derivatives, etc. The off-balance sheet items are mainly guarantees, letters of credit, loan commitments, etc.

#### (2) Credit risk management policies

The Company's written credit risk management strategy is prepared as a guideline for the credit operating procedure. Also, the relevant policies and operational guidelines are set up to ensure that the strategy can be implemented continuously and effectively in order to maintain rigorous loan granting standards, monitor credit risk, assess possible business opportunities, and identify and manage non-performing loans. The scope of management includes: ① Various credit risks (including individual credit cases, overall credit check, credit extension, non-performing loans, etc.) and credit risk offset instruments, such as, collateral and guarantee, of the businesses on and off the balance sheet. ② A credit risk related product or position of the banking book or transaction book.

In order to maintain a safe and sound credit extension business and control credit risk, the Regulations Governing Credit Risk were formulated to establish a credit risk control mechanism when planning various business to implement procedures of identification, measurement, communication, and monitoring. Under the hierarchical organization structure of credit management, each level shall, in accordance with the "Rules Governing Credit Review and

Authorization," strictly execute case review within the authority to ensure the quality of credit assets. The Company also formulated the "Directions for Credit Review and Implementation," and the Credit Review Department is authorized by the Head Office in handling related matter to strengthen post-loan management, in aim to effectively control credit risk.

The credit risk management procedures and measurement methods for each major business of the Company are described below:

① Credit extension (including loan commitments and guarantees)

The classification of credit assets and credit quality rating are described as follows:

A. Credit asset classification

The Company's credit assets are classified into five categories. Except that the normal credit assets are classified as Category I, the non-performing credit assets are evaluated according to the loan guarantee status and the length of time overdue, which are classified as Category II "Special Mention," Category III "Expected to be Recovered," Category IV "Doubtful," and Category V "Losses." The Company has formulated the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" to establish the internal processing systems and procedures for asset quality assessment, appropriation of loss reserve, collection of overdue loans, and liquidation of bad debts. Also, it is handled in accordance with the requirements of the competent authorities and the Company. In order to speed up the liquidation of non-performing loans and reduce overdue loans, the Company has the "Rules Governing Non-Performing Loans" formulated to realize a sound financial structure and to enhance asset and liability management.

B. Credit quality rating

The Company has also formulated the Corporate Finance and Consumer Finance Business Classification according to business characteristics and scales. The directions for credit rating are formulated for corporate and individual account holders. The credit rating scores of the debtors are classified into 10 grades (C1–C10), which is an internal credit rating and is used for risk management. The credit rating is used as reference for credit approval and as reference in determining credit conditions. Those with poor credit ratings are subject to more frequent credit review.



② Deposit and inter-bank lending

The Company evaluates the credit status of the counterparty before the transaction is initiated. Before the end of each year, the Company determines the NTD and foreign currency loan limits according to domestic and foreign financial interbank credit ratings. And such matters are submitted to the Credit Review Committee for review and reported to the Board of Directors for approval.

③ Debt instrument investment and derivative financial instruments

The Company's credit risk management of debt instrument is to identify credit risk through the credit rating of debt instrument by domestic and international credit rating agencies, bond guarantee institutions, country risks, and counterparty risk. For the financial institutions that initiate investments in the Company's derivative financial product transactions, set the ceiling of the financial transaction amount by the nature of the counterparty and the credit rating in accordance with the "Regulations Governing Derivatives Transactions Quota."

(3) Credit risk hedge or mitigation policy

① Collateral

The Company adopts the methods of stipulation of credit limit restrictions, collection of collateral, and the guarantor or the transfer of the credit guarantee fund to reduce the credit risk for credit business in order to strengthen the credit claim of the Company. The Group has formulated The Rules Governing Collateral Appraisal and related procedural guidelines and regulations for regulating acceptable types of collateral and the valuation, management, and disposal of collateral, in order to ensure the Group's credit claim. The Company has formulated the creditor's right security clauses, collateral clauses, and offset clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, or the debt may be offset by debtor's deposit at the Company to reduce the credit risk.

The Group carries out on-site appraisal of the collateral on a regular basis or at any time. The Group carries out credit check or revaluation of collaterals according to the status of credit granting accounts. The Group also evaluates the degree of guarantee provided by debtor and the legal effectiveness of the guarantor in order to ensure the security of credit.

② Credit risk limit and credit risk concentration control

The Company has formulated a Credit Policy to properly plan and control the credit of the same natural person, legal person, public enterprise, related party, associate, or group; control single credit risks and enhance the efficiency of capital utilization by setting a ceiling on their respective ratios to the net worth of the Company (where the same public enterprise shall not exceed the net value of the Company, and the ceiling of the same group enterprise shall be adjusted and approved according to its credit rating and outlook). For the ratio of total credit balance of the same industry to the net value of the Company, the ceiling will be approved according to the industry and the overall economy and with reference to the non-performing loan ratio of the industry and future economic outlook. To strengthen the credit risk control of each enterprise overseas and in mainland China, respective limits are stipulated accordingly. For the ratio of the total credit balance secured by residential real estate to the total credit balance of the Company, it is divided into the categories of housing repair and working capital limit control by the intended use of funds. Credit orientation is also dynamically adjusted to hedge the overall risk and avoid excessive credit risk concentration.

③ Master netting arrangement

The Company's transactions are usually cleared on a gross amount and the Company agrees with the counterparties upon the clearing method, or all transactions with the counterparty are terminated with a net amount clearing arranged in the event of default in order to further reduce the credit risk.

(4) Maximum credit risk exposure

The maximum credit risk exposure of the assets stated in the balance sheet without the consideration of collaterals or other reinforced credit instruments approximate their book value. The maximum credit risk exposure amount (excluding collateral or other credit enhancement instruments, and irrevocable maximum risk exposure amount) associated with off-balance sheet items is as follows:

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Off-balance sheet items	Maximum credit risk exposure amount	
	2023.12.31	2022.12.31
Customer's developed and irrevocable loan commitments	\$42,145,938	\$43,384,378
Customer's outstanding letters of credit amount	82,888	81,757
Guarantee payments	9,040,598	8,949,674
Total	\$51,269,424	\$52,415,809

- (5) The financial information related to asset on balance sheet, off- balance sheet collateral held as guarantees, master netting arrangement and other credit enhancements, that have impact on maximum credit risk exposure amount are shown below:

2023.12.31	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$159,632,779	\$ -	\$159,632,779
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	15,093,075	-	15,093,075
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,690,840	-	2,690,840
Total	<u>\$177,416,694</u>	<u>\$ -</u>	<u>\$177,416,694</u>

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2022.12.31	Collateral	Master netting	Total
<u>On-balance sheet</u>			
Discounts and loans	\$163,066,904	\$ -	\$163,066,904
<u>Off-balance sheet</u>			
Customer's developed and irrevocable loan commitments	15,874,381	-	15,874,381
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,727,520	-	2,727,520
<b>Total</b>	<b>\$181,668,805</b>	<b>\$ -</b>	<b>\$181,668,805</b>

The Company's management assesses and believes that the credit risk exposure amount of the off-balance sheet items could be controlled and minimized continuously because the Company and its subsidiaries have adopted a more stringent selection process during the credit approval and subsequent periodic review.

(6) Status of credit risk concentration

When a financial instrument counterparty is significantly concentrated on one person, or a financial instrument has several counterparties who are mostly engaging in similar business activities and have similar economic characteristics, so that their ability to perform contracts is affected by economic or other conditions in a similar manner, there is a significant concentration of credit risk.

The Company's credit risk concentration is derived from assets, liabilities, or off-balance sheet items, which are generated through transactions (regardless of products or services) performance or implementation, or a combination of cross-category risk exposure, including credit, deposit and inter-bank lending, marketable securities investments, receivables, and derivatives. There are no significant signs showing that the Company has trading concentrated on a single customer or single transaction counterparties. The total amounts of transaction with single customers or single transaction counterparties does not

account for a significant part in the Company's discounts and loans and collection amount. The credit risks of the Company's the discount, loans, and collections are listed by industry, and the information on significant concentration of credit risk by industry, region, and collateral is as follows:

① By industry

By industry	2023.12.31		2022.12.31	
	Amount	%	Amount	%
1. Private enterprises	\$174,092,453	75	\$185,921,033	76
2. Government agencies	-	-	-	-
3. Non-profit groups	209,985	-	226,027	-
4. Private	59,405,553	25	59,763,982	24
5. Financial institutions	-	-	-	-
Total	\$233,707,991	100	\$245,911,042	100

② By region

The Company's main business is conducted in Taiwan and there is no significant concentration of credit risk by region.

③ By collateral categories

By collateral categories	2023.12.31		2022.12.31	
	Amount	%	Amount	%
Unsecured	\$74,075,212	32	\$82,844,138	34
Secured				
- Financial collateral	31,859,429	14	27,968,988	11
- Real estate	113,556,738	48	120,301,499	49
- Guarantee	7,730,844	3	7,422,926	3
- Other collateral	6,485,768	3	7,373,491	3
Total	\$233,707,991	100	\$245,911,042	100

(7) Analysis of the Company's financial assets that is overdue but without impairment

The Company had no financial assets that were overdue without impairment as of December 31, 2023 and 2022.

- (8) Judgment of the Company's credit risk that has increased significantly since the original recognition

Credit extension

The Company assesses the change in the risk of default in the expected duration of each type of credit asset on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Company considers the information that evidences the significant and reasonable increase of credit risk (including forward-looking information) since the original recognition. The main considerations include:

① Quantitative indicators:

If the contract is overdue for more than 30 days on the reporting date, it is concluded that the credit risk has increased significantly since the original recognition.

② Qualitative indicators:

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that the credit risk has increased significantly since the original recognition.

- a. The records of bounced checks of the debtors reported by the Company.
- b. The dishonored accounts announced by Taiwan Clearing House.
- c. People whose collateral at the Bank is held by compulsory enforcement by other banks.
- d. Informed of the incident that the debtors have applied for reorganization of their debts at other financial institutions when handling post-loan management procedures such as review or follow-up assessment.
- e. Listed as a receivable on demand or written-off of bad debts.
- f. Informed of the incident that the public certified accountants had issued an opinion on the financial statements of the debtors with a concern over the continuing operation of the audited debtors when implementing the post-loan management procedures of review, tracking, and assessment.
- g. Informed of other non-performing loans of the debtors.

This assumption that "if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition" is not applicable to various credit assets of the Company.

### Debt instruments

The Company assesses the change in the risk of default in the expected duration of each type of debt instrument on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Company considers the changes in credit rating that indicates the main evaluation indicator is a quantitative indicator since the original recognition. When the credit rating on each reporting date is lower to an extent than the credit rating on the original recognition date, it is determined that the credit risk has increased significantly since the original recognition.

This assumption that "if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition" is not applicable to various debt instrument the Company.

#### (9) Definition of the Company's default and credit impairment financial assets

##### Credit extension

The Company's definition of default on various types of credit assets is the same as the default and credit impairment of each type of credit assets. If one or more of the following conditions are met, the Company determines that the various types of credit assets have been defaulted with credit impairment resulted:

##### ① Quantitative indicators

If the contract is overdue for more than 90 days on the reporting date, it is concluded that default and credit impairment have occurred.

##### ② Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If the matter shows objective evidence of impairment (i.e., agreement, bail-out, rehabilitated, etc.), it is determined that default and credit impairment have occurred.

##### Debt instruments

The Company's definition of default on a debt instrument is the same as the credit impairment of a debt instrument. If one or more of the following conditions are met, the Company determines that the debt instrument has defaulted with credit impairment:

① Quantitative indicators

If the credit rating on each reporting date reaches the default level, it is determined as defaulted with credit impairment.

② Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that default and credit impairment have occurred:

- a. An event of default occurred.
- b. The issuer's significant financial difficulties.
- c. The issuer is likely to apply for bankruptcy or other financial restructuring.

The foregoing definition of default and credit impairment is applicable to all financial assets held by the Company, is consistent with the definitions used for the purposes of internal credit risk management of financial assets, and is applied to the relevant impairment assessment model.

If the financial assets on the reporting date no longer meet the definition of default and credit impairment, they are concluded to be in the status of performance and are no longer regarded as financial assets that have defaulted with credit impairment.

(10) Write-off policy

When the Company cannot reasonably expect the financial assets to be recovered entirely or partially, it will write off the whole or part of the financial assets in a timely manner in accordance with the requirements of the competent authorities and in line with the Company's asset quality policy.

(11) Measurement of expected credit loss

For the purpose of assessing expected credit losses, the Company classifies financial assets into the following combinations according to the credit asset/debt instrument categories, credit ratings, and subject matter claim order:



Credit asset/debt instrument category	Definition
Corporate banking loan	Grouped by risk characteristics, company size, and credit category
Consumer banking loan	Grouped by product category, loan type, etc.
Corporate bonds and financial bonds	Classified by long-term issuer rating (mainly Moody's) and subject matter claim order
Government bonds and Central Bank's convertible certificate of deposit	Classified by sovereign rating (primarily Moody's) and subject matter claim order

For financial instruments that have not significantly increased in credit risk (Stage 1) after their original recognition, the Company measures the allowance for loss of the financial instrument according to the expected credit loss amount within 12 months. For financial instruments with significant increases in credit risk after their original recognition (Stage 2) or with credit impairment (Stage 3), these are measured by the expected credit loss amount of the duration.

In order to measure the expected credit losses, the Company, while considering the probability of default (PD) of the borrower/issuer in the next 12 months and the duration, includes the loss given default (LGD) and multiplies it by the exposure at default (EAD), taking into account the impact of the time value of money to calculate the expected credit losses for 12 months and the duration. However, for off-balance sheet credit assets, it must be multiplied by the credit conversion factor (CCF) that is regulated with the Basel II standardized approach.

The probability of default (PD) and loss given default (LGD) used in the impairment assessment of the Company's credit business/investment business are adjusted and calculated according to the internal and external information of each combination and based on current observable information and forward-looking macroeconomic information (e.g., global economic growth rate, inflation rate, etc.).

The Company assesses the amount of financial asset default risk on the reporting date. In addition, based on internal and external information, the Company considers the financial assets to be used within 12 months after the reporting date and the amount expected to be used in order to determine the default risk exposure amount for the calculation of the expected credit loss.

There was no significant change in the estimation techniques or material assumptions that were used in 2023 to assess the expected credit loss.

(12) Consideration of prospective information

The Company uses archive data to analyze and identify the economic factors that affect the credit risk and expected credit losses of each asset portfolio, and estimates the impairment parameters after prospective adjustment based on the regression model or imputation adjustment method. The relevant economic factors and their impact on PD and LGD vary according to the type of financial instruments.

The relevant economic factor of credit assets identified by the Company in 2023 was the economic growth rate. The relevant economic factors of debt instrument identified by the Company in 2023 were the global economic growth rate and inflation rate.

(13) Allowance for loss

Changes in allowances for bad debts related to discount and loan

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2023 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
Beginning balance	\$293,702	\$3,218	\$20,532	\$317,452	\$3,258,679	\$3,576,131
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses of the duration	(3,818)	12,844	-	9,026	-	9,026
- Converted to financial assets with credit impairment	(7)	(5)	4,202	4,190	-	4,190
- Converted to 12-month expected credit loss	398	(716)	-	(318)	-	(318)
Financial assets derecognized in the current period	(141,304)	(761)	(7,150)	(149,215)	-	(149,215)
Purchased or originated new financial assets	302,972	1,760	871,706	1,176,438	-	1,176,438
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(125,022)	(125,022)
Write-off bad debts	-	-	(870,224)	(870,224)	-	(870,224)
Recovered amount after write-off bad debts	-	-	933,677	933,677	-	933,677
Other Changes (Note)	-	-	(933,677)	(933,677)	-	(933,677)
Changes in exchange rate	-	-	-	-	863	863
Ending balance	\$451,943	\$16,340	\$19,066	\$487,349	\$3,134,520	\$3,621,869

Note 1. Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2022 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non-accrual Loans"	Total
Beginning balance	\$239,069	\$9,673	\$29,344	\$278,086	\$2,891,703	\$3,169,789
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses of the duration	(387)	826	(767)	(328)	-	(328)
- Converted to financial assets with credit impairment	(8)	(27)	6,626	6,591	-	6,591
- Converted to 12-month expected credit loss	1,699	(5,889)	-	(4,190)	-	(4,190)
- Financial assets derecognized in the current period	(128,791)	(2,001)	(14,671)	(145,463)	-	(145,463)
Purchased or originated new financial assets	182,120	636	370,310	553,066	-	553,066
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	346,298	346,298
Write-off bad debts	-	-	(370,310)	(370,310)	-	(370,310)
Recovered amount after write-off bad debts	-	-	754,944	754,944	-	754,944
Other Changes (Note)	-	-	(754,944)	(754,944)	-	(754,944)
Changes in exchange rate	-	-	-	-	20,678	20,678
Ending balance	\$293,702	\$3,218	\$20,532	\$317,452	\$3,258,679	\$3,576,131

Note1. Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

Changes in the total book value of discount and loan

Changes in the total book value for the period from January 1 to December 31, 2023 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Total
Beginning balance	\$244,336,795	\$1,503,854	\$70,393	\$245,911,042
Converted to expected credit	(2,573,381)	2,395,160	-	(178,221)
Converted to financial assets	(18,766)	(6,223)	17,960	(7,029)
Transferred out from the	168,207	(268,365)	-	(100,158)
Discount and loan assessed	-	-	-	-
Originated or purchased	114,275,374	700,979	5,749	114,982,102
Write-off bad debts	-	-	(870,224)	(870,224)
Derecognition	(126,054,872)	(820,314)	845,665	(126,029,521)
Ending balance	\$230,133,357	\$3,505,091	\$69,543	\$233,707,991

Changes in the total book value for the period from January 1 to December 31, 2022 are as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Total
Beginning balance	\$206,426,018	\$3,003,338	\$97,368	\$209,526,724
Converted to expected credit losses of the duration	(438,856)	427,161	(3,376)	(15,071)
Converted to financial assets with credit impairment	(9,802)	(20,028)	26,102	(3,728)
Transferred out from the financial assets with credit impairment	1,914,816	(1,920,333)	-	(5,517)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	146,602,977	629,274	-	147,232,251
Write-off bad debts	-	-	(370,310)	(370,310)
Derecognition	(110,158,358)	(615,558)	320,609	(110,453,307)
Ending balance	\$244,336,795	\$1,503,854	\$70,393	\$245,911,042

Changes in expected credit losses of the financial assets-debt instrument measured at fair value through other comprehensive income by the Company are as follows:

Financial assets measured at FVOCI — Allowance for loss	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses as of January 1, 2023	\$24,998	\$329,440	\$-	\$1,106,527	\$1,460,965
Changes in financial instruments recognized on January 1, 2023					
- Converted to expected credit losses of the duration	(3,208)	111,090	-	-	107,882
- Converted to financial assets with credit impairment	-	-	-	-	-
- Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(4,998)	-	-	-	(4,998)
Financial assets written off in the current period	-	-	-	(1,106,527)	(1,106,527)
Purchased or originated new financial assets	2,718	-	-	-	2,718
Changes in model/risk parameters	3,071	36,423	-	-	39,494
Other changes and exchange rate changes	14	291	-	-	305
Expected credit losses as of December 31, 2023	\$22,595	\$477,244	\$-	\$-	\$499,839

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Financial assets measured at FVOCI — Allowance for loss	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
ected credit losses as of January 1, 2022	\$14,542	\$79,009	\$-	\$-	\$93,551
anges in financial instruments recognized on January 1, 2022					
- Converted to expected credit losses of the duration	(561)	85,309	-	-	84,748
- Converted to financial assets with credit impairment	(872)	-	-	1,106,527	1,105,655
- Converted to 12-month expected credit loss	-	-	-	-	-
ncial assets derecognized in the current period	(2,420)	(2,718)	-	-	(5,138)
hased or originated new financial assets	5,517	-	-	-	5,517
anges in model/risk parameters	7,659	159,525	-	-	167,184
er changes and exchange rate changes	1,133	8,315	-	-	9,448
ected credit losses as of December 31, 2022	\$24,998	\$329,440	\$-	\$1,106,527	\$1,460,965



Changes in the total book value of the Company's financial assets—debt instruments measured at FVOCI are further explained as follows:

Financial assets measured at FVOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2023 (note)	\$38,581,533	\$3,167,476	\$-	\$1,807,401	\$43,556,410
Converted to expected credit losses of the duration	(3,192,937)	3,204,022	-	-	11,085
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit	-	-	-	-	-
Purchased or originated new financial assets	3,811,984	-	-	-	3,811,984
Financial assets derecognized	(8,483,831)	-	-	-	(8,483,831)
Financial assets written off	-	-	-	(1,807,401)	(1,807,401)
Other changes and exchange rate changes	(35,645)	(5,489)	-	-	(41,134)
Total book value on December 31, 2023 (note)	\$30,681,104	\$6,366,009	\$-	\$-	\$37,047,113

**Note1. Total book value does not include an evaluation adjustment.**

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

Financial assets measured at FVOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2022 (note)	\$37,600,533	\$1,858,109	\$-	\$-	\$39,458,642
Converted to expected credit losses of the duration	(1,062,436)	1,176,440	-	-	114,004
Converted to financial assets with credit impairment	(1,636,185)	-	-	1,807,401	171,216
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Purchased or originated new financial assets	8,284,554	-	-	-	8,284,554
Financial assets derecognized	(6,886,087)	(57,307)	-	-	(6,943,394)
Other changes and exchange rate changes	2,281,154	190,234	-	-	2,471,388
Total book value on December 31, 2022 (note)	\$38,581,533	\$3,167,476	\$-	\$1,807,401	\$43,556,410

Note1. Total book value does not include an evaluation adjustment.

The allowance for loss of the Company's receivables is measured with the expected credit loss amount of the duration. The assessments of the allowances for loss as of December 31, 2023 and 2022 are described as follows:

The Company's receivables are not overdue. Considering counterparties' credit rating and regional and industrial factors, along with measuring the allowance for loss with the provision matrix, total book values were NTD1,139,022 thousand and NTD1,273,790 thousand, respectively, and the allowance for loss is measured with an expected credit loss rate of 0%~1%, for amounts of NTD6,002 thousand and NTD4,094 thousand, respectively.

Changes in allowances or loss of notes and accounts receivables of the Company for the years ended December 31, 2023 and 2022 are as follows:

	Receivables
2023.1.1	\$4,094
Amount (reversed) for the period	(589)
Write-off amount	(3,092)
Recovery of write-off amount	5,589
2023.12.31	<u>\$6,002</u>
2022.1.1	\$4,634
Amount (reversed) for the period	(5,637)
Write-off amount	(2,890)
Recovery of write-off amount	7,987
2022.12.31	<u>\$4,094</u>

(14) The Company's financial assets with the maximum credit risk exposures as of December 31, 2023 and 2022 amounted to NTD265,037,186 thousand and NTD279,549,759 thousand, respectively. These include financial assets measured at FVOCI and discounts and loans.

(15) The maximum credit risk exposure amount of the financial instruments that are not subject to impairment requirements is as follows:

	2023.12.31	2022.12.31
Financial assets measured at FVTPL		
- Debt instruments	\$39,934,846	\$35,787,190
- Derivatives	52,849	7,389

(16) Collateral and other credit enhancements

The Company adopts a series of policies and measures for the credit business to reduce credit risk, one of the commonly used methods is to request the borrowers to provide collateral. For the collateral assessment management and loan collateral value calculation, the Company has procedures for the range of collateral collected, the valuation, management, and disposal of collateral formulated to ensure loans. The main types of collateral for the Company's financial assets are as follows:

- Real estate mortgage: The loan amount is set separately according to the location of the real estate. For larger amount or special products, the public appraisers are entrusted to perform price evaluation.
- Stocks: The reasonable loan amount and evaluation criteria are formulated by the conditions of listing, OTC, emerging market, and unlisted stocks.
- Property: An appropriate loan amount is determined according to the nature of disposition and cost.
- Certificate of Deposit: Mainly refers to the Bank's certificate of deposit in foreign currency.
- Credit insurance: It is handled with credit insurance for small and medium-sized enterprises.
- Rights pledge: Special rights, such as, land rights and creditor's rights are judged separately on a case-by-case basis.

The credit contract states the creditor's right security clauses and collateral clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, and others to reduce the credit risk.

The collateral of other non-credit business is subject to the nature of the respective financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-based financial instruments.

The Company's collateral policy has no significant change occurring on the balance sheet date and there has been no significant change in the quality of the overall collateral.

The Company closely observes the value of collateral for financial instruments and determines the impairment to be appropriated for the financial assets with credit impairment occurred. The financial assets with credit impairment are as follows:

	Total book value	Provision for impairment	Total exposure (cost after amortization)
Impaired financial assets:			
Discounts and loans	\$66,090	\$16,972	\$49,118
Total financial assets with impairment	\$66,090	\$16,972	\$49,118

#### 4. Liquidity Risk

##### (1) Sources and definitions of liquidity risk

The definition of the Company's liquidity risk refers to the possible financial losses due to the inability of having assets cashed or obtaining loans to have the funds needed to liquidate the financial liabilities, for example, depositors' terminating deposits before the maturity date, financing channels and conditions for inter-bank lending become worse or difficult due to specific market influences. Also, the debtor's credit default situation has deteriorated, which makes the recovery of funds abnormal and the realization of financial instruments difficult. The aforementioned circumstances may weaken the Company's source of cash for financial activities, such as, loans, trading, and investment. In some extreme situation, the lack of liquidity may result in a decline in the position of the balance sheet, the sale of the asset, or the failure in meeting the borrowing commitment. Liquidity risk exists in the inherent risks of all banking operations and may be affected by various industry-specific or market-wide events, including but not limited to: credit events, mergers or acquisitions, systemic impact, and natural disasters.

(2) Liquidity risk management policy

The liquidity management procedures of the Company are executed separately in the Finance Department and the Risk Management Department. However, the branches are required to notify the Finance Department of the funding gap for the unified control of the Finance Department and are monitored by the independent Risk Management Department. The procedures include:

- ① Schedule daily finds, monitor future cash flows to ensure the fulfillment of various needs.
- ② Maintain an appropriate amount of high liquidity assets that can be easily realized to buffer unforeseen and unexpected events that may interrupt cash flow.
- ③ Monitor the liquidity ratio of the consolidated balance sheet in accordance with the internal management purposes and external regulatory requirements.

The monitoring process is based on the measurement and speculation of the flow of funds one day and one month in the future (such period is used by the Company for the management of liquidity risk). The estimation of future cash flows begins with an analysis of the contractual maturity date of financial liabilities and the expected cash realization date of financial assets. The Risk Management Department of the Company also monitors the extent and pattern of contingent liabilities, such as mid-term and long-term borrowing commitments, discount quotas, and guarantee letters.

Relevant information is regularly reported to the Company's Risk Management Committee and the Board of Directors.

- (3) Regarding the financial liabilities held for the purpose of managing the liquidity risk, the due date of the Company's financial liability contracts is summarized in the table below. The amounts disclosed in the table are based on contractual cash flows, so the amount disclosed in some of projects does not correspond to the related items on the balance sheet.

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2023.12.31

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
Non-derivative financial liabilities					
Deposits from the Central Bank and other banks	\$13,308,286	\$-	\$-	\$-	\$13,308,286
Securities sold under agreement to repurchase	5,748,943	1,350,000	-	-	7,098,943
Deposits and remittances	27,926,681	30,967,661	122,277,202	116,654,075	297,825,619
Lease liabilities (Note)	7,051	13,964	61,614	212,810	295,439
Derivative financial liabilities					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$2,606,812	\$-	\$-	\$-	\$2,606,812
Cash inflow	2,570,876	-	-	-	2,570,876
Net cash flow	<u>\$(35,936)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(35,936)</u>

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2022.12.31

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative</u>					
<u>financial</u>					
<u>liabilities</u>					
Deposits from the Central Bank and other banks	\$24,092,259	\$-	\$-	\$-	\$24,092,259
Securities sold under agreement to repurchase	11,340,985	4,486,144	-	-	15,827,129
Deposits and remittances	39,520,781	43,994,035	90,201,723	110,474,972	284,191,511
Lease liabilities (Note)	6,902	13,631	57,962	225,007	303,502
<u>Derivative financial</u>					
<u>liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$4,490,237	\$-	\$-	\$-	\$4,490,237
Cash inflow	4,455,034	-	-	-	4,455,034
Net cash flow	<u>\$(35,203)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(35,203)</u>

Note: Further information on the maturity analysis of the lease liabilities is provided in the following table:



Lease liabilities	Period to expiry				
	Less than 1 year	1~5 years	6~10 years	10~15 years	Total
2023.12.31	\$82,629	\$189,949	\$22,861	\$-	\$295,439
2022.12.31	\$78,495	\$193,886	\$31,121	\$-	\$303,502

## 5. Market Risk

### (1) Source and definition of market risk

Market risk refers to the loss of the positions that may occur on and off the balance sheet due to the changes in market prices. The so-called market price refers to interest rate, exchange rate, stock price, and product price.

The Company shall classify the holding position into a trading book and a banking book according to its purpose. The market risks faced by each position can be divided into four risk categories: interest rate, equity securities, foreign exchange, and product.

① The "trading book" includes the position of the financial products (including goods and derivative financial products) and physical products held for the purpose of trading or for the risk hedging of the trading book position. The term "trading purpose" stated in the preceding paragraph refers to the intention of a short-term gain or to generate or secure the arbitrage from actual or expected short-term price fluctuations.

② Financial products and physical products that are not held for the aforementioned purpose are within the scope of the "banking book."

③ Market risk management scope:

- I. For interest rates and equity securities, it is only necessary to compute the capital needed for market risk of the trading book.
- II. For foreign exchange and products, it is necessary to compute the capital needed for all market risks.

### (2) Market risk management strategy

① Market risk management strategies should be documented to explain market risk management objectives and to ensure consistency in market risk management of the Bank.

② The market risk management strategies shall be appropriately adjusted in response to the Company's operating environment and changes in risk. They shall also be in line with the Company's business strategies and objectives, and cover all key market risks associated with the business.

③ The market risk management strategies shall include at least the following:

- III. Market risk measurement methods: including qualitative and quantitative methods.
- IV. Market risk monitoring methods: such as limits management, stop-loss mechanism, etc.
- V. shall establish an approval hierarchy and regulate the standard operating procedure for overrun.

### (3) Market risk management process

The market risk management process includes risk identification, measurement, communication, and monitoring. The Company shall effectively identify, measure, communicate, and monitor market risks associated with all major trading products, trading activities, processes, and systems.

#### ① Risk identification

- I. The so-called market risk factor refers to the market ratio and price that influence the price of the position. The Company's risk measurement system should have sufficient risk factors to measure the risks in the on- and off-balance sheet trading position.
- II. For any structured financial product, the market risk factors of each part should be identified in order to provide the basis for a correct measurement of the market risk exposure of the structured product.
- III. The selection of risk factors includes interest rates, exchange rates, equity securities prices, and product prices.
- IV. Each unit of the Company shall identify the market risk in business activities or financial products.

#### ② Risk measurement

- I. The risk management personnel of the Company's business trading units shall establish reasonable verification and control procedures for the sources of market data, such as, product market price, interest rate, and exchange rate.

- II. When the risk management personnel of the business transaction units measure market risk, they should consider the market liquidity risk caused by insufficient market depth, low market transparency, or market disorder.
- III. The risk management personnel of the financial transaction unit shall evaluate the trading position base on the market price at least once a day. All model parameters should be evaluated daily if the model is used for evaluation.
- IV. The Company should develop a procedure for measuring the overall position risk exposure according to the scale and complexity of the portfolio held to avoid excessive concentration of the investment portfolio on a certain risk factor. When performing risk measurement, the individual risk of the subject matter of the transaction and the possible risk dispersion effect should be taken into account upon evaluating the volatility and correlation of the subject matter of the transaction. And a position with poor liquidity or insufficient market price transparency should be evaluated conservatively in order to fully assess the market risks faced by the Company.

### ③ Risk communication

- I. Internal report
  - i. Market risk reports shall regularly provide accurate, consistent, and timely information to senior executives as a reference for their decisions.
  - ii. The Company should establish various operating procedures to ensure that overruns and exceptions (e.g., violations of policies and procedures) can be immediately reported to the governing management.
- II. External disclosure
  - i. The market risks faced by the Company should be fully disclosed.
  - ii. The computed capital of the following risks should be disclosed: Interest rate risk, equity securities risk, foreign exchange risk, and product risk.
  - iii. The extent of information disclosure should be in line with the scale, risk profile, and complexity of the Company's sales operations.

④ Risk monitoring

- I. Each business unit of the Company shall establish a transaction limit system, which shall be controlled by the risk management personnel on a daily basis. If there is a lack of risk management, such as, overrun or other special circumstances, it shall be reported in due course to facilitate the adoption of the response measures.
- II. The status of the transaction shall be monitored immediately and comprehensively, such as whether the changes in position, changes in profit or loss, trading patterns, and subject matter of the transaction are within the scope of business authorization.
- III. Information needed for the review of financial products valuation should be obtained by the Company externally or through a channel other than the trading unit in order to avoid manipulation of price data due to conflicts of interest.
- IV. The Company shall stipulate the limits management, stop-loss mechanism, and overrun process to effectively monitor market risks.
  - i. Limits management  
The responsible business department shall set the limits for financial product transactions according to the product characteristics and authorization hierarchy, such as, traders, risk category, counterparty's trading position limits, stop-loss limits, etc.
  - ii. Stop-loss mechanism  
The responsible business department shall establish a clear stop-loss mechanism and implement it to effectively control the loss within the expected range.
  - iii. Overrun processing  
The responsible business department shall clearly establish a defined limit and overrun mechanism and implement it to effectively handle the extraordinary cases.

(4) Trading book risk management policy

Financial transactions should be divided into trading books and banking books according to the intention of holding, which are defined as follows:

- ① The scope and definition of the trading book: The trading book includes the position held for the purpose of trading or risk hedging of the trading book. The position must be free from any contractual restrictions in trade, or the risk can be completely hedged. The positions included in the trading book are

summarized as follows:

- I. The positions held for earning a profit from the actual or expected spread.
- II. The positions held for earning a profit from other price changes.
- III. The position held due to engaging in the brokerage and trade business.
- IV. The position held to offset all or most of the risks of another asset position or portfolio on the trading book.
- V. All positions that can be traded within the predetermined investment amount.

② Trading Book Authorization Projects:

- I. Monetary market transactions: short-term bill (bond) within one year.
- II. Capital market transactions: More than one year government bonds, corporate bonds, financial bonds, beneficiary securities, asset securitization bonds, stocks, various types of fund beneficiary certificates, and convertible corporate bonds.
- III. Derivative financial product transactions: exchange rates, interest rates, stocks, etc.
- IV. Foreign exchange market transactions: foreign exchange spot, swap, forward foreign exchange, and forward rate agreement.

③ Evaluation mechanism of the transaction book:

The evaluation mechanism of the Company's trading book position shall be handled by the risk management personnel who are independent of the trading desk. The trading book position shall be valued on a daily or weekly basis in accordance with the "Market to Market Method" with information from an independent source and readily available, such as, exchange prices, electronic screen quotes, or quotes from independent brokers, which should be presented to the Board of Directors for approval and future reference.

④ Management specifications and procedures for the position limits, monitoring, early warning, stop-loss, and reporting:

These should be handled in accordance with the Company's Regulations Governing Market Risk, Regulations Governing Security Investment, Regulations Governing Derivatives Transactions, Regulations Governing Foreign Exchange Business, Regulations Governing Loans Business, Interest Rate Risk Management Policy, Liquidity Risk Management Policy, and other relevant regulations.

(5) Management of interest rate risk in banking book

① Management strategy and process

Make adequate adjustment to respond to the changes in the Company's operating environment and the changes in risks. Maintain the Company's operational strategies and deepen the Company's operations. Enhance the performance of the Bank's asset portfolio. Assess the impact of changes in interest rate on economic value or earnings. Establish the interest rate risk in banking book control mechanism in accordance with the "Regulations Governing Interest Rate Risks in Banking Book," which is implemented in accordance with the procedures of identification, measurement, communication, and monitoring, so that the interest rate risk is maintained at an appropriate level. Consistency of objectives and coverage of all-important interest rate risks in banking book associated with the business.

② Management organization and structure

- A. The Board of Directors is the highest decision-making authority of the Company's interest rate risk in banking book management and bears ultimate responsibility for the Company's interest rate risk in banking book.
- B. The Asset and Liability Management Committee is responsible for assessing the Company's operating performance, capital position, asset and liability risk position and interest rate sensitivity, as well as researching and adjusting the best ratio of various assets and liabilities, and evaluating the Company's deposit and loan interest rate pricing strategy.
- C. The Risk Management Committee is responsible for implementing the interest rate risk in banking book management decisions approved by the Board of Directors, coordinating the interest rate risk in banking book management matters, and continuously monitoring the performance of risk management.
- D. The Risk Management Department is the exclusive unit for the Company's interest rate risk in banking book management. It is responsible for planning, establishing, and integrating the Company's interest rate risk in banking book management operations, and implementing the Bank's overall interest rate risk in banking book management and monitoring work in order to assess the impact of changes in interest rate on the economic value or earnings. Also,

regularly aggregating the Bank's interest rate risk in banking book management information and then report it to the Risk Management Committee and the Board of Directors, and disclose risk management information according to the regulations of the competent authorities.

- E. The business units in the head office are responsible for setting and managing the respective regulations and operating procedures for the interest rate risks in banking book, and assisting the Risk Management Department to manage the interest rate risk position related to their business.
- F. All units (including business units) of the Company are responsible for identifying the interest rate risks in the banking book, cooperating with the implementation of the interest rate risk in banking book management decisions, and adopting the risk offset treatment method or response measures approved by the President to operate and adjust the interest rate risk exposure position on and off the balance sheet.

③ Risk reporting/measurement system scope, characteristics, and frequency

The Company makes the "The Ratio of Change in Economic Value of Equity ( $\Delta$ EVE) Accounting for Net Tier 1 Capital When Banking Book Position Is under the Scenarios of Interest Rate Volatility of Six Management and Supervision Recommendations" the supervision and management index to control the Company's interest rate risk in the banking book within the tolerance, and reports it to the Risk Management Committee on a monthly basis. The Company analyzes the changes and compares them to the conditions of the last month. The Company also provides the management with correct, consistent, and prompt information as a reference for their decision-making and have it disclosed in the risk control report to the Board of Directors on a quarterly basis. The content and scope of the risk control report are as follows: (I) Measurement indicators: 1. Earnings perspective (interest rate risk warning and reporting) and 2. Economic value (The Ratio of Change in Economic Value of Equity ( $\Delta$ EVE) Accounting for Net Tier 1 Capital When Banking Book Position Is under the Scenarios of Interest Rate Volatility of Six Management and Supervision Recommendations); (II) Stress test: (1) the impact of changes in interest rate on the "earnings" of the next year and (2) the impact of interest rate volatility on economic value. The Information Department and the business units are to provide the information of relevant electronic files or written materials to the Risk Management Department in order to effectively grasp overall risk position and provide appropriate risk measurement results to assist

with the interest rate risk in banking book management.

④ Risk hedging/risk-reducing policies and strategies and processes for keeping the monitoring and hedging/reducing risk tools effective continuously.

When handling banking book interest rate risk related businesses and transactions, assess the probability of occurrence of the event or transaction loss and the severity of the loss. Also, adopt countermeasures such as, risk hedging, risk reduction or transfer, risk control, and risk endurance.

In case of special circumstances that may seriously affect the Company's earnings or economic value, the Risk Management Department or the business units in the head office shall report it to the President and adopt appropriate risk offset methods or response measures to reduce the banking book interest rate sensitivity net impacted position or increase the Company's capital.

(6) Market risk assessment

① Stress test

The stress test is used to assess the Company's risk tolerance ability under a stress scenario so that the Company is able to develop specific and feasible hedging strategies and response plans in order to monitor possible changes in risk conditions under various scenarios. Also, the Board of Directors and the executives are authorized to determine whether the Company's risk exposure is suitable for its risk appetite. This serves as one of the important tools for identifying, measuring, and controlling capital adequacy and liquidity planning decisions.

※ The Company has investments classified according to the investment classification principle:

A. Domestic and foreign bonds and bills and equity investments in banking books

a. Domestic bond investment: Book value on the base date is treated as the exposure at default (EAD) and included for calculation. The default rate (PD) is calculated according to the risk linked indicator and referring to the default rate table, and the loss given default (LGD) is divided into with and without guarantee, which are estimated separately by referring to the experience of recovery.



- b. Domestic equity investment: The book value on the base date is treated as the exposure at default (EAD). The probability of default (PD) is estimated by referring to the stress test of the credit risk of the credit position, and the loss given default (LGD) is estimated at 100% since the probability of recovery is very small.
  - c. Foreign bills and bonds and equity investments: The assets related to foreign bill and bond investments and equity investments has a fixed loss rate (PD\*LGD) given to calculate the expected losses under stress scenario. Among them, sovereign state-based risk is mainly based on its external rating results to give a default rate, and stress tests are only conducted for more serious scenarios. Otherwise, counterparties are given a different probability of default (PD) depending on whether the counterparties belong to the financial industry. For the calculation of the exposure at default, the investment position is calculated on the basis of the book value.
- B. Securities and derivative products transactions in the trading book
- Based on the current calculation of the market risk stress test of the second pillar, the Company uses market risk factor sensitivity analysis to calculate the impact on profit or loss arising from asset impairment due to the changes in risk factors, including equity security, interest rates, gold and exchange rates, products, and credit-derived products. Changes in each risk factor lead to different benefits and losses depending on the severity of the scenario. Among all risk factors and domestic and foreign scenarios, there may be losses in certain parts of the position and gains in other parts in the same scenario. The greatest loss resulting from fluctuations in scenario is deemed as the estimated loss in the stress scenario.

## ② Sensitivity Analysis

Test items: For the main trading book positions in different markets, the listed scenario test is carried out if the computed market risk capital of the position accounts for more than 5% of the total market risk capital.

### A. Interest rate risk

Assuming all other factors were unchanged, if the yield curves of all markets in the world shifted downward/upward by 100 basis points on December 31, 2023, the Company's net profit or loss would increase/decrease by NTD1,699,775 thousand.

### B. Exchange rate risk

Assuming all other factors were unchanged, if the major currency exchange rates on December 31, 2023 relatively appreciated/depreciated by 3%, the Company's net profit or loss before tax would increase/decrease by NTD25,493 thousand. The main currencies are the USD, EUR, and JPY.

### C. Equity securities price risk

Assuming all other factors were unchanged, if the price of equity securities on December 31, 2023 were relatively increased/decreased by 15%, the Company's net profit or loss before tax would increase/decrease by NTD378,574 thousand.

### D. Sensitivity analysis is compiled as follows:

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

2023

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	378,574	1,634,379	23.16%
	Major stock markets -15%	(378,574)		-23.16%
Interest rate market	Main interest rate +100bp	(1,699,775)		-104.00%
	Main interest rate -100bp	1,699,775		104.00%
Foreign exchange market	Main currency +3%	25,493		1.56%
	Main currency -3%	(25,493)		-1.56%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(2,052,856)		-125.60%

2022

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	150,366	\$1,428,797	10.52%
	Major stock markets -15%	(150,366)		-10.52%
Interest rate market	Main interest rate +100bp	(1,518,924)		-106.31%
	Main interest rate -100bp	1,518,924		106.31%
Foreign exchange market	Main currency +3%	25,467		1.78%
	Main currency -3%	(25,467)		-1.78%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(1,643,823)		-115.05%

(7) Exchange rate risk concentration information

The Company's foreign currency financial assets and liabilities with significant impact are as follows:

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)  
(Unless otherwise provided, Unit: NTD Thousand)

	2023.12.31			2022.12.31		
	Foreign currency (thousand)	Ex- change rate	NTD	Foreign currency (thousand)	Ex- change rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$1,414,546	30.74	\$43,476,080	\$1,558,354	30.71	\$47,853,926
HKD	209,100	3.93	822,601	214,942	3.94	846,504
AUD	4,145	21.00	87,059	4,750	20.83	98,942
JPY	6,202,699	0.22	1,348,467	8,615,067	0.23	2,002,141
EUR	1,512	34.01	51,440	2,357	32.71	77,113
RMB	10,471	4.33	45,353	38,061	4.41	167,764
<u>Non-monetary items</u>	-	-	-	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$1,433,225	30.74	\$44,050,156	\$1,657,626	30.71	\$50,902,392
HKD	9,108	3.93	35,831	11,429	3.94	45,010
AUD	29,177	21.00	612,842	33,971	20.83	707,598
JPY	3,596,510	0.22	781,881	2,098,883	0.23	487,780
EUR	1,655	34.01	56,281	2,355	32.71	77,024
RMB	196,012	4.33	848,986	226,959	4.41	1,000,389
<u>Non-monetary items</u>	-	-	-	-	-	-

Due to the wide variety of foreign currencies of the Company, it is impossible to disclose the exchange gains and losses information of monetary financial assets and financial liabilities by each foreign currency with significant impact. The foreign exchange losses of the Company for the years ended December 31, 2023 and 2022 were NTD(15,266) thousand and NTD(97,203) thousand, respectively.

(8) Others

Due to the outbreak of Russo-Ukrainian War in 2022, credit rating agencies have downgraded the sovereign rating of Russia, which has increased the credit risk of financial instruments in the Company's investment in Russia. When preparing the financial report, the Company has considered the relevant impacts and made appropriate provision for impairment. However, it is assessed that the overall economic environment has no material impact on the Company's financial condition and ability as a going concern.

## XV. Capital Management

### 1. Overview

In response to the trend of capital management, the Company's overall business monitoring indicators are established to match the business development strategy and to reflect the overall risk situation. The various capital management indicators of the Company are as follows:

- (1) The Bank's overall capital adequacy ratio shall not be less than 10.5%.
- (2) Tier 1 capital shall not be less than 8.5% of the total risk assets.
- (3) The common stock equity shall not be less than 7.0% of the total risk assets.
- (4) The total business reserve and allowance for bad debt as stated in Tier 2 capital with a credit risk standard adopted shall not exceed 1.25% of the total amount of credit risk and weighted risk assets.

### 2. Capital management procedure

- (1) The Company's capital management objectives are based on the "Legal Capital":

Legal Capital Management Objectives: To meet the legal capital requirements of the supervisory authority, set the Company's capital adequacy ratio target, and ensure that the Company can operate safely and steadily.

- (2) Legal capital management

#### ① Demand legal capital

The Company uses the "Methods for calculating Bank's regulatory capital and Risk Weighted Assets" (hereinafter referred to as the "calculation methods") that is issued by the competent authority to calculate the unanticipated losses arising from the credit risk, market risk, and operational risk under the existing assets and operating conditions, and compute the relative capital in response to the situation accordingly.

#### ③ Legal capital available

The Company's legal capital available is based on the rules published by the competent authorities to have the Company's capital classified by its source and characteristics as follows:

#### Tier 1 Capital:

- (1) Refers to the common stock equity net of the intangible assets, the deferred income tax assets arising from the losses of previous years, the business reserve and the insufficient appropriation of the allowance for bad debt, the revaluation increments of real estate, the unamortized loss of the bad debts sold, and other legal adjustment items specified and stipulated according to the calculation methods.

Common stock equity: Includes common stock and its share premium, advance capital, additional paid-in capital, legal reserve, special reserve, accumulated profit or loss, non-controlling equity, and other equity items.

- (2) Other Tier 1 capital other than common stock equity: Includes perpetual non-cumulative preferred stock and its share premium, non-cumulative subordinated bonds without a maturity date, perpetual non-cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and non-cumulative subordinated bonds without a maturity date.

#### Tier 2 Capital:

Includes perpetual cumulative preferred stock and its share premium, cumulative subordinate bonds without a maturity date, convertible subordinate bonds, long-term subordinate bonds, non-perpetual preferred stock and its share premium, real estate's first-time adoption of IAS, increase of retained earnings arising from the fair value or the revaluation value used as the cost, the valuation increments arising from the subsequent measurement of investment real estate at fair value and 45% of the unrealized benefits of the financial assets measured at FVOCI, business reserve and allowances for bad debts, perpetual cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and cumulative subordinated bonds without maturity date, convertible subordinate bonds, long-term subordinate bonds, and non-perpetual preferred stock and its share premium. The items ought to be deducted as stipulated in the explanation of the calculation methods.

The allowance for bad debt included in Tier 2 capital in the preceding paragraph refers to the amount that the bank's allowance for bad debt exceeds the estimated loss of the bank based on historical losses.

- ③ The management of legal capital is to convert the unanticipated losses of

each risk to the total amount of risk assets, and then divide the legal capital available by the total amount of the risk assets to calculate the capital adequacy ratio. The basic objective is to ensure that the Group's capital adequacy ratio is higher than the mandatory legal ratio.

### (3) Capital Adequacy

The Company's consolidated qualified regulatory capital ratios and risk assets ratios as of December 31, 2023 and 2022 were 17.00% and 14.33%, respectively. These were in line with the capital management regulations of the competent authorities.



## XVI. Supplementary Disclosure

### 1. Information on significant transactions

- (1) Cumulative amount of the stock of the same investee purchased or sold totaling NTD300 million or more than 10% of the paid-in capital: None.
- (2) Acquisition of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
- (3) Disposal of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
- (4) Discount of service charges in transaction with related party totaling more than NTD5 million: None.
- (5) Receivables from related party totaling NTD300 million or more than 10% of the paid-in capital: None.
- (6) Information regarding sale of non-performing loan: None.
- (7) The types of securitized products and related information applied and approved for process according to the "Financial Assets Securitization Act" or the "Clauses of the Real Estate Securitization Act": None.
- (8) Business relationships or significant transactions and amounts between parent company and subsidiaries and among subsidiaries: None.
- (9) Other important transactions sufficient to affect the decision-making of financial statements users: None.

### 2. Information on reinvestment and total shareholding

- (1) Information on reinvestment and total shareholding: Please refer to Table 1.
- (2) Loaning to others: Please refer to Table 2.
- (3) Endorsements/guarantees to others: None.
- (4) Marketable securities held at the end of the period (Note): Please refer to Table 3.
- (5) Cumulative amount of the stock of the same investee purchased or sold totaling NTD300 million or more than 10% of the paid-in capital: None.
- (6) Information on trading in derivative instruments: None.
- (7) Acquisition of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
- (8) Disposal of real estate totaling NTD300 million or more than 10% of the paid-in capital: None.
- (9) Discount of service charges in transaction with related party totaling more than NTD5 million: None.
- (10) Receivables from related party totaling NTD300 million or more than 10% of

the paid-in capital: None.

- (11) Information regarding sale of non-performing loan: None.
- (12) The types of securitized products and related information applied and approved for process according to the "Financial Assets Securitization Act" or the "Clauses of the Real Estate Securitization Act": None.
- (13) Other important transactions sufficient to affect the decision-making of financial statements users: None.

Note: If the reinvestment belongs to the financial industry, insurance industry, or securities industry, relevant information may be exempt from disclosure in accordance with laws and regulations.

- 3. Setting up branches and investments in Mainland China  
No such event.
- 4. Information on major shareholders: Please refer to Table 4.
- 5. Disclosure of other supplementary information
  - (1) Loans and receivables and allowance for bad debt assessment form: Please refer to XIV. 3 (13) for details.
  - (2) Quality of assets: Please refer to Table 5.
  - (3) Non-performing loans or overdue accounts receivable exempted from report: Please refer to Table 6.
  - (4) Concentration of credit risk: Please refer to Table 7 and Table 7-1.
  - (5) Interest rate sensitive assets and liabilities analysis table: Please refer to Table 8 and 8-1.
  - (6) Profitability: Please refer to Table 9.
  - (7) Maturity date structure analysis table: Please refer to Table 10 and Table 10-1.
  - (8) Capital adequacy: Please refer to Tables 11.

## XVII. Department Information

The Company has the operating segment information disclosed in the consolidated financial statements.

Table 1

2023.01.01~2023.12.31

Information on Reinvestment :

Name of investee (Note 1)	Location	Primary business	Proportion of shareholding - end	Book value of investment	Investment gain and loss recognized in current period	Consolidated shareholdings of the Bank and associates (Note 1)				Note
						Day trading stock shares (thousand shares)	Proforma shareholdings (thousand shares)/(Note 2)	Total		
								No. of shares	Shareholding ratio	
King's Town Bank International Leasing Co., Ltd	Taiwan	Leases	100.00%	2,187,750	540,682	159,787	-	159,787	100.00%	
King's Town International Construction Management Co., Ltd	Taiwan	Construction Management	100.00%	27,126	12,389	1,000	-	1,000	100.00%	
Kings Town Securities Co., Ltd.	Taiwan	Securities brokerage	100.00%	1,035,375	27,623	90,000	-	90,000	100.00%	

Explanation:

Note 1: Please list separately by the category of "financial business" and "non-financial business."

Note 2: All current shares or proforma shares of the invested companies held by the Bank, directors, supervisors, President, Vice President, and related parties as defined in the Company Act shall be counted.

Note 3: Proforma share refers to the shares, under the precondition of conversion, obtained by converting the equity-based securities purchased or a derivative contract (which has yet to be converted into equity) signed in accordance with the trading conditions and the bank's underwriting commitment; also, combined with the equity of the invested company for the purpose of investment as defined in Article 74 of this Act.

(1) "Equity-based securities" refers to the securities as defined in Paragraph 1, Article 11 of the Securities and Exchanges Act Enforcement Rules, such as, convertible corporate bonds and warrants.

(2) "Derivatives Contract" refers to those as defined in IAS 39, such as, stock options.

Note 4: This table may not be disclosed in the financial statements for Q1 and Q3.

(Unless otherwise provided, Unit: NTD Thousand)

Table 2

## Loaning to Others

Unit: NTD thousand

No. (Note 1)	Lender of funds	Borrower of funds	Transaction title	Are they related parties	Maximum balance for the period	Ending balance	The actual disbursed Amount	Interest rate Range	Nature of loan (Note 4)	Business transaction amount (Note 5)	Reasons for necessity of short- term financing (Note 6)	Amount of provision for bad debt allowance	Collateral		Loan limit amount for each individual (Note 2)	Total limit on financing amount (Note 3)
													Name	Value		
1	King's Town Bank International Leasing Co., Ltd	Company A	Accounts Receivable	No	549,659	518,455	518,455	5%~16%	1	500		10,818	Real estate	501,315	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company B	Accounts Receivable	No	480,000	480,000	480,000	5%~16%	1	100		4,870	Real estate	537,879	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company C	Accounts Receivable	No	418,000	418,000	418,000	5%~16%	1	80,000		4,305	Real estate	201,464	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company D	Accounts Receivable	No	300,000	300,000	300,000	5%~16%	1	100		3,088	Real estate	265,914	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Company E	Accounts Receivable	No	300,000	300,000	300,000	5%~16%	2	-	Operation needs	3,146	Real estate	248,650	415,037	664,059
1	King's Town Bank International Leasing Co., Ltd	Other customer	Accounts Receivable	No	6,901,257	2,750,493	2,637,474	5%~16%	1	1,027,148		32,398	No/ Movable property/ Real estate	6,053,918	2,490,220	19,921,762
1	King's Town Bank International Leasing Co., Ltd	Other customer	Accounts Receivable	No	583,353	331,232	257,232	5%~16%	2	-	Operation needs	2,839	No/Real estate	574,132	415,037	664,059

Note 1: The financial information of the Company and its subsidiaries should be indicated in the corresponding column. The numbering method is as follows:

- (1) For the column of the issuer, please fill in "0."
- (2) Investee is numbered starting from number 1.

Note 2: Subsidiary's limit amount for each individual:

- (1) Business counterparty: Unsecured: The individual loan amount shall not exceed 50% of the lending company's net value in the most recent financial report audited by the certified public accountant. Total secured/unsecured amount: The individual loan amount shall not exceed 150% of the lending company's net value in the most recent financial report audited by the certified public accountant.
- (2) Those who need financial support: The individual loan amount shall not exceed 25% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note 3: The subsidiary's loan amount may not exceed 40% of the lending company's net value in the most recent financial report audited by the certified public accountant. For the business counterparty, the loan amount may not exceed 12 times of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note 4: The nature of loan is illustrated as follows:

- (1) For the business counterparty, please fill in "1."
- (2) For those who need a short-term loan, please fill in "2."

Note 5: For the nature of type 1, the amount of business dealings should be provided. The amount of business dealings refers to the amount business transaction amount between the lender and the borrower in the most recent year.

Note 6: For the nature of type 2, the reasons for the need, purpose and use of the loan shall be provided. . . . Such reasons may include repayment of loans, purchase of equipment, operation needs, etc.

Note 7: The investee, King's Town International Leasing Co., Ltd., has granted loans to 94 customers; however, a detailed list has not been prepared as no individual loan amount exceeds 5% of the total loaned.

(Unless otherwise provided, Unit: NTD Thousand)

Table 3

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Venture):

Unit: NTD thousand

Holding company	Types and names of securities (Note 1)	Relationship with the securities issuer	Accounts in books	End of period				Note
				Shares (thousand shares)	Book value	Shareholding ratio	Fair value	
King's Town Bank International Leasing Co., Ltd	Bank of Panhsin	-	Financial assets measured at FVOCI	12,838	112,586	0.75%	112,586	
King's Town Bank International Leasing Co., Ltd	Hoyii Life Co., Ltd.	-	Financial assets measured at FVOCI	132	1,638	1.28%	1,638	
King's Town Bank International Leasing Co., Ltd	Long-Shun Green Energy Technology Ltd.	-	Financial assets measured at FVOCI	250	7,110	0.71%	7,110	
King's Town Bank International Leasing Co., Ltd	Cathay No. 1 Real Estate Investment Trust (Trustee - Land Bank)	-	Financial assets measured at FVOCI	24,164	410,312	-	410,312	
King's Town Bank International Leasing Co., Ltd	Forest Water Environmental Engineering Co., Ltd.	-	Financial assets measured at FVTPL	3,727	113,302	2.54%	113,302	
King's Town Bank International Leasing Co., Ltd	Radium Life Tech Co., Ltd.	-	Financial assets measured at FVTPL	1,500	14,715	0.17%	14,715	
King's Town Bank International Leasing Co., Ltd	Lian Ding Capital Investment Limited Partnership	-	Financial assets measured at FVTPL	-	227,926	10.23%	227,926	

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates, and the securities deriving from the above items within the scope of IFRS 9, "Financial Instruments."

(Unless otherwise provided, Unit: NTD Thousand)

Table 4

## Information on major shareholders

Name of major shareholder	No. of shares held (shares)	Shareholding ratio
Chen-Chih Tai	78,209,000	7.03 %
Tien-Tsan Tsai	72,752,033	6.54 %

## Remarks:

- (1) The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.
- (2) For the above are shares entrusted by the shareholders, the information thereto shall be based on the shares disclosed by the individual trust account of opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.

(Unless otherwise provided, Unit: NTD Thousand)

Table 5

## Quality of Assets

## Non-performing Loans and Overdue Accounts Receivable

Unit: NTD thousand, %

Year / month		December 31, 2023					December 31, 2022				
Business category / Items		Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)	Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)
Corporate banking	Secured	\$32,070	\$142,936,511	0.02%	\$2,219,848	6,921.88%	\$28,338	\$145,467,588	0.02%	\$2,152,522	7,595.89%
	Unsecured	-	74,122,802	-	1,123,193	-	-	83,022,009	-	1,149,618	-
Consumer banking	Residential mortgage loans (Note 4)	11,834	13,670,534	0.09%	234,908	1,985.03%	8,055	13,620,582	0.06%	218,737	2,715.54%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)	342	72,937	0.47%	1,914	559.65%	274	128,554	0.21%	3,171	1,157.30%
	Others (Note 6)										
	Secured	3,591	2,806,673	0.13%	40,707	1,133.66%	3,649	3,626,127	0.10%	51,461	1,410.21%
	Unsecured	-	98,534	-	1,299	-	-	46,182	-	622	-
Total amount		\$47,837	\$233,707,991	0.02%	\$3,621,869	7,571.27%	\$40,316	\$245,911,042	0.02%	\$3,576,131	8,870.25%
		Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate	Overdue receivable amount	Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance
Credit card		\$469	\$469	100.00%	\$337	71.86%	\$469	\$469	100.00%	\$337	71.86%
Non-recourse receivables factoring business (Note 7)		-	-	-	-	-	-	-	-	-	-

Note 1: The non-performing loan is the overdue amount reported in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans. The Non-performing credit card amount is reported according to Jin-Guan-Yin-(IV)-Zi Letter No. 0944000378, dated July 6, 2005.

Note 2: Non-performing loan ratio = Non-performing loan/total loan amount. Non-performing credit card ratio = Non-performing amount/balance of accounts receivable.

Note 3: Coverage ratio of allowance for bad debt = Allowance for bad debt appropriated for loans/NPL amount. Coverage ratio of allowance for bad debt of credit card = Allowance for bad debt appropriated for credit card receivables/NPL amount.

Note 4: The residential mortgage loan refers to the borrower providing the resident purchased (owned) by the borrower of his/her spouse or minors as collateral to financial institutions in exchange for funds in order to purchase or construct or furnish houses.

Note 5: Small credit loans refer to small credit loans other than credit cards and cash cards. These are also subject to Jin-Guan-Yin-(IV)-Zi Official Letter No. 09440010950 dated, dated December 19, 2005.



(Unless otherwise provided, Unit: NTD Thousand)

Note 6: "Other" consumer finance refers to secured or unsecured consumer finance loans other than residential mortgage loans, cash cards, and small credit loans, excluding credit cards.

Note 7: The accounts receivable business without recourse is reported as non-performing loans within three months upon confirming that the accounts receivable factoring banks or insurance companies decline to compensate in accordance with the Jin-Guan-Yin-(V)-Zi No. 094000494 Official Letter dated July 19, 2005.

(Unless otherwise provided, Unit: NTD Thousand)

Table 6

## Non-performing Loans or Overdue Accounts Receivable Exempted from Report

Unit: NTD thousand

	December 31, 2023		December 31, 2022	
	Total NPL exempted from report	Total non-performing receivable accounts exempted from report	Total NPL exempted from report	Total non-performing receivable accounts exempted from report
Exempted amount after a debt negotiation and contractual performance (Note 1)	\$ 683	\$ 13	\$ 1,285	\$ 19
Performance of debt clearance program and rehabilitation program (Note 2)	2,662	1	4,308	3
Total	\$ 3,345	\$ 14	\$ 5,593	\$ 22

Note1. For the Jin-Guan-Yin-(I)-Zi No. 09510001270 Official Letter dated April 25, 2006. It is regarding the matters to be disclosed additionally according to the credit reporting methods and information disclosure requirement of the cases approved according to the “Unsecured Debt Negotiation Mechanism for Consumer Finance Cases of the Bankers Association of the Republic of China.”

Note2. For the Jin-Guan-Yin-(I)-Zi No 09700318940 Official Letter dated September 15, 2008. It is regarding the matters to be disclosed additionally according to the credit reporting and information disclosure requirements of the pre-negotiation, rehabilitation, and liquidation cases approved according to the “Consumer Debt Clearance Act.”

Table 7

## Concentration of Credit Risk

Unit: NTD thousand, %

Year	December 31, 2023		
Ranking (Note 1)	Industry that Company or Group is engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of current net value (%)
1	Company (Group) A - Construction engineering business	7,867,169	15.70%
2	Company (Group) B - Film and television production business	6,093,001	12.16%
3	Company (Group) C - Unclassified other financial service business	4,900,289	9.78%
4	Company (Group) D - Real estate development business	4,130,888	8.24%
5	Company (Group) E - Power supply business	3,905,986	7.79%
6	Company (Group) F - Glass container manufacturing business	3,840,000	7.66%
7	Company G - Other holding business	3,688,200	7.36%
8	Company H - Power supply business	3,487,047	6.96%
9	Company (Group) I - Unclassified other financial service business	3,254,402	6.49%
10	Company (Group) J - Non-alcoholic beverage wholesale business	3,184,170	6.35%

Note 1: Ranked according to the total credit balance of the debtors. Please list the names of the top 10 debtors that are not government agencies or state-owned enterprises. If the debtor is an enterprise of the Group, the credit amount of said enterprise should be attributed and included in the total amount, as well as disclosed in the form of “code” + “industry” [for example: Company (or Group) A Manufacture of Liquid Crystal Panel and Components]. For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified in the “detailed category” according to the Standard Industrial Classification System of the Republic of China as issued by the Directorate-General of Budget, Accounting and Statistics.

Note 2: The group refers to those defined in Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note 3: The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Table 7-1

## Concentration of Credit Risk

Unit: NTD thousand, %

Year	December 31, 2022		
Ranking (Note 1)	Industry that Company or Group is engaged in (Note 2)	Total balance of loan (Note 3)	Ratio of current net value (%)
1	Company (Group) A - Construction engineering business	7,820,450	18.44%
2	Company (Group) B - Unclassified other financial service business	4,852,891	11.44%
3	Company (Group) C - Unclassified other financial service business	4,806,039	11.33%
4	Company (Group) D - Glass container manufacturing business	4,684,000	11.04%
5	Company (Group) E - Real estate development business	4,355,888	10.27%
6	Company F - Other holding business	3,684,960	8.69%
7	Company (Group) G - Power supply business	3,586,609	8.46%
8	Company (Group) H - Real estate development business	3,492,280	8.23%
9	Company (Group) I - Unclassified other financial service business	3,217,655	7.59%
10	Company (Group) J—Wholesale of metal building materials	3,072,800	7.24%

Note 1: Ranked according to the total credit balance of the debtors. Please list the names of the top 10 debtors that are not government agencies or state-owned enterprises. If the debtor is an enterprise of the Group, the credit amount of said enterprise should be attributed and included in the total amount, as well as disclosed in the form of “code” + “industry” [for example: Company (or Group) A Manufacture of Liquid Crystal Panel and Components]. For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified in the “detailed category” according to the Standard Industrial Classification System of the Republic of China as issued by the Directorate-General of Budget, Accounting and Statistics.

Note 2: The group refers to those defined in Article 6 of the Supplementary Provisions to the

Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note 3: The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Table 8

## Interest Rate Sensitive Assets and Liabilities Analysis Table (NTD)

2023.12.31

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$245,095,112	\$10,502,658	\$4,252,144	\$43,521,252	\$303,371,166
Interest rate sensitivity liabilities	224,847,746	17,410,865	24,592,593	1,942,528	268,793,732
Interest rate sensitivity gap	20,247,366	(6,908,207)	(20,340,449)	41,578,724	34,577,434
Net value					51,537,037
Interest rate sensitivity assets and liabilities rate					112.86
Interest rate sensitivity gap and net value rate					67.09

2022.12.31

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$258,039,749	\$2,508,728	\$613,622	\$38,090,947	\$299,253,046
Interest rate sensitivity liabilities	242,486,972	8,317,666	15,603,847	1,191,017	267,599,502
Interest rate sensitivity gap	15,552,777	(5,808,938)	(14,990,225)	36,899,930	31,653,544
Net value					45,513,749
Interest rate sensitivity assets and liabilities rate					111.83
Interest rate sensitivity gap and net value rate					69.55

Note 1: This table is prepared to report the amount in NTD (excluding foreign currency) of the head office and domestic and foreign branches.

Note 2: Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest

(Unless otherwise provided, Unit: NTD Thousand)

of which the income or cost varies depending on the interest rate.

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

Note 4: Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in NTD)



Table 8-1

## Interest rate sensitivity assets and liabilities analysis data (USD)

2023.12.31

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$358,550	\$7,020	\$-	\$1,033,015	\$1,398,585
Interest rate sensitivity liabilities	1,059,385	95,612	270,171	1,734	1,426,902
Interest rate sensitivity gap	(700,835)	(88,592)	(270,171)	1,031,281	(28,317)
Net value					(46,282)
Interest rate sensitivity assets and liabilities rate					98.02
Interest rate sensitivity gap and net value rate					61.18

2022.12.31

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$421,075	\$7,099	\$8,680	\$1,093,095	\$1,529,949
Interest rate sensitivity liabilities	1,489,977	29,924	129,183	-	1,649,084
Interest rate sensitivity gap	(1,068,902)	(22,825)	(120,503)	1,093,095	(119,135)
Net value					(100,854)
Interest rate sensitivity assets and liabilities rate					92.78
Interest rate sensitivity gap and net value rate					118.13

Note 1: This table is prepared to report the amount in USD of the head office and domestic branches, international financial business branches, and overseas branches, excluding contingent assets and contingent liabilities.

Note 2: Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.

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

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

Note 4: Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in USD)

(Unless otherwise provided, Unit: NTD Thousand)

Table 9

## Profitability

Unit: %

Item		2023.12.31	2022.12.31
Return on Assets (ROA)	Before tax	1.95	0.81
	After tax	1.67	0.63
Return on Equity (ROE)	Before tax	15.67	6.29
	After tax	13.42	4.84
Net profit rate		64.67	44.21

Note 1: ROA = Income before (after) tax/Average total assets

Note 2: ROE=Income before (after) tax / Average net value

Note 3: Profit rate = Income after tax/income-net

Note 4: Income before (after) tax means the income accumulated from January of the current year until the current quarter

(Unless otherwise provided, Unit: NTD Thousand)

Table 10

## Maturity Date Structure Analysis Table (NTD)

2023.12.31

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$329,831,850	\$86,744,248	\$19,627,355	\$26,909,213	\$55,737,478	\$140,813,556
Outward remittance of due fund	369,130,793	35,542,248	40,461,576	57,131,634	67,256,939	168,738,396
Period difference	(39,298,943)	51,202,000	(20,834,221)	(30,222,421)	(11,519,461)	(27,924,840)

2022.12.31

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$322,369,816	\$74,605,730	\$20,302,096	\$23,309,351	\$65,670,661	\$138,481,978
Outward remittance of due fund	362,016,137	55,514,187	48,033,788	47,264,533	54,627,103	156,576,526
Period difference	(39,646,321)	19,091,543	(27,731,692)	(23,955,182)	11,043,558	(18,094,548)

Table 10-1

## Maturity Date Structure Analysis Table (USD)

2023.12.31

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$1,464,650	\$134,312	\$6,378	\$10,470	\$17,802	\$1,295,688
Outward remittance of due fund	1,448,023	689,665	309,791	96,045	271,057	81,465
Period difference	16,627	(555,353)	(303,413)	(85,575)	(253,255)	1,214,223

2022.12.31

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$1,639,473	\$183,423	\$9,134	\$8,425	\$23,776	\$1,414,715
Outward remittance of due fund	1,622,865	939,124	465,918	30,190	129,888	57,745
Period difference	16,608	(755,701)	(456,784)	(21,765)	(106,112)	1,356,970

Table 11

## Capital Adequacy (Explanation 1)

Unit: NTD thousand

Items		Year (Explanation 2)	December 31, 2023	December 31, 2022
Self-owned capital	Common stock equity		\$49,720,670	\$42,302,701
	Other Tier 1 Capital		-	-
	Tier 2 Capital		3,643,275	3,648,652
	Self-owned capital		53,363,945	45,951,353
Total risk-weighted assets	Credit Risk	Standardized approach	277,281,747	287,786,905
		Internal ratings-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	16,211,618	15,056,024
		Standard Method/Selective Standard Method	-	-
		Advanced Measurement Method	-	-
	Market Risk	Standardized approach	20,429,731	17,859,960
		Internal models approach	-	-
	Total risk-weighted assets		313,923,096	320,702,889
Capital adequacy ratio		17.00%	14.33%	
Ratio of Common Stock Equity to Risk-Based assets		15.84%	13.19%	
Ratio of Tier 1 capital to Risk-Based Assets		15.84%	13.19%	
Leverage ratio		12.93%	10.99%	

## Explanation:

- The amount of the regulatory capital, weighted risk assets, and total risk exposure should be calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Description and Table of Calculation Methods for Capital and Risk Assets of Banks."
- The capital adequacy ratio for the current period and the previous period should be filled in the annual financial statement. The interim financial statements shall, in addition to disclosing the ratio of the current period and the previous period, also disclose the capital adequacy ratio at the end of the previous year.
- This table should demonstrate the following formula:
  - Self-owned capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital.
  - Total amount of risk-weighted-assets = Credit risk-weighted assets + Capital charge

(Unless otherwise provided, Unit: NTD Thousand)

of (operational risk + market risk) x 12.5.

- (3) Capital Adequacy ratio = Total self-owned capital/Total amount risk-weighted assets.
  - (4) Ratio of common stock equity to risk assets = Common stock equity / Total risk weighted assets.
  - (5) Ratio of Tier 1 capital to risk-based assets = (Common stock equity + Tier 1 capital) / Total risk-weighted asset.
  - (6) Leverage ratio = Tier 1 capital/Total exposure.
4. This table may not be disclosed in the financial statements for Q1 and Q3.

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(Unless otherwise provided, Unit: NTD Thousand)

## King's Town Bank Co., Ltd.

## 1. Statement of Financial Assets Measured at FVTPL

January 1 to December 31, 2023

Unit: NTD thousand / thousand shares / thousand units

Name of financial instrument	Summary	Number of shares or units	Book value	Total amount	Interest rate	Acquisition cost	Valuation adjustment	Fair value		Note
								Unit price (NTD)	Total amount	
Domestic financial instruments		18,847 thousand shares								
Stock	-		10 NTD	\$188,470	-	\$2,589,483	\$(65,659)	14.3-3,275	\$2,523,824	
Government bonds	115/9/7-141/5/20	-	-	37,147,800	0.5-2.0	36,875,807	57,874	94.82-109.79	36,933,681	
Financial bonds	119/8/7			1,100,000	0.71	1,100,000	(6)	100.000	1,099,994	
Foreign exchange contracts	-	-	-	-	-	-	52,849	-	52,849	
Subtotal						40,565,290	45,058		40,610,348	
Overseas financial instruments										
Bonds	116/4/6-131/2/23		-	1,905,570	2.63-6.51	1,865,258	35,913	USD87.64-105.50	1,901,171	
Subtotal						1,865,258	35,913		1,901,171	
Total						<u>\$42,430,548</u>	<u>\$80,971</u>		<u>\$42,511,519</u>	

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

2. Statement of Discounts and Loans

January 1 to December 31, 2023

Unit: NTD thousand

Item	Amount	Note
Short-term loans	\$21,080,617	
Short-term secured loans	53,947,481	
Mid-term loans	42,519,831	
Mid-term secured loans	56,843,813	
Long-term loans	11,350,593	
Long-term secured loans	47,924,779	
Others	40,877	
Total	233,707,991	
Less: allowance for bad debt	(3,621,869)	
Net	\$230,086,122	

(Unless otherwise provided, Unit: NTD Thousand)

## King's Town Bank Co., Ltd.

## 3. Statement of Financial Assets Measured at FVOCI

January 1 to December 31, 2023

Unit: NTD thousand / thousand shares / thousand units

Name of financial instrument	Summary	Number of shares or units	Book value	Total	Interest rate	Acquisition cost	Accumulated impairment	Valuation adjustment	Fair value		Note
									Unit price (NTD)	Total	
FVOCI in equity instruments											
Stocks – non-listed	-	48,361 thousand shares	-	-	-	1,540,755	-	2,386,212	8.20-89.46	3,926,967	
Subtotal						1,540,755	-	2,386,212		3,926,967	
FVOCI in debt instruments											
Domestic bonds											
Government bonds	2025/3/13-2032/10/17	-	-	5,050,000	0.38-1.75	5,051,665	-	(84,263)	94.80-104.41	4,967,402	
Corporate bonds	2033/10/26	-	-	300,000	4.00	300,000	-	(36)	99.99	299,964	
Foreign bonds											
Corporate bonds	2024/5/16-2910/12/31	-	-	29,175,374	2.70-8.64	29,587,655	-	(1,485,322)	USD62.01-123.40	28,102,333	
Financial bonds	2026/11/10-2052/6/15	-	-	2,105,348	2.16-6.65	2,107,793	-	(26,589)	USD92.92-106.91	2,081,204	
Subtotal						37,047,113	-	(1,596,210)		35,450,903	
Total						\$38,587,868	\$ -	\$790,002		\$39,377,870	

(Unless otherwise provided, Unit: NTD Thousand)

## King's Town Bank Co., Ltd.

## 4. Statement of Changes in Investments Accounted for Using the Equity Method

January 1 to December 31, 2023

Unit: NTD thousand / thousand shares

Investees	Balance on January 1, 2023		Increase in the period		Decrease in the period		Balance on December 31, 2023			Market value/ net equity value		Collateral or pledge	Note
	Number of Shares (Thousand shares)	Amount	Number of Shares (Thousand shares)	Amount	Number of Shares (Thousand shares)	Amount	Number of Shares (Thousand shares)	Share-holding ratio	Amount	Unit Price (NTD)	Total		
Kings Town Bank International Lease Corporation	137,711	\$1,660,146	22,076 (Note 3)	\$540,682 (Note 1)	-	\$(13,078) (Note 2)	159,787	100%	\$2,187,750	-	\$2,187,750	None	
Kings Town Securities Co., Ltd.	90,000	1,013,424		27,623 (Note 1)	-	(5,672) (Note 2)	90,000	100%	1,035,375	-	1,035,375	None	
<b>Total</b>		<u>\$2,673,570</u>		<u>\$568,305</u>		<u>\$(18,750)</u>			<u>\$3,223,125</u>		<u>\$3,223,125</u>		

Note 1: Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method.

Note 2: The unrealized gain (loss) on financial assets held by subsidiaries at fair value through other comprehensive income (loss).

Note 3: Share dividends distributed.

(Unless otherwise provided, Unit: NTD Thousand)

## King's Town Bank Co., Ltd.

## 5. Statement of Debt Instrument Investments Measured at Amortized Cost

January 1 to December 31, 2023

Unit: NTD thousand

Name of financial instrument	Summary	Units	Book value	Total Amount	Interest rate	Acquisition cost	Accumulated impairment	Book value	Note
Central Bank convertible certificates of deposit	-	-	-	\$19,400,000	1.09%~ 1.22%	\$19,400,000	\$(2,137)	\$19,397,863	
Total				<u>\$19,400,000</u>		<u>\$19,400,000</u>		<u>\$19,397,863</u>	

(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

6. Statement of Changes in Right-of-use Assets

January 1 to December 31, 2023

Unit: NTD thousand

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Note
Buildings and structures	\$477,710	\$74,684	\$(55,384)	\$497,010	
Other equipment	<u>6,676</u>	<u>-</u>	<u>-</u>	<u>6,676</u>	
Total	<u><u>\$484,386</u></u>	<u><u>\$74,684</u></u>	<u><u>\$(55,384)</u></u>	<u><u>\$503,686</u></u>	

(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

7. Statement of Changes in Accumulated Depreciation of Right-of-use Assets

January 1 to December 31, 2023

Unit: NTD thousand

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Note
Buildings and structures	\$193,541	\$82,914	\$(55,384)	\$221,071	
Other equipment	445	1,335	-	1,780	
Total	<u>\$193,986</u>	<u>\$84,249</u>	<u>\$(55,384)</u>	<u>\$222,851</u>	

## Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

## King's Town Bank Co., Ltd.

## 8. Statement of Deposits and Remittances

January 1 to December 31, 2023

Unit: NTD thousand

Item	Amount	Note
Check deposits	\$1,802,095	
Cashier's check	1,377,810	
Demand deposits	49,591,544	
Foreign currency demand deposits	6,087,299	
Time deposits	43,947,962	
Convertible certificate of deposit	3,076,000	
Foreign currency time deposits	27,220,566	
Demand saving deposits	92,957,564	
Staff demand saving deposits	542,867	
Regular savings deposit for lump sum payment	5	
Round-amount savings deposit for lump sum payment	4,431,831	
Withdrawals of interest savings deposit	66,784,402	
Outward remittances	<u>5,674</u>	
Total	<u>\$297,825,619</u>	



Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

9. Statement of Lease Liabilities

January 1 to December 31, 2023

Unit: NTD thousand

Item	Summary	Lease term	Discount rate	Ending balance	Note
Buildings and structures	Branch office	2 to 10 years	0.26%~1.94%	\$282,236	
Other equipment	Offsite backup equipment	5 years	0.26%	4,904	
Total				<u>\$287,140</u>	

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

10. Statement of Interest Revenue

January 1 to December 31, 2023

Unit: NTD thousand

Item	Amount	Note
Security investment interest income	\$1,981,191	
Interests of due from Central Bank	77,168	
Interests of due from other banks	11,276	
Interests of lend to other banks	62,774	
Interests of short-term loan	767,410	
Interests of short-term guarantee	1,762,757	
Interests of mid-term loan	1,717,409	
Interests of mid-term guarantee	1,694,602	
Interests of long-term loan	402,863	
Interests of long-term guarantee	1,342,894	
Miscellaneous interests	53,201	
Total	<u>\$9,873,545</u>	

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

11. Statement of Interest Expenses

January 1 to December 31, 2023

Unit: NTD thousand

Item	Amount	Note
Interests of securities sold under agreement to repurchase	\$442,097	
Interbank offered interests	718,316	
Demand deposit interests	202,517	
Time deposit interests	600,573	
Foreign currency time deposit interests	1,142,993	
Demand savings deposit interests	439,711	
Round-amount deposit interests	61,771	
Withdrawals of interest deposit interests	916,077	
Miscellaneous interests	138,786	
Total	<u>\$4,662,841</u>	

## Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

## King's Town Bank Co., Ltd.

## 12. Statement of Net Service Fee Income

January 1 to December 31, 2023

Unit: NTD thousand

Item	Amount	Note
Service fee income		
Remittance fee income	\$57,689	
Guarantee service fee income	126,820	
Trust business income	71,549	
Joint loan income	120,511	
Financing usage fee	1,323,960	
Insurance agency income	175,132	
Change in credit conditions service fee	8,691	
Startup fee	230,132	
Miscellaneous service fee	105,616	
Subtotal	<u>2,220,100</u>	
Service fee expenses		
Inter-bank service fee	12,151	
Trust service fee	413	
Credit card service fee	712	
Remittance fee expenditures	1,946	
Letter of inquiry for ticket booking fee	1,161	
Miscellaneous service fee	34,371	
Subtotal	<u>50,754</u>	
Net service fee income	<u>\$2,169,346</u>	

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

13. Statement of Gain (loss) on Financial Assets and Liabilities at FVTPL

January 1 to December 31, 2023

Unit: NTD thousand

Item	Amount	Note
Realized		
Stock investment	\$1,710,871	
Bond investment	448,543	
Derivatives	96,370	
Others	11,142	
Unrealized		
Stock investment	113,341	
Bond investment	352,583	
Derivatives	44,727	
Total	<u>\$2,777,577</u>	

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

14. Statement of Impairment Loss and Gain on Reversal of Assets

January 1 to December 31, 2023

Unit: NTD thousand

Item	Impairment loss amount	Gain on reversal amount	Note
Debt instrument investments at FVOCI	\$ (975,901)	\$ 14,682	
Debt instrument measured at amortized cost	(991)	399	
Fixed asset	(3,792)	-	
Total	<u>\$ (980,684)</u>	<u>\$ 15,081</u>	

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

15. Statement of Other Non-interest Net Profit or Loss – Others

January 1 to December 31, 2023

Unit: NTD thousand

Item	Amount	Note
Profit from other non-interest		
Rent revenue	\$16,440	
Others	23,234	
Subtotal	<u>39,674</u>	
Other non-interest loss		
Loss on disposal of assets	285	
Others	508	
Subtotal	<u>793</u>	
Net	<u><u>\$38,881</u></u>	

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

16. Statement of Business and Administrative Expenses

January 1 to December 31, 2023

Unit: NTD thousand

Item	Amount	Note
Lease expenditures	\$6,423	
Repair expenses	21,768	
Utility expenses	17,222	
Insurance expenses	80,601	
Tax	501,467	
Entertainment expenses	24,396	
Membership expenses	46,687	
Consumption expenses	16,160	
Professional service expenses	83,840	
Other Expenses	142,685	
Total	<u>\$941,249</u>	



(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.  
**17. Statement of Employee Benefits Expenses**  
 January 1 to December 31, 2023

Unit: NTD thousand

Item	Amount			Total	Note
	Employee benefits expenses	Non-interest net income	Other business and administrative expenses		
Salaries and wages	\$1,082,249	\$-	\$-	\$1,082,249	
Labor insurance and national health insurance	79,408	-	-	79,408	
Pension expenses	37,186	-	-	37,186	
Remuneration Paid to Directors	17,113	-	89	17,202	
Other employee benefits expenses	44,758	-	-	44,758	
<b>Total</b>	<u><u>\$1,260,714</u></u>	<u><u>\$-</u></u>	<u><u>\$89</u></u>	<u><u>\$1,260,803</u></u>	

Note 1: The number of employees of the Company for the current year and the previous year was 975 and 1,001, respectively, of which 7 were directors who were not concurrently serving as employees for both years.

Note 2: The average employee benefits expense for the current year is NT\$1,285 thousand ("Total employee benefit expenses for the current year - Total Directors' remuneration" / "Number of employees for the current year - Number of Directors who do not concurrently serve as employees")

Note 3: The average employee benefits expense for the previous year is NT\$1,058 thousand (Total employee benefit expenses for the previous year - Total Directors' remuneration) / (Number of employees for the previous year - Number of Directors who do not concurrently serve as employees)

Note 4: The average employee salary expense for the current year is NT\$1,118 thousand (Total employee salary expenses for the current year / (Number of employees for the current year - Number of Directors who do not concurrently serve as employees))

Note 5: The average employee salary expense for the previous year was NT\$906 thousand (Total salary expense for the previous year / (Number of employees in the previous year - Number of Directors who do not concurrently serve as employees)).

Note 6: Change in average employee salary expense is 23.40% (Average employee salary expense of the current year - Average employee salary expense of the previous year) / Average employee salary expense of the previous year).

Note 7: The remuneration of supervisors was NTD 0 thousand for this year, and it was NTD 0 thousand for the previous year. The Company had established the Audit Committee to replace the role of supervisors, so the amount was NTD 0.

Note 8: Salary policy

(1) Director

In accordance with Article 33 of the Company's Articles of Association, if the Company has profit for the year, then directors' remuneration shall be appropriated for no more than 2%. However, when the company has accumulated losses, an equivalent amount should be appropriated to make up for the losses. No payment has been made as directors' remuneration for the recent two years. Besides, in accordance with Article 25-1 of the Company's Articles of Association, the remuneration of directors shall be determined by the Board of Directors with reference to the standards of relevant peers and listed companies. The remuneration of the directors of the Bank is paid with reference to the peers' standard, the individual performance of the directors, the Company's business performance and the performance evaluation results of the Board of Directors.

(Unless otherwise provided, Unit: NTD Thousand)

(2) Independent Director

The procedure for determining the remuneration of independent directors of the Company refers to Article 25-1 of the Company's Articles of Association which was negotiated by the Board of Directors with reference to the standards of relevant peers and listed companies. The monthly fixed remuneration shall be adopted, and the business execution fee shall be compared with the general director standard. Except for the monthly fixed remuneration, no other director's remuneration shall be paid in accordance with the Company's Articles of Association. In addition, in accordance with Article 5 of the "Specification of the scope of duties of independent directors," independent directors may decide reasonable remuneration different from ordinary directors.

(3) President, Deputy President, Chief Auditor, Managers, and Employees

The Branch's performance appraisal and compensation system of president, deputy president, chief auditor, managers, and employees are processed in accordance with the procedures stipulated in the "Regulations on the Employee Year-End Assessment", "Regulations on the Employee Benefit Payment", and "Regulations on the Year-End Bonus Payment" approved by the Board of Directors, respectively. Proposals are discussed at the meeting of the Compensation and Remuneration Committee every year to discuss the performance evaluation of the Bank's managers' remuneration package and submit it to the Board of Directors for approval, of which the bonus is linked to the unit performance appraisal results of the Bank, including factors such as operational performance (net profit achievement rate), internal control, and legal compliance. Also, personal performance, responsibilities and personal contribution are taken into consideration, and then reasonable remuneration is given, so salary remuneration is highly related to the Company's operating performance. However, if there is a major risk event involving fraud which is enough to cause losses to the Company or affect its goodwill, the Board of Directors shall also take measures such as dismissal, transfer, termination, or reduction of remuneration according to the circumstances, in addition to the disciplinary as necessary by law. The employee benefit of the Branch is treated based on the "Regulations on the Employee Benefit Payment" approved by the Board of Directors, and complies with the provisions of Article 5, Paragraph 1 of the Employment Service Act, regardless of race, class, language, and other factors.

**King's Town Bank Co., Ltd.**



Chairman Chen-Chih Tai



