

**Hua Nan Financial Holdings Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2024 and 2023 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Hua Nan Financial Holdings Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Hua Nan Financial Holdings Co., Ltd. (the Company) and its subsidiaries as of March 31, 2024 and 2023, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended March 31, 2024 and 2023, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. 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 Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Companies, the guidelines issued by the authority, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Companies, the guidelines issued by the authority, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Yi-Chun Wu and Han-Ni Fang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 27, 2024

Notice to Readers

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

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

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 45)	\$ 53,796,307	1	\$ 39,596,420	1	\$ 30,112,222	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7, 45 and 48)	255,815,808	6	245,757,463	6	245,147,663	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 45)	154,913,805	4	118,793,903	3	102,672,589	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 9, 11 and 48)	406,199,701	10	379,784,939	10	361,804,242	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST, NET (Notes 4, 5, 10, 11 and 48)	842,499,484	20	686,891,136	18	724,924,691	20
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 5, 10, 11 and 48)	3,081,453	-	2,481,443	-	2,249,207	-
RECEIVABLES, NET (Notes 4, 5, 13 and 45)	74,973,986	2	67,252,591	2	51,272,746	1
CURRENT TAX ASSETS (Notes 4, 43 and 45)	375,936	-	398,393	-	232,491	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 45)	2,276,344,530	55	2,243,451,690	58	2,076,637,728	57
REINSURANCE CONTRACTS ASSETS, NET (Notes 4 and 21)	6,402,262	-	6,917,297	-	6,837,322	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 4 and 15)	349,705	-	351,351	-	349,180	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 5, 16 and 45)	18,367,947	1	19,050,712	1	17,276,812	-
INVESTMENT PROPERTIES, NET (Notes 4, 19 and 48)	13,594,182	-	14,863,175	-	12,563,362	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 17, 45 and 48)	33,678,200	1	31,978,737	1	32,811,149	1
RIGHT-OF-USE ASSETS (Notes 3, 4, 18 and 45)	2,248,246	-	2,268,659	-	2,107,581	-
INTANGIBLE ASSETS, NET (Notes 4 and 20)	897,814	-	919,111	-	1,002,097	-
DEFERRED TAX ASSETS (Notes 4 and 43)	3,921,912	-	3,850,295	-	3,877,354	-
OTHER ASSETS, NET (Notes 4, 22, 45 and 48)	<u>4,666,447</u>	<u>-</u>	<u>4,594,464</u>	<u>-</u>	<u>5,045,366</u>	<u>-</u>
TOTAL	<u>\$ 4,152,127,725</u>	<u>100</u>	<u>\$ 3,869,201,779</u>	<u>100</u>	<u>\$ 3,676,923,802</u>	<u>100</u>
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Notes 23 and 45)	\$ 191,027,725	5	\$ 190,550,622	5	\$ 206,267,197	6
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	4,927,351	-	8,651,418	-	4,516,535	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 10 and 25)	95,332,438	2	109,103,919	3	81,651,640	2
COMMERCIAL PAPER PAYABLE, NET (Notes 24 and 47)	39,600,059	1	36,316,177	1	24,687,336	1
PAYABLES (Note 26)	54,118,509	1	48,200,920	2	41,152,148	1
CURRENT TAX LIABILITIES (Notes 4, 43 and 45)	4,684,763	-	3,640,732	-	4,450,662	-
DEPOSITS AND REMITTANCES (Notes 27 and 45)	3,341,587,212	81	3,065,364,627	79	2,931,070,420	80
BONDS PAYABLE (Notes 28 and 47)	76,287,482	2	80,586,915	2	79,585,214	2
OTHER BORROWINGS (Notes 29 and 47)	4,515,000	-	3,412,328	-	1,625,000	-
PROVISIONS (Notes 4, 30 and 31)	24,122,987	1	23,659,550	1	24,400,601	1
OTHER FINANCIAL LIABILITIES (Notes 32 and 47)	80,189,952	2	76,978,878	2	69,593,417	2
LEASE LIABILITIES (Notes 3, 4, 18, 45 and 47)	2,276,906	-	2,325,107	-	2,138,974	-
DEFERRED TAX LIABILITIES (Notes 4 and 45)	6,170,458	-	6,139,717	-	6,119,324	-
OTHER LIABILITIES (Notes 4, 33 and 45)	<u>9,830,163</u>	<u>-</u>	<u>6,458,533</u>	<u>-</u>	<u>6,672,469</u>	<u>-</u>
Total liabilities	<u>3,934,671,005</u>	<u>95</u>	<u>3,661,389,443</u>	<u>95</u>	<u>3,483,930,937</u>	<u>95</u>
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT (Note 4 and 34)						
Share capital						
Ordinary shares	<u>136,427,459</u>	<u>3</u>	<u>136,427,459</u>	<u>3</u>	<u>136,427,459</u>	<u>4</u>
Capital surplus	<u>17,761,804</u>	<u>-</u>	<u>17,761,804</u>	<u>-</u>	<u>17,758,986</u>	<u>-</u>
Retained earnings						
Legal reserve	22,273,772	1	22,273,772	1	20,380,779	-
Special reserve	18,503,358	-	18,503,358	-	6,471,594	-
Unappropriated earnings	<u>28,825,499</u>	<u>1</u>	<u>23,117,999</u>	<u>1</u>	<u>27,080,359</u>	<u>1</u>
Total retained earnings	<u>69,602,629</u>	<u>2</u>	<u>63,895,129</u>	<u>2</u>	<u>53,932,732</u>	<u>1</u>
Other equity						
Exchange differences on translating the financial statements of foreign operations	917,198	-	(619,865)	-	(409,849)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	14,299,422	-	10,697,410	-	8,126,798	-
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	(22,013,081)	-	(20,563,285)	-	(22,848,481)	-
Unrealized gain (loss) on other comprehensive income reclassified by overlay approach	<u>458,983</u>	<u>-</u>	<u>211,430</u>	<u>-</u>	<u>3,014</u>	<u>-</u>
Total other equity	<u>(6,337,478)</u>	<u>-</u>	<u>(10,274,310)</u>	<u>-</u>	<u>(15,128,518)</u>	<u>-</u>
Total equity attributable to owner of the parent	217,454,414	5	207,810,082	5	192,990,659	5
NON-CONTROLLING INTERESTS	<u>2,306</u>	<u>-</u>	<u>2,254</u>	<u>-</u>	<u>2,206</u>	<u>-</u>
Total equity	<u>217,456,720</u>	<u>5</u>	<u>207,812,336</u>	<u>5</u>	<u>192,992,865</u>	<u>5</u>
TOTAL	<u>\$ 4,152,127,725</u>	<u>100</u>	<u>\$ 3,869,201,779</u>	<u>100</u>	<u>\$ 3,676,923,802</u>	<u>100</u>

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

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 4, 35 and 45)	\$ 24,124,817	148	\$ 19,776,108	139
INTEREST EXPENSES (Notes 4, 35 and 45)	<u>(17,919,479)</u>	<u>(110)</u>	<u>(12,277,572)</u>	<u>(86)</u>
NET INTEREST	<u>6,205,338</u>	<u>38</u>	<u>7,498,536</u>	<u>53</u>
NET REVENUES OTHER THAN INTEREST				
Commission and service fee revenues, net (Notes 4, 36 and 45)	3,818,347	23	2,506,310	18
Income from insurance premiums, net (Notes 4 and 37)	1,576,478	10	1,346,116	9
Gain on financial assets and liabilities at fair value through profit or loss, net (Notes 4, 8, 38 and 45)	16,064,798	98	779,621	5
Gain on investment properties, net (Note 19)	120,137	1	150,580	1
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 39)	161,130	1	91,892	1
Loss on derecognition of financial assets at amortized cost (Note 4)	(6,141)	-	(2,365)	-
Foreign exchange (loss) gain, net (Notes 4 and 38)	(11,399,827)	(70)	2,155,676	15
Impairment loss on assets (Notes 4 and 11)	(7,554)	-	(2,474)	-
Share of loss associates accounted for using the equity method (Notes 4 and 15)	(1,646)	-	(1,773)	-
Loss on reclassification of overlay approach (Notes 4, 8 and 11)	(266,259)	(2)	(298,024)	(2)
Other non-interest income, net (Notes 4 and 45)	<u>63,947</u>	<u>1</u>	<u>45,883</u>	<u>-</u>
Total net revenues other than interest	<u>10,123,410</u>	<u>62</u>	<u>6,771,442</u>	<u>47</u>
TOTAL NET REVENUE	<u>16,328,748</u>	<u>100</u>	<u>14,269,978</u>	<u>100</u>
ALLOWANCE FOR DOUBTFUL ACCOUNTS, COMMITMENT, AND GUARANTEES (Notes 4, 13 and 14)	<u>(739,449)</u>	<u>(5)</u>	<u>(396,955)</u>	<u>(3)</u>
CHANGE IN PROVISIONS FOR INSURANCE LIABILITIES, NET (Notes 4 and 30)	<u>(496,398)</u>	<u>(3)</u>	<u>(451,034)</u>	<u>(3)</u>
OPERATING EXPENSES (Notes 31, 40, 41, 42 and 45)				
Employee benefits	(4,990,824)	(31)	(4,657,457)	(33)
Depreciation and amortization	(527,055)	(3)	(513,000)	(4)
Others	<u>(2,530,181)</u>	<u>(15)</u>	<u>(2,184,818)</u>	<u>(15)</u>
Total operating expenses	<u>(8,048,060)</u>	<u>(49)</u>	<u>(7,355,275)</u>	<u>(52)</u>

(Continued)

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
NET PROFIT BEFORE INCOME TAX	\$ 7,044,841	43	\$ 6,066,714	42
INCOME TAX EXPENSE (Notes 4 and 43)	<u>(1,415,893)</u>	<u>(9)</u>	<u>(1,066,643)</u>	<u>(7)</u>
NET PROFIT FOR THE PERIOD	<u>5,628,948</u>	<u>34</u>	<u>5,000,071</u>	<u>35</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 8, 34 and 43)				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on investments in equity instruments at fair value through other comprehensive income	3,680,616	23	(387,453)	(3)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	1,537,063	9	(117,210)	(1)
(Loss) gain on investments in debt instruments at fair value through other comprehensive income	(1,455,578)	(9)	3,390,924	24
Gain on other comprehensive income reclassified by overlay approach	266,259	2	298,024	2
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(12,924)</u>	<u>-</u>	<u>(18,597)</u>	<u>-</u>
Other comprehensive income for the period	<u>4,015,436</u>	<u>25</u>	<u>3,165,688</u>	<u>22</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 9,644,384</u>	<u>59</u>	<u>\$ 8,165,759</u>	<u>57</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the parent	\$ 5,628,913	34	\$ 5,000,054	35
Non-controlling interests	<u>35</u>	<u>-</u>	<u>17</u>	<u>-</u>
	<u>\$ 5,628,948</u>	<u>34</u>	<u>\$ 5,000,071</u>	<u>35</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the parent	\$ 9,644,332	59	\$ 8,165,728	57
Non-controlling interests	<u>52</u>	<u>-</u>	<u>31</u>	<u>-</u>
	<u>\$ 9,644,384</u>	<u>59</u>	<u>\$ 8,165,759</u>	<u>57</u>
EARNINGS PER SHARE (Note 44)				
Basic and diluted	<u>\$ 0.41</u>		<u>\$ 0.37</u>	

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

(Concluded)

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

											Other Equity					
							Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Investment in Equity Instruments at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Investment in Debt Instruments at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Other Comprehensive Income Reclassified by Overlay Approach	Non-controlling Interests	Total Equity
	Share Capital Ordinary Shares	Share Premium	Treasury Stock	Capital Surplus Donated Assets	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCE AT JANUARY 1, 2023	\$ 136,427,459	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 1,325	\$ 17,758,986	\$ 20,380,779	\$ 6,471,594	\$ 22,023,668	\$ 48,876,041	\$ (292,639)	\$ 8,570,902	\$ (26,224,250)	\$ (291,568)	\$ 2,175	\$ 184,827,106
Net profit for the three months ended March 31, 2023	-	-	-	-	-	-	-	-	5,000,054	5,000,054	-	-	-	-	17	5,000,071
Other comprehensive (loss) for the three months ended March 31, 2023	-	-	-	-	-	-	-	-	-	-	(117,210)	(387,467)	3,375,769	294,582	14	3,165,688
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	-	-	-	-	5,000,054	5,000,054	(117,210)	(387,467)	3,375,769	294,582	31	8,165,759
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	56,637	56,637	-	(56,637)	-	-	-	-
BALANCE AT MARCH 31, 2023	<u>\$ 136,427,459</u>	<u>\$ 17,702,376</u>	<u>\$ 52,349</u>	<u>\$ 2,936</u>	<u>\$ 1,325</u>	<u>\$ 17,758,986</u>	<u>\$ 20,380,779</u>	<u>\$ 6,471,594</u>	<u>\$ 27,080,359</u>	<u>\$ 53,932,732</u>	<u>\$ (409,849)</u>	<u>\$ 8,126,798</u>	<u>\$ (22,848,481)</u>	<u>\$ 3,014</u>	<u>\$ 2,206</u>	<u>\$ 192,992,865</u>
BALANCE AT JANUARY 1, 2024	\$ 136,427,459	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 4,143	\$ 17,761,804	\$ 22,273,772	\$ 18,503,358	\$ 23,117,999	\$ 63,895,129	\$ (619,865)	\$ 10,697,410	\$ (20,563,285)	\$ 211,430	\$ 2,254	\$ 207,812,336
Net profit for the three months ended March 31, 2024	-	-	-	-	-	-	-	-	5,628,913	5,628,913	-	-	-	-	35	5,628,948
Other comprehensive income (loss) income for the three months ended March 31, 2024	-	-	-	-	-	-	-	-	-	-	1,537,063	3,680,599	(1,449,796)	247,553	17	4,015,436
Total comprehensive income (loss) income for the three months ended March 31, 2024	-	-	-	-	-	-	-	-	5,628,913	5,628,913	1,537,063	3,680,599	(1,449,796)	247,553	52	9,644,384
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	78,587	78,587	-	(78,587)	-	-	-	-
BALANCE AT MARCH 31, 2024	<u>\$ 136,427,459</u>	<u>\$ 17,702,376</u>	<u>\$ 52,349</u>	<u>\$ 2,936</u>	<u>\$ 4,143</u>	<u>\$ 17,761,804</u>	<u>\$ 22,273,772</u>	<u>\$ 18,503,358</u>	<u>\$ 28,825,499</u>	<u>\$ 69,602,629</u>	<u>\$ 917,198</u>	<u>\$ 14,299,422</u>	<u>\$ (22,013,081)</u>	<u>\$ 458,983</u>	<u>\$ 2,306</u>	<u>\$ 217,456,720</u>

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

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 7,044,841	\$ 6,066,714
Adjustments for:		
Depreciation expenses	439,222	419,006
Amortization expenses	87,833	93,994
Allowance for doubtful accounts, commitments, and guarantees	739,449	396,955
Interest expenses	17,919,479	12,277,572
Net gain on derecognition of financial assets at amortized cost	6,141	2,365
Interest income	(24,124,817)	(19,776,108)
Dividend income	(136,554)	(45,768)
Change in provisions for insurance liabilities, net	496,398	451,034
Share of loss of associates accounted for using the equity method	1,646	1,773
Loss on profit or loss reclassified by overlay approach	266,259	298,024
(Gain) loss on disposal of property and equipment	(7)	148
Gain on disposal of investment properties	(3,537)	(50,295)
Impairment loss recognized on financial assets	7,554	2,474
Others	(4,759)	(46)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to other banks	(10,530,277)	428,686
Increase in financial assets at fair value through profit or loss	(36,081,393)	(10,344,128)
Increase in financial assets at fair value through other comprehensive income	(24,068,722)	(129,826)
Increase in investment in debt instruments at amortized cost	(155,569,116)	(8,691,409)
Increase in receivables	(7,270,455)	(3,611,414)
Increase in discounts and loans	(33,635,084)	(39,641,056)
Decrease (increase) in assets under reinsurance contracts	648,175	(359,923)
Increase in other assets	(2,347)	(1,106,213)
Decrease in other financial assets	614,805	272,885
Increase in deposits from the Central Bank and other banks	477,103	23,875,701
Decrease in financial liabilities at fair value through profit or loss	(3,724,067)	(1,717,010)
(Decrease) increase in securities sold under repurchase agreements	(13,771,481)	28,290,435
Increase (decrease) in payables	4,053,658	(750,338)
Increase (decrease) in deposits and remittances	276,222,585	(12,391,713)
Decrease in provisions	(165,445)	(6,395)
Increase in other financial liabilities	3,211,074	4,716,850
Increase (decrease) in other liabilities	<u>2,887,821</u>	<u>(5,931,309)</u>
Cash generated from (used in) operations	6,035,982	(26,958,335)
Interest received	23,658,220	19,255,181
Dividend received	44,978	27,153
Interest paid	(15,342,022)	(8,419,056)
Income tax paid	<u>(632,397)</u>	<u>(496,592)</u>
Net cash generated from (used in) operating activities	<u>13,764,761</u>	<u>(16,591,649)</u>

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HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (636,155)	\$ (349,645)
Proceeds from disposal of property and equipment	12	268
Acquisition of intangible assets	(47,454)	(61,580)
Acquisition of investment properties	(73,754)	(60,969)
Proceeds from disposal of investments properties	<u>11,221</u>	<u>170,700</u>
Net cash used in investing activities	<u>(746,130)</u>	<u>(301,226)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,240,000	-
Decrease in short-term borrowings	(157,000)	(241,000)
Increase in commercial paper payables	3,284,193	4,801,976
Repayment of corporate bonds	-	(7,000,000)
Repayment of bank debentures	(4,300,000)	-
Proceeds from long-term borrowings	24,000	10,000
Repayment of long-term borrowings	(4,328)	-
Repayment of the principal portion of lease liabilities	<u>(213,357)</u>	<u>(210,767)</u>
Net cash used in financing activities	<u>(126,492)</u>	<u>(2,639,791)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>1,437,091</u>	<u>(111,252)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,329,230	(19,643,918)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>165,833,899</u>	<u>186,822,057</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 180,163,129</u>	<u>\$ 167,178,139</u>

(Continued)

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

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

	March 31	
	2024	2023
Cash and cash equivalents in consolidated balance sheets	\$ 53,796,307	\$ 30,112,222
Due from the Central Bank and other banks that meet the definition of cash and cash equivalents in IAS 7	123,285,369	134,816,710
Securities purchased under resell agreements that meet the definition of cash and cash equivalents in IAS 7	<u>3,081,453</u>	<u>2,249,207</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 180,163,129</u>	<u>\$ 167,178,139</u>

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

(Concluded)

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

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

1. GENERAL

Hua Nan Financial Holdings Co., Ltd. (HNFH or the Company) was established by Hua Nan Commercial Bank Ltd. (HNCB) and EnTrust Securities Co., Ltd. (“EnTrust”) through a share swap on December 19, 2001. After share swap, HNCB and EnTrust became HNFH’s wholly owned subsidiaries. EnTrust was renamed Hua Nan Securities Co., Ltd. (HNSC) in June 2003.

On August 15, 2003, South China Insurance Co., Ltd. (SCIC) and EnTrust Investment Trust Corporation became wholly owned subsidiaries of HNFH through a share swap. EnTrust Investment Trust Corporation changed its name to Hua Nan Investment Trust Corporation (HNIT) on July 2003.

HNFH manages and invests in authorized domestic and overseas financial institutions.

Hua Nan Commercial Bank, Ltd. (“HNCB”) was established on March 1, 1947 through the restructuring of the Hua Nan Bank, which was founded in 1919. HNCB engages in (a) all commercial banking operations allowed by the Banking Act; (b) offshore banking business; (c) overseas branch operations authorized by the respective foreign governments; and (d) other operations as authorized by the central competent authorities.

HNCB maintains its head office in Taipei. As of March 31, 2024, HNCB had Banking, Financial Trading, International Banking and Trust Departments as well as 186 domestic branches and representative offices, an offshore banking unit (OBU), 12 overseas branches (located in Los Angeles, New York, Hong Kong, Singapore, London, Ho Chi Minh City, Sydney, Shenzhen, Shanghai, Fuzhou, Macao and Manila, respectively), 1 overseas sub branch (Baoan in Shenzhen) and 3 overseas representative offices (Hanoi, Vietnam, Yangon, Myanmar and Bangkok, Thailand).

The operations of HNCB’s Trust Department are (1) trust business planning, managing and operating and (2) custody of nondiscretionary trust funds in domestic and overseas securities and mutual funds. These operations are regulated under the Banking Act and the Trust Enterprise Act.

Hua Nan Securities Co., Ltd. (HNSC) was incorporated on June 17, 1988 in conformity with related regulations. HNSC’s main business operations are (a) to accept orders to trade securities at centralized securities exchange market; (b) to trade securities for itself at centralized securities exchange market; (c) to underwrite securities; (d) to accept orders to trade securities at HNSC’s business locations; (e) to trade securities for itself at HNSC’s business location; (f) to act as a transfer agent for securities; (g) to engage in margin loan and securities financing for securities; (h) to engage in securities-related auxiliary futures trading services; (i) to accept orders to buy and sell foreign securities; (j) to engage in securities-related futures services; (k) to engage in other securities-related businesses approved by the governing authorities.

South China Insurance Co., Ltd. (SCIC) was incorporated on May 1, 1963. SCIC is mainly engaged in property insurance services including automobile insurance, fire insurance, casualty insurance, liability insurance, and reinsurance of the preceding insurance businesses. SCIC has a head office in Taipei, 8 branches and 32 service centers in main cities in Taiwan.

Hua Nan Investment Trust Corporation (HNIT) was registered on September 29, 1992. HNIT is mainly engaged in issuing beneficiary certificates to raise investment trust funds and making securities investments using these funds. HNIT was authorized by the governing authorities to be engaged in the operation of discretionary investment services in September 2001.

Hua Nan Venture Capital Co., Ltd. (HNVC) was registered on January 28, 2004 under the “Company Act” and “Regulations for Scope and Guidance to Venture Capital Business”. HNVC is mainly engaged in venture capital investments business, investment consulting business, and manage consulting business. HNVC invested business including domestic and overseas technology companies, other domestic and overseas venture capital companies, and other companies allowed by the related regulations.

Hua Nan Asset Management Co., Ltd. (HNAMC) was invested by HNFH and was established on May 10, 2005. HNAMC is mainly engaged in properties purchase, properties leasing and purchase, evaluation, auction and management service of monetary creditor’s rights of financial institutions.

Hua Nan International Leasing Co., Ltd. (HNILC) was established on July 13, 2012. HNILC is mainly engaged in financing and leasing.

Hua Nan International Leasing Corporation (HNILC Shenzhen) was established on October 25, 2012. HNILC Shenzhen is mainly engaged in financing and leasing.

Hua Nan Futures Co., Ltd. (HNFC) was established on April 30, 1994 based on Company Act, Futures Trading Act and other related regulations. On July 25, 1994 HNFC received the authorized license from Securities and Futures Bureau of MOF and is mainly engaged in futures broker business and futures consulting business. On May 20, 2009, HNFC received the approval of operating future management and the authorized license.

Hua Nan Investment Management Co., Ltd. (HNIM) was established on September 27, 1993 based on Company Act and other related regulations. HNIM is mainly engaged in security investment consulting business.

Hua Nan Holdings Corp. was established in British Virgin Island on March 17, 1997. The outstanding shares are 100,000 and are all held by HNSC. It is mainly engaged in holding company business.

Hua Nan Securities (HK) Limited was established in Hong Kong, and was a wholly owned subsidiary of Hua Nan Holdings Corp. It is mainly engaged in security business.

The functional currency of the Company is New Taiwan dollars, and the consolidated financial statements are presented in New Taiwan dollars.

As of March 31, 2024, December 31, 2023 and March 31, 2023, the Company and its subsidiaries (“the Group”) had 11,232, 11,100, and 11,039 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on May 27, 2024.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosures in Financial Statements”	January 1, 2027
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

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

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

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

IFRS 17 “Insurance Contract”

IFRS 17 sets out the accounting standards for insurance contract and it will supersede IFRS 4 “Insurance Contract”. The main standards and amendments of IFRS 17 are as follow:

Level of aggregation of insurance contracts

The Group shall identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. The Group shall divide a portfolio of insurance contracts issued into a minimum of:

- 1) A group of contracts that are onerous at initial recognition, if any;
- 2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- 3) A group of the remaining contracts in the portfolio, if any.

The Group shall not include contracts issued more than one year apart in the same group. The Group shall apply the recognition and measurement requirements of IFRS 17 to the Group of contracts issued.

Recognition

The Group shall recognize a group of insurance contracts it issues from the earliest of the following:

- 1) The beginning of the coverage period of the Group of contracts;
- 2) The date when the first payment from a policyholder in the Group becomes due; and
- 3) For a group of onerous contracts, when the Group becomes onerous.

Measurement on initial recognition

On initial recognition, the Group shall measure a group of insurance contracts at the total of the fulfilment cash flows and contractual service margin. The fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to the future cash flows and a risk adjustment for non-financial risk. Contractual service margin is a component of the asset or liability for the Group of insurance contracts that represents the unearned profit the entity will recognize as it provides services in the future. The Group shall measure the contractual service margin on initial recognition of a group of insurance contracts at an amount that, unless onerous contracts applies, results in no income or expenses arising from a) the initial recognition of an amount for the fulfilment cash flows, measured by applying paragraphs; b) the derecognition at the date of initial recognition of any asset or liability recognized for insurance acquisition cash flows applying; and c) any cash flows arising from the contracts in the Group at that date.

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Liability for remaining coverage comprise the fulfilment cash flows related to future service allocated to the Group at that date and the contractual service margin of the Group at that date. The liability for incurred claims, comprise the fulfilment cash flows related to past service allocated to the Group at that date. Impairment loss should be recognized immediately if contracts portfolio become onerous contracts during subsequent measurement.

Onerous contracts

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognized acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. The Group shall recognize a loss in profit or loss for the net outflow for the Group of onerous contracts, resulting in the carrying amount of the liability for the Group being equal to the fulfilment cash flows and the contractual service margin of the Group being zero. Contractual service margin remains zero, and no insurance contract revenue will be recognized before the recognized onerous amount is reversed.

Premium allocation approach

The Group may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the Group:

- 1) The entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the Group that would not differ materially from the one that would be produced applying the requirements; or
- 2) Coverage period of each contract in the Group is one year or less.

The criterion a) is not met if at the inception of the Group, the Group expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred.

Using the premium allocation approach, the Group shall measure the liability for remaining coverage as the carrying amount of the liability on initial recognition minus any insurance acquisition cash flows at that date.

At the end of each subsequent reporting period, the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, plus insurance acquisition cash flows, minus the amount recognized as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Investment contracts with discretionary participation features

An investment contract with discretionary participation features does not include a transfer of significant insurance risk. IFRS 17 applies to investment contract with discretionary participation features and insurance contract if issuer also issues insurance contract.

Modification and derecognition

If the terms of an insurance contract are modified and certain conditions are satisfied, the Group shall derecognize the original contract and recognize the modified contract as a new contract. The Group shall derecognize the insurance contract when contract is extinguished, or its substance is being modified.

Transition rules

The Group shall provide apply retrospective approach, and apply modified retrospective approach or the fair value approach if retrospective approach is inapplicable.

Modified retrospective approach achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. Fair value approach should be applied if reasonable and supportable information are unavailable.

To apply the fair value approach, the Group shall determine the contractual service margin or loss component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

Redesignation of financial assets

At the date of initial application of IFRS 17, an entity which had applied IFRS 9 may redesignate the classification of an eligible asset that meets the condition in paragraph C29 of IFRS 17. The entity is not required to restate the comparative information to reflect changes in the classifications of these assets, and any difference between the previous carrying amount and the carrying amount at the date of initial application of these financial assets should be recognized in the opening retained earnings (or other component of equity, as appropriate) at the date of initial application. If the entity restates the comparative information, the restated financial statements must reflect all the requirements of IFRS 9 for those affected financial assets.

In addition, an enterprise which had applied IFRS 9 before the initial application of IFRS 17 could apply the classification overlay on an individual basis to the financial assets that had been derecognized during the comparative period as if those financial assets had been reclassified in the comparative period in accordance with the redesignation requirements in paragraph C29 of IFRS 17.

Amendments to IAS 21 “Lack of Exchangeability”

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

IFRS 18 “Presentation and Disclosures in Financial Statements”

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Companies, and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

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

Current/Non-current Assets and Liabilities

Since the length of the operating cycle in the banking industry could not be reasonably identified, accounts included in the Group's financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Except for the matter stated in the preceding paragraph, cash and cash equivalents or assets to be realized within 12 months after the reporting period are classified as current. Liabilities to be liquidated or settled within 12 months and liabilities for which the Group's does not have an unconditional right to defer settlement for at least 12 months after the reporting period, are classified as current (even if an agreement to refinance; or to reschedule payments, on a long-term basis is completed after the reporting period and

before the consolidated financial statements are authorized for issue). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. All other assets and liabilities are classified as non-current.

The consolidated financial statements, however, do not show the classification of current or non-current assets/liabilities because the banking industry accounts are the major parts of the consolidated accounts.

Principles for Preparing Consolidated Financial Statements

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

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

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

The consolidated entities, nature and percentage of ownership is shown in Table 9.

Other Material Accounting Policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2023.

a. Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

b. Employee benefit - employees' preferential deposits

Employees' preferential deposits for an interim period is calculated on a year-to-date basis by using the actuarially determined amount at the end of the prior financial year, adjusted for material market fluctuations.

c. Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Group considers the possible impact of climate change and related government policies and its economic environment implications and inflation and interest rate fluctuations volatility when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Estimated impairment of discounts and loans

The provision for impairment of discounts and loans is based on assumptions on probability of default and loss given default. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 52. When the actual future cash inflows are less than expected, a material impairment loss may arise.

Claiming liabilities arising from insurance contracts

The estimation of the final claiming liabilities of insurance contracts is based on the insurance type according to its historical claim experience and expenses, and the compensation reserve is calculated in accordance with actuarial principles. On the balance sheet date, its outstanding claims reserve is sufficient to cover all final claims losses and expenses from events that have occurred on that day, but the reserve is based on estimates, so there is no guarantee that its final liabilities will not exceed or be less than the estimated amount.

6. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand	\$ 14,723,105	\$ 14,055,049	\$ 14,857,304
Cash in banks	3,470,204	2,971,177	2,587,231
Due from other banks	33,785,071	21,576,386	11,318,431
Notes and checks for clearing	1,791,284	976,963	1,229,433
Cash equivalents	<u>28,975</u>	<u>18,990</u>	<u>120,827</u>
	53,798,639	39,598,565	30,113,226
Allowance for impairment loss	<u>(2,332)</u>	<u>(2,145)</u>	<u>(1,004)</u>
	<u>\$ 53,796,307</u>	<u>\$ 39,596,420</u>	<u>\$ 30,112,222</u>

The movements of the allowance for impairment losses were as follows:

	For the Three Months Ended March 31	
	2024	2023
Balance, beginning of the period	\$ 2,145	\$ 1,305
Provision (reversal)	147	(311)
Foreign exchange gains and losses	<u>40</u>	<u>10</u>
Balance, end of the period	<u>\$ 2,332</u>	<u>\$ 1,004</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Call loans to banks	\$ 107,263,216	\$ 82,728,373	\$ 86,435,799
Reserve - checking accounts	40,188,214	44,098,340	46,776,913
Reserve - demand accounts	89,926,267	87,526,697	85,551,117
Reserve - foreign-currency deposit	978,448	944,682	909,692
Deposits of overseas branches with foreign Central Banks	381,075	413,601	414,109
Due from the Central Bank	52,410	45,862	46,627
Interbank settlement funds	<u>17,027,551</u>	<u>30,000,016</u>	<u>25,022,655</u>
	255,817,181	245,757,571	245,156,912
Allowance for impairment loss	<u>(1,373)</u>	<u>(108)</u>	<u>(9,249)</u>
	<u>\$ 255,815,808</u>	<u>\$ 245,757,463</u>	<u>\$ 245,147,663</u>

The movements of the allowance for impairment losses were as follows:

	For the Three Months Ended March 31	
	2024	2023
Balance, beginning of the period	\$ 108	\$ -
Provision	1,262	9,249
Foreign exchange gains and losses	<u>3</u>	<u>-</u>
Balance, end of the period	<u>\$ 1,373</u>	<u>\$ 9,249</u>

The reserve deposits are required by law and the Company maintains certain amount of in average of the Company's deposits. The reserve-checking accounts had been provided as collateral for day-term overdrafts not interest bearing and may be withdrawn anytime. Financial institution deposit reserves 55% for deposits reserve, only reserve adjustment can withdrawn, the deposit difference for demand deposit and time deposit, is paid at different interest rates. The reserve - demand accounts yields interest at a rate announced by Central Bank. Foreign-currency deposit maintains a certain amount of deposit in the reserve - foreign-currency deposits, which is not interest bearing and may be withdrawn anytime. The Interbank Clearing Fund refers to an account opened at the central bank, with the funds therein designated for interbank settlement purposes, managed by the Financial Information Corporation Limited.

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

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets mandatorily classified as at FVTPL			
Investments in bill	107,009,816	\$ 97,031,423	\$ 81,081,604
Government bonds	14,546,957	3,732,122	60,557
Currency swap	11,129,923	2,965,595	4,592,448
Listed stocks	7,308,674	6,839,454	5,944,525
Treasury bills	3,984,718	-	2,981,571
			(Continued)

	March 31, 2024	December 31, 2023	March 31, 2023
Operating securities - dealing	\$ 3,719,645	\$ 2,137,079	\$ 1,470,799
Interest swap	3,224,416	2,159,789	2,395,777
Beneficiary certificates	1,928,866	1,906,965	1,972,853
Unlisted stocks	628,120	830,295	904,625
Beneficiary securities	464,311	503,091	517,456
Operating securities - underwriting	310,039	307,782	344,096
Corporate bonds	199,956	-	-
Options	177,309	98,805	255,639
Cross currency swap	142,357	74,587	57,551
Forward	78,077	161,124	42,038
Margin deposits - futures	60,496	45,792	51,050
Futures	<u>125</u>	<u>-</u>	<u>-</u>
	<u>\$ 154,913,805</u>	<u>\$ 118,793,903</u>	<u>\$ 102,672,589</u>
Held-for-trading financial liabilities			
Interest swap	\$ 3,224,416	\$ 2,159,789	\$ 2,395,777
Currency swap	1,289,518	6,274,427	1,823,655
Options	177,630	100,642	256,952
Forward	168,996	77,985	40,039
Bond investment with resale - financing	66,791	32,544	-
Futures	-	3,551	-
Cross currency swap	<u>-</u>	<u>2,480</u>	<u>112</u>
	<u>\$ 4,927,351</u>	<u>\$ 8,651,418</u>	<u>\$ 4,516,535</u>
			(Concluded)

SCIC also adopted IFRS 4 “Insurance Contracts” to recognize profit and loss of designated financial assets. The financial assets designated to overlay approach are as follow:

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets at FVTPL</u>			
Listed stocks	\$ 6,398,907	\$ 6,012,308	\$ 5,281,410
Unlisted stocks	78,044	91,105	79,953
Beneficiary certificates	1,903,103	1,889,928	1,916,569
Beneficiary securities	<u>19,773</u>	<u>22,815</u>	<u>25,365</u>
	<u>\$ 8,399,827</u>	<u>\$ 8,016,156</u>	<u>\$ 7,303,297</u>

The reclassification amount between profit and loss and other comprehensive income of financial assets designated to overlay approach are as follow:

	For the Three Months Ended March 31	
	2024	2023
Gain recognized in profit on initial application of IFRS 9	\$ 443,354	\$ 435,907
Plus: Loss recognized in profit and loss if IAS 39 was applied	<u>(177,095)</u>	<u>(137,883)</u>
Gain on reclassification of overlay approach	<u>\$ 266,259</u>	<u>\$ 298,024</u>

The amounts of financial assets at FVTPL for the three months ended March 31, 2024 and 2023 decreased from \$280,245 to \$13,986, and decreased from \$400,542 to \$102,518, respectively, due to the adjustments of overlay approach.

The Group entered into derivative contracts to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value or cash flows.

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

	March 31, 2024	December 31, 2023	March 31, 2023
Forward and currency swap	NT\$ 547,065,890	NT\$ 457,132,749	NT\$ 499,186,398
Interest swap	NT\$ 102,903,394	NT\$ 103,362,920	NT\$ 108,653,948
Options	NT\$ 28,720,107	NT\$ 16,780,429	NT\$ 31,777,172
Cross currency swap	NT\$ 4,160,650	NT\$ 3,070,500	NT\$ 4,292,040
Futures	NT\$ 1,615,002	NT\$ 1,790,448	NT\$ 354,523
Forward and currency swap	US\$ 12,160	US\$ 14,968	US\$ 14,779
Asset swap	NT\$ -	NT\$ -	NT\$ 10,000

The principal of debt investments, which are financial assets mandatorily classified as at FVTPL, amounting to \$2,472,564, \$1,482,449 and \$926,232 as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively, had been sold under repurchase agreements.

The principal of bond investments, which are financial assets mandatorily classified as at FVTPL, amounting to \$2,638,343, \$1,938,466 and \$1,662,495 as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively, had been sold under repurchase agreements.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2024	December 31, 2023	March 31, 2023
Investments in equity instruments at FVTOCI	\$ 57,499,202	\$ 45,670,617	\$ 36,885,211
Investments in debt instruments at FVTOCI	<u>348,700,499</u>	<u>334,114,322</u>	<u>324,919,031</u>
	<u>\$ 406,199,701</u>	<u>\$ 379,784,939</u>	<u>\$ 361,804,242</u>

a. Investments in equity instruments at FVTOCI

	March 31, 2024	December 31, 2023	March 31, 2023
Listed stocks	\$ 46,266,311	\$ 35,401,604	\$ 27,704,132
Unlisted stocks	10,741,336	9,777,458	8,749,203
Real estate investment trusts beneficiary securities	<u>491,555</u>	<u>491,555</u>	<u>431,876</u>
	<u>\$ 57,499,202</u>	<u>\$ 45,670,617</u>	<u>\$ 36,885,211</u>

These investments in equity instruments are held for strategic purposes or non-trading purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

For the three months ended March 31, 2024 and 2023, the Group sold a part of listed stocks as at its fair value in order to manage credit concentration risk or earn profit. Related other equity-unrealized gain on investments measured at FVTOCI amounting to \$78,587 and \$56,637 were transferred to retained earnings.

Refer to Note 48 for information on March 31, 2024, December 31, 2023 and March 31, 2023 relating to investments in equity instruments at FVTOCI pledged as security.

b. Investments in debt instruments at FVTOCI

	March 31, 2024	December 31, 2023	March 31, 2023
Government bonds	\$ 138,679,922	\$ 135,180,627	\$ 126,656,299
Corporate bonds	112,238,170	107,626,543	106,595,450
Bank debentures	89,748,398	83,368,795	81,939,386
Agency mortgage - backed securities	7,556,592	7,483,538	8,054,786
Negotiable certificates of deposits	320,335	305,760	1,523,945
Treasury bills	<u>157,082</u>	<u>149,059</u>	<u>149,165</u>
	<u>\$ 348,700,499</u>	<u>\$ 334,114,322</u>	<u>\$ 324,919,031</u>

The principal of debt investments, which are financial assets at FVTOCI, amounting to \$56,937,666, \$72,601,483 and \$45,588,092 as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively, had been sold under repurchase agreements.

Refer to Note 11 for information relating to their credit risk management and impairment of investments in debt instruments at FVTOCI.

Refer to Note 48 for information on March 31, 2024, December 31, 2023 and March 31, 2023 relating to investments in debt instruments at FVTOCI pledged as security.

10. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2024	December 31, 2023	March 31, 2023
Negotiable certificates of deposits	\$ 550,255,000	\$ 434,430,000	\$ 511,840,000
Bank debentures	124,534,268	104,375,681	75,608,561
Government bonds	95,231,878	84,589,456	106,040,220
Corporate bonds	70,272,521	61,458,916	28,796,174
Treasury bills	<u>2,543,837</u>	<u>2,368,479</u>	<u>2,957,005</u>
	842,837,504	687,222,532	725,241,960
Less: Refundable deposits	(296,663)	(296,613)	(296,461)
Allowance for impairment losses	<u>(41,357)</u>	<u>(34,783)</u>	<u>(20,808)</u>
	<u>\$ 842,499,484</u>	<u>\$ 686,891,136</u>	<u>\$ 724,924,691</u>

The principal of debt investments, which are financial assets at amortized cost, amounting to \$33,283,865, \$33,081,521 and \$33,474,821 as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively, had been sold under repurchase agreements.

Refer to Note 11 for information relating to credit risk management and impairment of financial assets at amortized cost.

Refer to Note 48 for information on March 31, 2024, December 31, 2023 and March 31, 2023 relating to investments in financial assets at amortized cost pledged as security.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

March 31, 2024

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 371,759,908	\$ 842,540,841
Less: Allowance for impairment loss	<u>(65,198)</u>	<u>(41,357)</u>
Amortized cost	371,694,710	<u>\$ 842,499,484</u>
Adjustment to fair value	<u>(22,994,211)</u>	
	<u>\$ 348,700,499</u>	

December 31, 2023

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 355,341,031	\$ 686,925,919
Less: Allowance for impairment loss	<u>(62,998)</u>	<u>(34,783)</u>
Amortized cost	355,278,033	<u>\$ 686,891,136</u>
Adjustment to fair value	<u>(21,163,711)</u>	
	<u>\$ 334,114,322</u>	

March 31, 2023

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 348,185,081	\$ 724,945,499
Less: Allowance for impairment loss	(48,435)	(20,808)
Amortized cost	348,136,646	<u>\$ 724,924,691</u>
Adjustment to fair value	(23,217,615)	
	<u>\$ 324,919,031</u>	

Refer to Note 52 for the management policy of credit risk management for investments in debt instruments.

HNCB and its subsidiaries considers the credit evaluation supplied by external credit rating agencies, historical default rates and historical default loss percentage to estimate 12-month or lifetime expected credit losses. HNCB and its subsidiaries current credit risk grading framework comprises the following categories:

March 31, 2024

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount at March 31	
				FVTOCI	AC
Stage 1	Credit rating is above the investment grade on record date and there has not been a significant increase in credit risk	12-month ECL	0%-0.1987%	\$ 347,619,661	\$ 840,997,559
Stage 2	Credit rating is below the investment grade on record date and there has been a significant increase in credit risk	Lifetime ECL - not credit-impaired	-	-	-
Stage 3	Credit rating is Ca/CC on record date	Lifetime ECL - credit-impaired	-	-	-

December 31, 2023

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount at December 31	
				FVTOCI	AC
Stage 1	Credit rating is above the investment grade on record date and there has not been a significant increase in credit risk	12-month ECL	0%-0.1987%	\$ 332,872,470	\$ 685,337,752
Stage 2	Credit rating is below the investment grade on record date and there has been a significant increase in credit risk	Lifetime ECL - not credit-impaired	-	-	-
Stage 3	Credit rating is Ca/CC on record date	Lifetime ECL - credit-impaired	-	-	-

March 31, 2023

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount at March 31	
				FVTOCI	AC
Stage 1	Credit rating is above the investment grade on record date and there has not been a significant increase in credit risk	12-month ECL	0%-0.1492%	\$ 326,419,001	\$ 723,476,482
Stage 2	Credit rating is below the investment grade on record date and there has been a significant increase in credit risk	Lifetime ECL - not credit-impaired	-	-	-
Stage 3	Credit rating is Ca/CC on record date	Lifetime ECL - credit-impaired	-	-	-

HNSC considers the credit evaluation supplied by external credit rating agencies, historical default rates and historical default loss percentage to estimate 12-month or lifetime expected credit losses. HNSC's current credit risk grading framework comprises the following categories:

March 31, 2024

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount
Stage 1	Credit rating is above the investment grade on record date and there has not been a significant increase in credit risk	12-month ECL	0%-0.196%	\$ 20,192,030
Stage 2	Credit rating is below the investment grade on record date and there has been a significant increase in credit risk	Lifetime ECL - not credit-impaired	-	-
Stage 3	Credit rating is Ca/CC on record date	Lifetime ECL - credit-impaired	-	-

December 31, 2023

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount
Stage 1	Credit rating is above the investment grade on record date and there has not been a significant increase in credit risk	12-month ECL	0%-0.196%	\$ 19,111,492
Stage 2	Credit rating is below the investment grade on record date and there has been a significant increase in credit risk	Lifetime ECL - not credit-impaired	-	-
Stage 3	Credit rating is Ca/CC on record date	Lifetime ECL - credit-impaired	-	-

March 31, 2023

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount
Stage 1	Credit rating is above the investment grade on record date and there has not been a significant increase in credit risk	12-month ECL	0%-0.149%	\$ 18,294,697
Stage 2	Credit rating is below the investment grade on record date and there has been a significant increase in credit risk	Lifetime ECL - not credit-impaired	-	-
Stage 3	Credit rating is Ca/CC on record date	Lifetime ECL - credit-impaired	-	-

In order to maintain the credit risk under a sustainable range, SCIC adopted a policy to only invests debt instruments which credit rating is above the investment grade and credit risk is evaluated low during impairment evaluation. SCIC subsequently follows up information provided by external rating agencies, as to monitor the credit risk changes of its debt investment. Meanwhile SCIC also follows up market yield curve and debtor's related significant information to evaluate if there has been a significant increase in credit risk after initial recognition.

SCIC assigned a team especially responsible in considering the credit evaluation supplied by external credit rating agencies, historical default rates and historical default loss percentage to estimate 12-month or lifetime expected credit losses. SCIC's current credit risk grading framework comprises the following categories:

March 31, 2024

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount	
				FVTOCI	AC
Stage 1	Debtor has a low credit risk of default or its credit risk of default has not increase significantly, and has a sufficiently, and has a sufficient capability to meet contractual cash flow	12-month ECL	0%-0.6294%	\$ 3,887,437	\$ 1,543,282
Stage 2	There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired	17.6618%	60,780	-
Stage 3	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	-	-	-
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and SCIC has no realistic prospect of recovery	Amount is written off	-	-	-

December 31, 2023

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount	
				FVTOCI	AC
Stage 1	Debtor has a low credit risk of default or its credit risk of default has not increase significantly, and has a sufficiently, and has a sufficient capability to meet contractual cash flow	12-month ECL	0.0257%-0.6294%	\$ 3,300,128	\$ 1,588,167
Stage 2	There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired	17.6618%	56,941	-
Stage 3	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	-	-	-
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and SCIC has no realistic prospect of recovery	Amount is written off	-	-	-

March 31, 2023

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount	
				FVTOCI	AC
Stage 1	Debtor has a low credit risk of default or its credit risk of default has not increase significantly, and has a sufficiently, and has a sufficient capability to meet contractual cash flow	12-month ECL	0.0290%-0.4869%	\$ 3,471,383	\$ 1,469,017
Stage 2	There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired	-	-	-
Stage 3	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	-	-	-
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and SCIC has no realistic prospect of recovery	Amount is written off	-	-	-

The allowance for impairment loss of investments in debt instruments by credit rating is reconciled as follows:

- a. The movements of the allowance for impairment loss of investments in debt instruments as at FVTOCI were as follows:

Allowance for Impairment Loss	Credit Rating		
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL - Not Credit- impaired)	Stage 3 (Lifetime ECL - Credit- impaired)
Balance at January 1, 2024	\$ 52,118	\$ 10,880	\$ -
New debt instruments purchased	3,245	-	-
Derecognition	(1,649)	-	-
Change in model or risk parameters	52	564	-
Change in exchange rates or others	<u>(12)</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2024	<u>\$ 53,754</u>	<u>\$ 11,444</u>	<u>\$ -</u>
Balance at January 1, 2023	\$ 48,394	\$ -	\$ -
New debt instruments purchased	2,051	-	-
Derecognition	(1,951)	-	-
Change in model or risk parameters	(18)	-	-
Change in exchange rates or others	<u>(41)</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2023	<u>\$ 48,435</u>	<u>\$ -</u>	<u>\$ -</u>

- b. The movements of the allowance for impairment loss of investments in debt instruments at amortized cost were as follows:

Allowance for Impairment Loss	Credit Rating		
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL - Not Credit- impaired)	Stage 3 (Lifetime ECL - Credit- impaired)
Balance at January 1, 2024	\$ 34,783	\$ -	\$ -
New debt instruments purchased	8,844	-	-
Derecognition	(3,135)	-	-
Change in model or risk parameters	(367)	-	-
Change in exchange rates or others	<u>1,232</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2024	<u>\$ 41,357</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2023	\$ 18,586	\$ -	\$ -
New debt instruments purchased	3,173	-	-
Derecognition	(774)	-	-
Change in model or risk parameters	(7)	-	-
Change in exchange rates or others	<u>(170)</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2023	<u>\$ 20,808</u>	<u>\$ -</u>	<u>\$ -</u>

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Government bonds	\$ 2,932,012	\$ 2,032,587	\$ 1,900,000
Investments in bill	<u>149,441</u>	<u>448,856</u>	<u>349,207</u>
	<u>\$ 3,081,453</u>	<u>\$ 2,481,443</u>	<u>\$ 2,249,207</u>

Securities purchased under resell agreements as of March 31, 2024, December 31, 2023 and March 31, 2023 were expired in January 2025, January 2024 and April 2023 and the amount agreed to resell were \$3,084,558, \$2,483,217 and \$2,250,735, respectively.

13. RECEIVABLES, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable	\$ 23,281,507	\$ 18,142,617	\$ 12,112,632
Margin loans receivable	18,743,562	16,988,035	11,303,049
Interest receivables	11,046,211	10,573,079	7,952,279
Credit card receivables	9,924,703	10,364,557	9,040,671
Receivable from PEM Group incident (Note 50)	6,982,330	7,178,259	7,541,844
Acceptances	2,950,714	3,057,173	2,379,515
Receivable of securities business money lending - non-restricted purpose	1,877,690	2,246,390	1,746,949
Accounts receivable for settlement - options	870,128	239,156	160,517
Receivables factoring - without recourse	310,378	361,152	695,012
Others	<u>4,558,978</u>	<u>3,586,028</u>	<u>3,927,059</u>
	80,546,201	72,736,446	56,859,527
Allowance for impairment losses	<u>(5,572,215)</u>	<u>(5,483,855)</u>	<u>(5,586,781)</u>
	<u>\$ 74,973,986</u>	<u>\$ 67,252,591</u>	<u>\$ 51,272,746</u>

The movements of the allowance for impairment losses were as follows:

	For the Three Months Ended March 31	
	2024	2023
Balance, beginning of the period	\$ 5,483,855	\$ 5,641,739
Provision (reversal)	108,388	(42,712)
Write-off	(20,895)	(12,088)
Foreign exchange gains and losses	<u>867</u>	<u>(158)</u>
Balance, end of the period	<u>\$ 5,572,215</u>	<u>\$ 5,586,781</u>

The Group reversed the bad debt loss of receivables amounted to \$8,089 and \$9,629 for the three months ended March 31, 2024 and March 31, 2023, respectively, classified as the deduction of bad debt expense.

Please refer to Note 52 for the disclosure of credit risk management information, movement of gross book value carrying amount and the allowance for impairment losses of account receivables of the Group.

14. DISCOUNTS AND LOANS, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Short-term loans and overdraft	\$ 218,888,481	\$ 223,376,736	\$ 235,226,063
Secured short-term loans and secured overdraft	268,580,639	279,899,547	270,040,291
Medium-term loans	558,599,114	536,502,571	459,762,315
Secured medium-term loans	306,762,460	305,546,560	268,255,317
Long-term loans	56,420,616	55,458,042	50,203,114
Secured long-term loans	891,382,220	866,781,036	816,070,574
Discounts and import and export bill negotiation	2,187,236	1,455,737	2,103,740
Nonperforming loans transferred from loans	3,156,662	3,254,403	2,416,809
Receivables financing	141,199	152,175	104,046
	<u>2,306,118,627</u>	<u>2,272,426,807</u>	<u>2,104,182,269</u>
Allowance for impairment losses	(29,615,401)	(28,863,213)	(27,630,305)
Adjustment of premium or discount	<u>(158,696)</u>	<u>(111,904)</u>	<u>85,764</u>
	<u>\$ 2,276,344,530</u>	<u>\$ 2,243,451,690</u>	<u>\$ 2,076,637,728</u>

HNCB wrote off credits only after completing the required legal procedures for the three months ended March 31, 2024 and 2023.

The movement of the allowance for impairment losses were as follows:

	For the Three Months Ended March 31	
	2024	2023
Balance, beginning of the period	\$ 28,863,213	\$ 27,675,781
Provision	1,122,251	861,339
Write-off	(455,867)	(888,113)
Foreign exchange gains and losses	<u>85,804</u>	<u>(18,702)</u>
Balance, end of the period	<u>\$ 29,615,401</u>	<u>\$ 27,630,305</u>

The Group have recovered the written-off credits amounted to \$465,811 and \$419,550 for the three months ended March 31, 2024 and 2023, classified as the deduction of bad debt expense.

Please refer to Note 52 for the disclosure of credit risk management information, movement of gross book value and the allowance for impairment losses of discounts and loans of the Group.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET

	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
Fertasia International Development Co., Ltd.	\$ 100,097	29.80	\$ 99,741	29.80	91,837	29.80
Chia-Ta International Development Co., Ltd.	90,924	25.56	90,631	25.56	89,302	25.56
Zhi-Kang Venture Capital Investment Company Ltd.	83,298	29.10	83,785	29.10	92,177	49.25
Chung-Hua Real Estate Management Co., Ltd.	<u>75,386</u>	30.00	<u>77,194</u>	30.00	<u>75,864</u>	30.00
	<u>\$ 349,705</u>		<u>\$ 351,351</u>		<u>\$ 349,180</u>	

The Group's share of:

	For the Three Months Ended March 31	
	2024	2023
Total comprehensive loss for the period	<u>\$ (1,646)</u>	<u>\$ (1,773)</u>

In September 2023, Zhi-Kang Venture Capital Investment Company Ltd., the associate invested by HNVC accounted for using equity method, resolved to issuance of new shares for cash. However, HNVC did not engage in share subscription, which results in a decrease in ownership interest from 49.25% to 29.10%.

HNCB and its subsidiaries hold 30% of the voting rights in Chung-Hua Real Estate and are the single largest shareholder. After considering the amount and distribution of voting rights relative to other shareholders, the voting pattern of the previous regular meeting showed that other shareholders were not passive. The Group cannot appoint more than half of the members of the governance unit, so it cannot lead the relevant activities of Chung-Hua Real Estate and therefore has no control. The management of the Group believed that it would only have significant impact on Chung-Hua Real Estate, so it was listed as an associate of the Group.

The Group's share of profit and other comprehensive income of the associates for the three months ended March 31, 2024 and 2023 were not based on the associate's financial statements reviewed by the auditors for the same periods. The Group's management regarded that the financial statements of above companies not reviewed by auditors will not cause significant problems.

16. OTHER FINANCIAL ASSETS, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Time deposits no qualified for cash equivalents	\$ 10,487,835	\$ 11,650,290	\$ 11,072,532
Customers' margin account	6,139,640	5,435,701	4,823,225
Security leading margin	923,581	1,042,226	993,059
Long-term receivables	786,757	847,028	361,060
			(Continued)

	March 31, 2024	December 31, 2023	March 31, 2023
Nonperforming loans transferred from other than loans	\$ 224,077	\$ 259,166	\$ 96,272
Others	<u>2,789</u>	<u>4,002</u>	<u>8,437</u>
	18,564,679	19,238,413	17,354,585
Allowance for impairment loss	<u>(196,732)</u>	<u>(187,701)</u>	<u>(77,773)</u>
	<u>\$ 18,367,947</u>	<u>\$ 19,050,712</u>	<u>\$ 17,276,812</u>
			(Concluded)

The movement of the allowance for impairment losses were as follows:

	For the Three Months Ended March 31	
	2024	2023
Balance, beginning of the period	\$ 187,701	\$ 76,830
Provision	9,909	2,065
Write-off	(1,025)	(1,160)
Foreign exchange gains and losses	<u>147</u>	<u>38</u>
Balance, end of the period	<u>\$ 196,732</u>	<u>\$ 77,773</u>

The overdue receivables which the Group bought are FVTPL because the objective of the Group's business model is not to collect contractual cash flows, neither could achieved by collecting contractual cash flows nor selling financial assets; related information is disclosed in Note 51. On March 31, 2024, December 31, 2023 and March 31 2023, the other financial assets except of the long-term receivables, nonperforming loans transferred and remittance purchased no impairment loss, using past history as well as forward looking to estimate the credit losses of duration. Please refer to Note 52 for the disclosure of credit risk management information, movement of gross book value and the allowance for impairment losses of other financial assets of the Group.

17. PROPERTY AND EQUIPMENT, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Land	\$ 21,491,672	\$ 20,815,292	\$ 21,425,541
Buildings	7,984,744	7,100,859	8,156,449
Computer and machinery	1,242,300	1,265,668	1,140,620
Transportation equipment	126,986	130,282	118,248
Other equipment	349,806	348,765	332,212
Lease improvements	76,252	63,554	40,350
Construction in progress and prepayment for equipment, land and buildings	<u>2,406,440</u>	<u>2,254,317</u>	<u>1,597,729</u>
	<u>\$ 33,678,200</u>	<u>\$ 31,978,737</u>	<u>\$ 32,811,149</u>

The movements of property and equipment were as follows:

For the Three Months Ended March 31, 2024								
	Land	Buildings	Computer and Machinery	Transportation Equipment	Other Equipment	Lease Improvements	Construction in Progress and Prepayment for Equipment, Land and Buildings	Total
<u>Cost</u>								
Balance, beginning of the period	\$ 20,815,292	\$ 15,640,470	\$ 7,220,295	\$ 1,137,584	\$ 3,802,229	\$ 191,949	\$ 2,254,317	\$ 51,062,136
Additions	-	1,104	73,704	4,344	13,059	4,278	539,666	636,155
Decrease	-	-	(147,131)	(3,826)	(17,718)	(22,272)	-	(190,947)
Reclassification	676,380	958,054	2,252	1,481	22,258	13,645	(387,543)	1,286,527
Foreign exchange gains and losses	-	-	3,162	920	1,828	1,026	-	6,936
Balance, end of the period	<u>21,491,672</u>	<u>16,599,628</u>	<u>7,152,282</u>	<u>1,140,503</u>	<u>3,821,656</u>	<u>188,626</u>	<u>2,406,440</u>	<u>52,800,807</u>
<u>Accumulated depreciation</u>								
Balance, beginning of the period	-	8,539,611	5,954,627	1,007,302	3,453,464	128,395	-	19,083,399
Depreciation	-	48,043	99,816	9,268	34,358	5,242	-	196,727
Decrease	-	-	(147,126)	(3,826)	(17,718)	(22,272)	-	(190,942)
Reclassification	-	27,230	-	-	-	-	-	27,230
Foreign exchange gains and losses	-	-	2,665	773	1,746	1,009	-	6,193
Balance, end of the period	-	<u>8,614,884</u>	<u>5,909,982</u>	<u>1,013,517</u>	<u>3,471,850</u>	<u>112,374</u>	-	<u>19,122,607</u>
Net amount	<u>\$ 21,491,672</u>	<u>\$ 7,984,744</u>	<u>\$ 1,242,300</u>	<u>\$ 126,986</u>	<u>\$ 349,806</u>	<u>\$ 76,252</u>	<u>\$ 2,406,440</u>	<u>\$ 33,678,200</u>

For the Three Months Ended March 31, 2023								
	Land	Buildings	Computer and Machinery	Transportation Equipment	Other Equipment	Lease Improvements	Construction in Progress and Prepayment for Equipment, Land and Buildings	Total
<u>Cost</u>								
Balance, beginning of the period	\$ 21,418,687	\$ 16,453,502	\$ 7,107,777	\$ 1,123,200	\$ 3,695,639	\$ 181,297	\$ 1,362,759	\$ 51,342,861
Additions	-	2,385	19,885	2,470	8,327	3,760	312,818	349,645
Decrease	-	-	(19,031)	(842)	(2,242)	(25,216)	-	(47,331)
Acquired by business combination	-	-	1,812	-	-	-	-	1,812
Reclassification	6,854	16,393	95	-	15,345	840	(77,848)	(38,321)
Foreign exchange gains and losses	-	-	(530)	(170)	(304)	(12)	-	(1,016)
Balance, end of the period	<u>21,425,541</u>	<u>16,472,280</u>	<u>7,110,008</u>	<u>1,124,658</u>	<u>3,716,765</u>	<u>160,669</u>	<u>1,597,729</u>	<u>51,607,650</u>
<u>Accumulated depreciation</u>								
Balance, beginning of the period	-	8,237,966	5,890,335	998,870	3,356,090	140,901	-	18,624,162
Depreciation	-	76,675	98,099	8,504	30,967	4,599	-	218,844
Decrease	-	-	(18,615)	(842)	(2,242)	(25,216)	-	(46,915)
Reclassification	-	1,190	-	-	-	-	-	1,190
Foreign exchange gains and losses	-	-	(431)	(122)	(262)	35	-	(780)
Balance, end of the period	-	<u>8,315,831</u>	<u>5,969,388</u>	<u>1,006,410</u>	<u>3,384,553</u>	<u>120,319</u>	-	<u>18,796,501</u>
Net amount	<u>\$ 21,425,541</u>	<u>\$ 8,156,449</u>	<u>\$ 1,140,620</u>	<u>\$ 118,248</u>	<u>\$ 332,212</u>	<u>\$ 40,350</u>	<u>\$ 1,597,729</u>	<u>\$ 32,811,149</u>

- Apportionment of depreciation expense from HNCB to HNFH were \$0 and \$8,052 for the three months ended March 31, 2024 and 2023.
- The amounts of property and equipment pledged as collateral as of March 31, 2024, December 31, 2023 and March 31, 2023 are disclosed in Note 48.
- The above items of property and equipment were depreciated on straight line basis over the estimated useful life of the asset:

Buildings	6-61 years
Computer and machinery	2-6 years
Transportation equipment	4-9 years
Other equipment	3-16 years
Lease improvements	The shorter of 1-7 years or lease period

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amounts</u>			
Buildings	\$ 2,097,587	\$ 2,117,455	\$ 1,934,200
Computer and machinery	4,771	5,030	92,683
Transportation equipment	90,045	84,759	6,121
Other equipment	<u>55,843</u>	<u>61,415</u>	<u>74,577</u>
	<u>\$ 2,248,246</u>	<u>\$ 2,268,659</u>	<u>\$ 2,107,581</u>
		For the Three Months Ended March 31	
		2024	2023
Additions to right-of-use assets		<u>\$ 196,241</u>	<u>\$ 277,298</u>
Depreciation charge for right-of-use assets			
Buildings		\$ 169,890	\$ 168,615
Computer and machinery		438	419
Transportation equipment		11,882	11,242
Other equipment		<u>7,205</u>	<u>7,287</u>
		<u>\$ 189,415</u>	<u>\$ 187,563</u>

The agreement for the investment properties under the operating lease contract, refer to Note 19.

b. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amounts</u>			
Buildings	\$ 2,064,926	\$ 2,113,563	\$ 1,905,421
Computer and machinery	4,511	4,816	6,038
Transportation equipment	94,610	88,903	97,049
Superficies	50,379	50,288	49,983
Other equipment	<u>62,480</u>	<u>67,537</u>	<u>80,483</u>
	<u>\$ 2,276,906</u>	<u>\$ 2,325,107</u>	<u>\$ 2,138,974</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Buildings	0.755%-3.500%	0.755%-3.910%	0.755%-3.910%
Computer and machinery	0.755%-2.033%	0.755%-2.033%	0.755%-1.743%
Transportation equipment	0.755%-2.300%	0.755%-2.300%	0.755%-2.300%
Superficies	4.19%	4.19%	4.19%
Other equipment	1.035%-2.340%	1.035%-2.300%	0.755%-2.132%

c. Material lease-in activities and terms

The Group leases certain building with lease terms of 1 to 11 years. These arrangements do not contain renewal or purchase options. The Group leases other equipment with lease terms of 2 to 8 years. The lease payment is calculated by monthly usage.

HNAMC acquired the superficies of Xuefu section, Da'an District from Northern Region Branch, National Property Administration, MOF in October 2021 for a period of 70 years, ending in October 2091.

d. Other lease information

The agreement for the investment properties under the operating lease contract, refer to Note 19.

	For the Three Months Ended March 31	
	2024	2023
Expense relating to short-term leases	<u>\$ 22,846</u>	<u>\$ 21,507</u>
Expense relating to low-value asset leases	<u>\$ 2,000</u>	<u>\$ 2,847</u>
Expense relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 17,131</u>	<u>\$ 14,081</u>
Total cash outflow for leases	<u>\$ 266,573</u>	<u>\$ 259,341</u>

The Group leases certain assets which qualify as short-term leases or low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

19. INVESTMENT PROPERTIES, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Land	\$ 9,490,837	\$ 9,963,276	\$ 9,011,006
Buildings	2,327,258	3,193,927	2,199,445
Construction in progress	1,593,697	1,525,157	1,178,918
Right-of-use assets	179,644	177,672	172,314
Others	<u>2,746</u>	<u>3,143</u>	<u>1,679</u>
	<u>\$ 13,594,182</u>	<u>\$ 14,863,175</u>	<u>\$ 12,563,362</u>

The movements of investment properties were as follows:

	For the Three Months Ended March 31	
	2024	2023
<u>Cost</u>		
Balance, beginning of the period	\$ 16,207,351	\$ 13,924,705
Additions	73,754	60,969
Decrease	(8,293)	(142,021)
Reclassification	<u>(1,309,214)</u>	<u>15,160</u>
Balance, end of the period	<u>14,963,598</u>	<u>13,858,813</u>
<u>Accumulated depreciation and impairment</u>		
Balance, beginning of the period	1,344,176	1,297,605
Depreciation	53,080	20,651
Decrease	(609)	(21,616)
Reclassification	<u>(27,231)</u>	<u>(1,189)</u>
Balance, end of the period	<u>1,369,416</u>	<u>1,295,451</u>
Investment properties, net	<u>\$ 13,594,182</u>	<u>\$ 12,563,362</u>

HNCB's investment properties with lease terms of 1 to 20 years. HNSC's investment properties with lease terms of 10 years. SCIC's investment properties with lease terms of 3 to 12 years. HNAMEC's investment properties with lease terms of 1 to 8 years. Lessee do not have bargain purchase options while the end of lease terms.

- a. The future aggregate lease collection under operating lease for investment properties on March 31, 2024, December 31, 2023 and March 31, 2023 is as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Year 1	\$ 469,355	\$ 475,560	\$ 469,823
Year 2	383,422	389,799	361,705
Year 3	257,024	280,672	164,760
Year 4	106,910	107,516	220,896
Year 5	82,472	78,768	118,532
Onwards	<u>467,458</u>	<u>477,467</u>	<u>499,222</u>
	<u>\$ 1,766,641</u>	<u>\$ 1,809,782</u>	<u>\$ 1,834,938</u>

The Group follows its general risk management strategy to reduce the residual asset risk related to assets at the end of relevant lease.

- b. The investment properties held by the Group was depreciated over 5-57 years, using the straight-line method.

- c. The fair value of the Group's investment properties as of March 31, 2024, December 31, 2023 and March 31, 2023 were \$36,507,609, \$38,326,285 and \$32,055,669, respectively.

The fair value of HNCB's investment properties as of March 31, 2024, December 31, 2023 and March 31, 2023 were \$30,423,544, \$33,887,086 and \$25,358,705, respectively. The fair value was not performed by independent qualified professional valuers. Management of HNCB evaluated the fair value based on the model that market participants would use in determining fair value. The valuation was arrived at by reference to market comparison approach, capitalized income valuation method and discounted cash flow analysis. The significant unobservable input used include discount rate which is Level 3 input.

The fair value of HNSC's investment properties as of March 31, 2024, December 31, 2023 and March 31, 2023 were \$209,678, \$197,669 and \$222,753, respectively. The fair value by management of the Group evaluated local market price.

The fair value of SCIC's investment properties as of March 31, 2024 was not performed by independent qualified professional valuers, and the evaluation of the fair value of properties as of December 31, 2022 were regarded effective on March 31, 2024 by SCIC management after reviewing the validity of appraisal report on December 31, 2022 and the rental price in adjacent area.

The fair value of SCIC's investment properties was valued using the market and income approach, using important unobservable inputs include discount rate (level 3 inputs). The fair value and the inputs were as below:

	March 31, 2024	December 31, 2023	March 31, 2023
The fair value	<u>\$ 650,656</u>	<u>\$ 650,656</u>	<u>\$ 650,656</u>
Discount rate	0.97%-3.55%	0.97%-3.55%	0.97%-3.55%

The above fair value measurement had taken the uncertainty on the volatility in the markets due to the evolution of the COVID-19 pandemic into account.

The fair values of HNAMEC's investment properties were evaluated based on market evidence of similar properties transaction's price.

The fair value of HNAMEC's investment properties was performed by independent qualified professional values. The evaluations were used the market and income approach, and the fair value of the key assumptions and evaluations were as below:

	March 31, 2024	December 31, 2023	March 31, 2023
The fair value	<u>\$ 4,421,091</u>	<u>\$ 3,039,021</u>	<u>\$ 859,796</u>
Income capital interest rate	0.35%-2.55%	0.35%-2.55%	1.36%-1.87%

The fair value of the others HNAMC's investment properties were not performed by independent qualified professional values. The Management of HNAMC evaluated fair value based on the model that market participants would use in determining fair value, used level 3 inputs. The evaluation based on market evidence of similar properties transaction's price, the fair value as below:

	March 31, 2024	December 31, 2023	March 31, 2023
The fair value	<u>\$ 4,095,723</u>	<u>\$ 3,844,936</u>	<u>\$ 4,963,759</u>

- d. The accumulated impairment of investment properties as of March 31, 2024, December 31, 2023 and March 31, 2023 were \$19,749, \$19,750 and \$34,967, respectively.
- e. For the three months ended March 31, 2024 and 2023, the rental income from investment properties were \$145,863 and \$132,291 respectively. For the three months ended March 31, 2024 and 2023, the direct operating expenses of investment properties including depreciation expenses were \$82,343 and \$52,657, respectively, the gain on disposal of investment properties were \$3,537 and \$50,295 for the three months ended March 31, 2024 and 2023, respectively. Refer to Note 48 for information relating to investments properties pledged as security.

20. INTANGIBLE ASSETS, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Computer software	\$ 750,757	\$ 768,848	\$ 839,277
Goodwill	40,662	40,662	40,662
Others	<u>106,395</u>	<u>109,601</u>	<u>122,158</u>
	<u>\$ 897,814</u>	<u>\$ 919,111</u>	<u>\$ 1,002,097</u>

HNSC recognized goodwill at the excess of the contract price paid over the fair value of assets acquired. HNSC estimated no other impairment losses as of March 31, 2024, December 31, 2023 and March 31, 2023.

The movements of computer software and others were as follows:

	For the Three Months Ended March 31	
	2024	2023
<u>Cost</u>		
Balance, beginning of the period	\$ 4,417,817	\$ 4,193,155
Additions	47,183	39,418
Decrease	(2,588)	(10,314)
Acquired by business combination (Note 46)	-	64,188
Reclassification	17,136	23,056
Foreign exchange gains and losses	<u>6,080</u>	<u>(233)</u>
Balance, end of the period	<u>4,485,628</u>	<u>4,309,270</u>

(Continued)

	For the Three Months Ended March 31	
	2024	2023
<u>Accumulated amortization</u>		
Balance, beginning of the period	\$ 3,539,368	\$ 3,265,683
Amortization	86,143	92,779
Decrease	(2,588)	(10,314)
Foreign exchange gains and losses	<u>5,553</u>	<u>(313)</u>
Balance, end of the period	<u>3,628,476</u>	<u>3,347,835</u>
Net amount	<u>\$ 857,152</u>	<u>\$ 961,435</u>
		(Concluded)

Apportionment of amortization expense from HNCB to HNFH were \$0 and \$912 for the three months ended March 31, 2024 and 2023.

The above intangible assets with limited useful lives are amortized on a straight-line basis by the useful lives as follows:

Computer software	1-10 years
Others	5-10 years

21. REINSURANCE CONTRACTS ASSETS

	March 31, 2024	December 31, 2023	March 31, 2023
Claims recovered from reinsurers	\$ 385,927	\$ 746,591	\$ 812,736
Less: Allowance for impairment loss	<u>(2,076)</u>	<u>(3,925)</u>	<u>(4,542)</u>
	<u>383,851</u>	<u>742,666</u>	<u>808,194</u>
Due from reinsurers and ceding companies	1,329,432	1,616,943	722,288
Less: Allowance for impairment loss	<u>(82,845)</u>	<u>(35,308)</u>	<u>(12,475)</u>
	<u>1,246,587</u>	<u>1,581,635</u>	<u>709,813</u>
Ceded unearned premium reserve	2,110,935	1,964,075	2,137,828
Ceded reserve for claims	2,660,889	2,628,921	3,181,487
Ceded premium deficiency reserve	<u>-</u>	<u>-</u>	<u>-</u>
Reinsurance reserve assets	<u>4,771,824</u>	<u>4,592,996</u>	<u>5,319,315</u>
	<u>\$ 6,402,262</u>	<u>\$ 6,917,297</u>	<u>\$ 6,837,322</u>

22. OTHER ASSETS, NET

	March 31, 2024	December 31, 2023	March 31, 2023
Refundable deposits	\$ 2,439,705	\$ 2,872,023	\$ 3,011,308
Operating deposits and settlement fund	908,187	915,974	914,135
Prepayments	657,936	343,214	696,957
Others, net	<u>660,619</u>	<u>463,253</u>	<u>422,966</u>
	<u>\$ 4,666,447</u>	<u>\$ 4,594,464</u>	<u>\$ 5,045,366</u>

The amounts of the other assets pledged as of March 31, 2024, December 31, 2023 and March 31, 2023 are disclosed in Note 48.

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	March 31, 2024	December 31, 2023	March 31, 2023
Call loans from banks	\$ 173,294,792	\$ 174,085,210	\$ 128,601,930
Call loans from the Central Bank	14,402,250	10,746,750	-
Deposits from banks	1,656,847	2,026,689	525,963
Overdraft	1,382,187	3,397,607	2,330,982
Deposits from Chunghwa Post Co., Ltd.	231,672	215,947	74,729,776
Deposits from the Central Bank	<u>59,977</u>	<u>78,419</u>	<u>78,546</u>
	<u>\$ 191,027,725</u>	<u>\$ 190,550,622</u>	<u>\$ 206,267,197</u>

24. COMMERCIAL PAPER PAYABLE, NET

a. Commercial paper

Institution	March 31, 2024	December 31, 2023	March 31, 2023
China Bills Finance Corp.	\$ 5,995,000	\$ 5,845,000	\$ 1,835,000
Union Bank of Taiwan Corp.	4,755,000	2,200,000	3,500,000
Yuanta Commercial Bank	4,400,000	4,600,000	2,580,000
Bank SinoPac	4,200,000	8,500,000	6,300,000
E.SUN Commercial Bank, Ltd.	3,700,000	900,000	-
Grand Bills Finance Corp.	3,338,000	3,078,000	1,473,000
Mega Bills Finance Corp.	2,955,000	2,600,000	3,770,000
Taishin International Bank Corp.	2,600,000	2,300,000	2,300,000
Ta Ching Bills Finance Corp.	2,570,000	2,300,000	1,000,000
International Bills Finance Corp.	1,698,000	738,000	673,000
Taipei Fubon Commercial Bank Co., Ltd.	1,300,000	1,100,000	500,000
Dah Chung Bills Finance Corp.	1,081,000	1,105,000	520,000
Taiwan Finance Corp.	385,000	425,000	123,000
Sunny Bank Ltd.	300,000	300,000	-
KGI Commercial Bank Co., Ltd.	200,000	200,000	105,000

(Continued)

Institution	March 31, 2024	December 31, 2023	March 31, 2023
Taiwan Cooperative Bills Finance Corp.	\$ 180,000	\$ 180,000	\$ 50,000
Discount of commercial paper payable	<u>(56,941)</u>	<u>(54,823)</u>	<u>(41,664)</u>
	<u>\$ 39,600,059</u>	<u>\$ 36,316,177</u>	<u>\$ 24,687,336</u> (Concluded)

- b. Ranges of annual interest rates of the commercial paper payable were 1.47%-1.94%, 1.47%-1.89% and 1.27%-1.83% as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively.
- c. Regarding the above mentioned commercial paper payable, except non-guarantee issuers, are with guarantee or acceptance by bills finance companies and bank.

25. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The amounts of securities sold under repurchase agreements were \$95,332,438, \$109,103,919 and \$81,651,640 as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively. Ranges of interest rates were 0.67%-5.68%, 0.10%-5.75% and 0.10%-5.21% as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively. The agreed-upon repurchase price were \$96,203,565, \$110,286,089 and \$82,015,523, respectively. The maturity date of securities sold under repurchase agreements were February 2025, November and March 2024, respectively.

26. PAYABLES

	March 31, 2024	December 31, 2023	March 31, 2023
Accounts payable	\$ 20,500,101	\$ 16,845,968	\$ 11,333,455
Interests payable	11,157,433	8,614,564	8,779,647
Accrued expenses	6,693,371	6,602,170	6,045,110
Acceptances	3,050,690	3,156,121	2,753,372
Notes and checks in clearing	1,791,285	976,964	1,229,433
Collections for others	1,705,977	1,826,238	1,382,503
Short sales proceeds payable	990,211	1,547,907	1,019,043
Due to reinsurers and ceding companies	908,495	607,487	953,359
Deposit for short sales	876,367	1,363,438	964,827
Payable for settlement - options	871,117	238,289	160,321
Dividends payable	623,341	623,398	597,643
Temporary received customs	490,820	220,410	225,161
Attachment of debts	191,528	202,485	208,682
Payable - factoring	102,873	131,771	218,781
Insurance claims and benefits payable	-	1,231,269	-
Others	<u>4,164,900</u>	<u>4,012,441</u>	<u>5,280,811</u>
	<u>\$ 54,118,509</u>	<u>\$ 48,200,920</u>	<u>\$ 41,152,148</u>

27. DEPOSITS AND REMITTANCES

	March 31, 2024	December 31, 2023	March 31, 2023
Demand deposits	\$ 975,972,809	\$ 878,623,111	\$ 876,137,457
Checking account deposits	53,815,433	66,113,826	53,187,632
Savings deposits	1,401,470,609	1,383,674,356	1,305,338,248
Time deposits	877,745,535	731,802,254	690,139,551
Negotiable certificates of deposits	31,894,268	3,827,398	5,123,667
Remittances	<u>688,558</u>	<u>1,323,682</u>	<u>1,143,865</u>
	<u>\$ 3,341,587,212</u>	<u>\$ 3,065,364,627</u>	<u>\$ 2,931,070,420</u>

28. BONDS PAYABLE

	March 31, 2024	December 31, 2023	March 31, 2023
Bank debentures	\$ 54,600,000	\$ 58,900,000	\$ 57,900,000
Corporate bonds	21,700,000	21,700,000	21,700,000
Discount of corporate debentures	<u>(12,518)</u>	<u>(13,085)</u>	<u>(14,786)</u>
	<u>\$ 76,287,482</u>	<u>\$ 80,586,915</u>	<u>\$ 79,585,214</u>

a. Bank debentures as of March 31, 2024, December 31, 2023 and March 31, 2023 were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
103-1 term ten-year subordinated debenture; 1.85% fixed rate; maturity on March 28, 2024	\$ -	\$ 4,300,000	\$ 4,300,000
103-2B term ten-year subordinated debenture; 1.98% fixed rate; maturity on September 26, 2024	4,000,000	4,000,000	4,000,000
103-3B term ten-year subordinated debenture; 1.98% fixed rate; maturity on December 19, 2024	1,900,000	1,900,000	1,900,000
105-1 term ten-year subordinated debenture; 1.55% fixed rate; maturity on March 30, 2026	1,700,000	1,700,000	1,700,000
105-2 term ten-year subordinated debenture; 1.20% fixed rate; maturity on September 23, 2026	1,800,000	1,800,000	1,800,000
107-1 term subordinated debenture without maturity date; 2.7% fixed rate; maturity on May 26, 2023	3,200,000	3,200,000	3,200,000
108-1 term subordinated debenture without maturity date; 1.95% fixed rate; maturity on July 29, 2024	6,000,000	6,000,000	6,000,000
109-1 term subordinated debenture without maturity date; 1.30% fixed rate; maturity on April 25, 2025	6,000,000	6,000,000	6,000,000

(Continued)

	March 31, 2024	December 31, 2023	March 31, 2023
110-1 term subordinated debenture without maturity date; 1.40% fixed rate; maturity on June 28, 2026	\$ 12,000,000	\$ 12,000,000	\$ 12,000,000
110-2 term three-year dominant debenture; 0.35% fixed rate; maturity on July 28, 2024	1,000,000	1,000,000	1,000,000
111-1 term subordinated debenture without maturity date; 3% fixed rate; maturity on August 25, 2027	6,420,000	6,420,000	6,420,000
111-2 term subordinated debenture without maturity date; 3% fixed rate; redeemable after September 29, 2027	9,580,000	9,580,000	9,580,000
112-1 term two-year dominant debenture; 1.48% fixed rate; maturity on December 22, 2025	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
	<u>\$ 54,600,000</u>	<u>\$ 58,900,000</u>	<u>\$ 57,900,000</u> (Concluded)

b. Corporate bonds

In January 2018, HNFH issued 106-1 unsecured dominant corporate bonds with a face value of \$5,000,000 and a coupon rate of 1.75%. The corporate bond will mature in ten years, and principal is repayable on maturity date. Interest is payable annually.

In December 2020, HNSC issued 109-1 unsecured subordinated corporate bonds with a face value of \$2,500,000 and a coupon rate of 0.96%. The corporate bond will mature in six years, and principal is repayable on maturity date. Interest is payable annually.

In January 2020, HNFH issued 108-1 unsecured dominant corporate bonds with a face value of \$5,000,000 and a coupon rate of 0.88%. The corporate bond will mature in ten years, and principal is repayable on maturity date. Interest is payable annually.

In December 2022, HNFH issued 111-1 unsecured subordinated corporate bonds with a face value of \$9,200,000 and divided into A bonds term, B bonds term and C bonds term was \$3,000,000, \$3,100,000 and \$3,100,000, respectively, a coupon rate of 2.15%, 2.40% and 2.70%, respectively. The corporate bond will mature in five years, seven years and ten years, and principal is repayable on maturity date. Interest is payable annually.

29. OTHER BORROWINGS

a. Short-term debts

Character of Debts	March 31, 2024	December 31, 2023	March 31, 2023
Credit loans	<u>\$ 2,516,000</u>	<u>\$ 1,233,000</u>	<u>\$ 1,045,000</u>
Guaranteed loans	<u>\$ 1,220,000</u>	<u>\$ 1,420,000</u>	<u>\$ -</u>

b. Long term debts

Character of Debts	March 31, 2024	December 31, 2023	March 31, 2023
Credit loans	<u>\$ 779,000</u>	<u>\$ 759,328</u>	<u>\$ 580,000</u>

c. The ranges of interest rate of other borrowings were 1.71%-2.34%, 1.65%-4.30% and 1.70%-2.22% as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively. The maturity date of other borrowings was November 2026, June 2026 and December 2024, respectively.

d. The aforementioned related collaterals of other borrowings please refer to Note 48.

30. PROVISIONS

	March 31, 2024	December 31, 2023	March 31, 2023
Reserves of insurance industry	\$ 16,874,293	\$ 16,173,244	\$ 17,158,374
Provisions for employee benefits	5,511,625	5,677,070	5,507,939
Reserve for losses on guarantees	1,213,757	1,204,168	1,128,106
Provision for loan commitment	474,268	556,344	557,458
Others	<u>49,044</u>	<u>48,724</u>	<u>48,724</u>
	<u>\$ 24,122,987</u>	<u>\$ 23,659,550</u>	<u>\$ 24,400,601</u>

The movements of reserve for losses on guarantees were as follows:

	For the Three Months Ended March 31	
	2024	2023
Balance, beginning of the period	\$ 1,204,168	\$ 1,130,148
Provision (reversal)	8,894	(1,804)
Foreign exchange gains and losses	<u>695</u>	<u>(238)</u>
Balance, end of the period	<u>\$ 1,213,757</u>	<u>\$ 1,128,106</u>

The movements of provision for loan commitment were as follows:

	For the Three Months Ended March 31	
	2024	2023
Balance, beginning of the period	\$ 556,344	\$ 563,797
Reversal	(83,189)	(5,651)
Foreign exchange gains and losses	<u>1,113</u>	<u>(688)</u>
Balance, end of the period	<u>\$ 474,268</u>	<u>\$ 557,458</u>

Reserves of insurance industry were summarized below:

a. The movements of reserves of insurance industry are as follows:

	January 1, 2024	Provision	Release	Foreign Exchange Gains and Losses	March 31, 2024
Unearned premium reserve	\$ 6,495,557	\$ 7,053,858	\$ 6,506,476	\$ 10,919	\$ 7,053,858
Less: Ceded unearned premium reserve	<u>(1,964,075)</u>	<u>(2,110,935)</u>	<u>(1,964,075)</u>	<u>-</u>	<u>(2,110,935)</u>
	<u>4,531,482</u>	<u>4,942,923</u>	<u>4,542,401</u>	<u>10,919</u>	<u>4,942,923</u>
Reserve for deficiency premium	131,053	128,138	133,154	2,101	128,138
Less: Ceded reinsurance business	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>131,053</u>	<u>128,138</u>	<u>133,154</u>	<u>2,101</u>	<u>128,138</u>
Special reserve					
Catastrophe	262,975	-	2,769	-	260,206
Risk-volatility	<u>2,549,980</u>	<u>7,602</u>	<u>12,866</u>	<u>-</u>	<u>2,544,716</u>
	<u>2,812,955</u>	<u>7,602</u>	<u>15,635</u>	<u>-</u>	<u>2,804,922</u>
Claims reserve					
Reported but not paid	5,578,523	5,500,370	5,590,489	11,966	5,500,370
Incurred but not reported	<u>1,155,156</u>	<u>1,387,005</u>	<u>1,155,993</u>	<u>837</u>	<u>1,387,005</u>
	<u>6,733,679</u>	<u>6,887,375</u>	<u>6,746,482</u>	<u>12,803</u>	<u>6,887,375</u>
Less: Ceded claims reserve	<u>(2,628,921)</u>	<u>(2,660,889)</u>	<u>(2,628,921)</u>	<u>-</u>	<u>(2,660,889)</u>
	<u>4,104,758</u>	<u>4,226,486</u>	<u>4,117,561</u>	<u>12,803</u>	<u>4,226,486</u>
Add: Ceded unearned premium reserve	1,964,075	2,110,935	1,964,075	-	2,110,935
Ceded claims reserve	<u>2,628,921</u>	<u>2,660,889</u>	<u>2,628,921</u>	<u>-</u>	<u>2,660,889</u>
	<u>\$ 16,173,244</u>				<u>\$ 16,874,293</u>
	January 1, 2023	Provision	Release	Foreign Exchange Gains and Losses	March 31, 2023
Unearned premium reserve	\$ 5,942,301	\$ 6,820,487	\$ 5,940,786	\$ (1,515)	\$ 6,820,487
Less: Ceded unearned premium reserve	<u>(1,698,553)</u>	<u>(2,137,828)</u>	<u>(1,698,553)</u>	<u>-</u>	<u>(2,137,828)</u>
	<u>4,243,748</u>	<u>4,682,659</u>	<u>4,242,233</u>	<u>(1,515)</u>	<u>4,682,659</u>
Reserve for deficiency premium	156,024	108,863	155,742	(282)	108,863
Less: Ceded reinsurance business	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>156,024</u>	<u>108,863</u>	<u>155,742</u>	<u>(282)</u>	<u>108,863</u>
Special reserve					
Catastrophe	274,053	-	2,771	-	271,282
Risk-volatility	<u>2,395,026</u>	<u>34,068</u>	<u>48,648</u>	<u>-</u>	<u>2,380,446</u>
	<u>2,669,079</u>	<u>34,068</u>	<u>51,419</u>	<u>-</u>	<u>2,651,728</u>

(Continued)

	January 1, 2023	Provision	Release	Foreign Exchange Gains and Losses	March 31, 2023
Claims reserve					
Reported but not paid	\$ 6,463,569	\$ 6,137,465	\$ 6,461,191	\$ (2,378)	\$ 6,137,465
Incurring but not reported	<u>1,403,705</u>	<u>1,439,831</u>	<u>1,403,469</u>	<u>(236)</u>	<u>1,439,831</u>
	7,867,274	7,577,296	7,864,660	(2,614)	7,577,296
Less: Ceded claims reserve	<u>(3,543,689)</u>	<u>(3,181,487)</u>	<u>(3,543,689)</u>	<u>-</u>	<u>(3,181,487)</u>
	4,323,585	4,395,809	4,320,971	(2,614)	4,395,809
Add: Ceded unearned premium reserve	1,698,553	2,137,828	1,698,553	-	2,137,828
Ceded claims reserve	<u>3,543,689</u>	<u>3,181,487</u>	<u>3,543,689</u>	<u>-</u>	<u>3,181,487</u>
	<u>\$ 16,634,678</u>				<u>\$ 17,158,374</u>
					(Concluded)

b. Unearned premium reserve

1) Details of unearned premium reserve are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
One-year commercial fire insurance	\$ 380,345	\$ 406,215	\$ 315,200
Personal automobile property damage insurance	1,953,738	1,857,098	1,867,719
Personal automobile liabilities insurance	1,243,917	1,159,987	1,155,686
Commercial automobile liabilities insurance	361,378	247,089	295,050
Compulsory personal automobile liability insurance	298,289	296,576	294,992
Engineering insurance	384,416	309,746	300,718
Injury insurance	591,937	475,531	690,580
Other insurance	<u>1,839,838</u>	<u>1,743,315</u>	<u>1,900,542</u>
	<u>\$ 7,053,858</u>	<u>\$ 6,495,557</u>	<u>\$ 6,820,487</u>

The balances which exceed 5% of account balance are listed as above.

2) Details of unearned premium reserve and ceded unearned premium reserve are as follows:

March 31, 2024					
	Unearned Premium Reserve			Ceded Unearned Premium Reserve	Retention
	Direct Insurance	Assumed Reinsurance Business	Total	Ceded Reinsurance Business	
Fire insurance	\$ 925,365	\$ 24,941	\$ 950,306	\$ 538,655	\$ 411,651
Marine insurance	174,069	1,265	175,334	120,364	54,970
Motor insurance	4,012,661	168,380	4,181,041	941,968	3,239,073
Casualty insurance	803,535	53,617	857,152	381,588	475,564
Health and injury insurance	643,725	3,754	647,479	128,360	519,119
Foreign inward business insurance	-	242,546	242,546	-	242,546
	<u>\$ 6,559,355</u>	<u>\$ 494,503</u>	<u>\$ 7,053,858</u>	<u>\$ 2,110,935</u>	<u>\$ 4,942,923</u>
December 31, 2023					
	Unearned Premium Reserve			Ceded Unearned Premium Reserve	Retention
	Direct Insurance	Assumed Reinsurance Business	Total	Ceded Reinsurance Business	
Fire insurance	\$ 958,094	\$ 23,357	\$ 981,451	\$ 557,969	\$ 423,482
Marine insurance	172,885	1,633	174,518	136,883	37,635
Motor insurance	3,716,374	166,683	3,883,057	916,411	2,966,646
Casualty insurance	669,424	37,948	707,372	315,521	391,851
Health and injury insurance	485,003	4,000	489,003	37,291	451,712
Foreign inward business insurance	-	260,156	260,156	-	260,156
	<u>\$ 6,001,780</u>	<u>\$ 493,777</u>	<u>\$ 6,495,557</u>	<u>\$ 1,964,075</u>	<u>\$ 4,531,482</u>
March 31, 2023					
	Unearned Premium Reserve			Ceded Unearned Premium Reserve	Retention
	Direct Insurance	Assumed Reinsurance Business	Total	Ceded Reinsurance Business	
Fire insurance	\$ 757,391	\$ 24,862	\$ 782,253	\$ 354,501	\$ 427,752
Marine insurance	214,636	2,216	216,852	153,279	63,573
Motor insurance	3,756,148	161,555	3,917,703	930,018	2,987,685
Casualty insurance	733,649	34,680	768,329	343,002	425,327
Health and injury insurance	908,612	4,036	912,648	356,887	555,761
Foreign inward business insurance	-	222,702	222,702	141	222,561
	<u>\$ 6,370,436</u>	<u>\$ 450,051</u>	<u>\$ 6,820,487</u>	<u>\$ 2,137,828</u>	<u>\$ 4,682,659</u>

c. Claims reserve

1) Details of claims reserve are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
One-year commercial fire insurance	\$ 1,169,679	\$ 1,170,798	\$ 1,779,553
Personal automobile property damage insurance	937,297	899,433	950,065
Personal automobile liability insurance	1,334,774	1,337,749	1,334,207
Commercial automobile liabilities insurance	360,786	347,965	314,578
Compulsory personal automobile liability insurance	460,555	423,955	555,000
General liability insurance	441,500	359,021	386,273
Injury insurance	402,446	458,249	411,696
Other insurance	<u>1,780,338</u>	<u>1,736,509</u>	<u>1,845,924</u>
	<u>\$ 6,887,375</u>	<u>\$ 6,733,679</u>	<u>\$ 7,577,296</u>

The balances which exceed 5% of account balance are listed as above.

2) Details of claims reserve and ceded claims reserve are as follows:

	March 31, 2024			Ceded Claims Reserve	
	Direct Underwriting Business	Claim Reserve Assumed Reinsurance Business	Total	Ceded Reinsurance Business	Retention
<u>Reported but not paid</u>					
Fire insurance	\$ 1,200,718	\$ 3,011	\$ 1,203,729	\$ 1,016,332	\$ 187,397
Marine insurance	342,494	5,146	347,640	208,387	139,253
Motor insurance	2,815,572	81,080	2,896,652	615,422	2,281,230
Casualty insurance	637,075	7,501	644,576	304,623	339,953
Health and injury insurance	86,983	5	86,988	17,926	69,062
Foreign inward business insurance	-	320,785	320,785	863	319,922
	<u>5,082,842</u>	<u>417,528</u>	<u>5,500,370</u>	<u>2,163,553</u>	<u>3,336,817</u>
<u>Incurred but not reported</u>					
Fire insurance	5,649	66	5,715	788	4,927
Marine insurance	102,506	2,197	104,703	74,234	30,469
Motor insurance	446,546	156,962	603,508	199,759	403,749
Casualty insurance	250,865	13,587	264,452	105,277	159,175
Health and injury insurance	387,869	2,672	390,541	117,278	273,263
Foreign inward business insurance	-	18,086	18,086	-	18,086
	<u>1,193,435</u>	<u>193,570</u>	<u>1,387,005</u>	<u>497,336</u>	<u>889,669</u>
	<u>\$ 6,276,277</u>	<u>\$ 611,098</u>	<u>\$ 6,887,375</u>	<u>\$ 2,660,889</u>	<u>\$ 4,226,486</u>

December 31, 2023

	Claim Reserve			Ceded Claims Reserve	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Total	Ceded Reinsurance Business	
<u>Reported but not paid</u>					
Fire insurance	\$ 1,207,505	\$ 2,517	\$ 1,210,022	\$ 1,016,511	\$ 193,511
Marine insurance	398,991	4,077	403,068	265,365	137,703
Motor insurance	2,846,406	82,940	2,929,346	658,722	2,270,624
Casualty insurance	609,845	7,621	617,466	300,217	317,249
Health and injury insurance	111,722	11	111,733	15,995	95,738
Foreign inward business insurance	-	306,888	306,888	854	306,034
	<u>5,174,469</u>	<u>404,054</u>	<u>5,578,523</u>	<u>2,257,664</u>	<u>3,320,859</u>
<u>Incurred but not reported</u>					
Fire insurance	4,427	46	4,473	736	3,737
Marine insurance	52,771	726	53,497	38,006	15,491
Motor insurance	301,268	155,685	456,953	156,048	300,905
Casualty insurance	182,471	8,471	190,942	67,204	123,738
Health and injury insurance	425,712	2,971	428,683	109,263	319,420
Foreign inward business insurance	-	20,608	20,608	-	20,608
	<u>966,649</u>	<u>188,507</u>	<u>1,155,156</u>	<u>371,257</u>	<u>783,899</u>
	<u>\$ 6,141,118</u>	<u>\$ 592,561</u>	<u>\$ 6,733,679</u>	<u>\$ 2,628,921</u>	<u>\$ 4,104,758</u>

March 31, 2023

	Claim Reserve			Ceded Claims Reserve	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Total	Ceded Reinsurance Business	
<u>Reported but not paid</u>					
Fire insurance	\$ 1,820,277	\$ 3,517	\$ 1,823,794	\$ 1,439,973	\$ 383,821
Marine insurance	377,170	12,931	390,101	235,001	155,100
Motor insurance	2,834,305	80,398	2,914,703	643,586	2,271,117
Casualty insurance	590,903	10,054	600,957	315,018	285,939
Health and injury insurance	72,722	11	72,733	19,908	52,825
Foreign inward business insurance	-	335,177	335,177	620	334,557
	<u>5,695,377</u>	<u>442,088</u>	<u>6,137,465</u>	<u>2,654,106</u>	<u>3,483,359</u>

(Continued)

March 31, 2023

	Claim Reserve			Ceded Claims Reserve	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Total	Ceded Reinsurance Business	
<u>Incurred but not reported</u>					
Fire insurance	\$ 6,253	\$ 94	\$ 6,347	\$ 1,091	\$ 5,256
Marine insurance	83,796	1,822	85,618	55,807	29,811
Motor insurance	443,916	151,575	595,491	223,025	372,466
Casualty insurance	259,914	11,832	271,746	107,268	164,478
Health and injury insurance	462,676	3,075	465,751	140,190	325,561
Foreign inward business insurance	-	14,878	14,878	-	14,878
	<u>1,256,555</u>	<u>183,276</u>	<u>1,439,831</u>	<u>527,381</u>	<u>912,450</u>
	<u>\$ 6,951,932</u>	<u>\$ 625,364</u>	<u>\$ 7,577,296</u>	<u>\$ 3,181,487</u>	<u>\$ 4,395,809</u>
					(Concluded)

3) The movements of claims reserve and ceded claims reserve are as follows:

For the Three Months Ended March 31, 2024								
	Direct Underwriting Business		Assumed Reinsurance Business		Net Change	Ceded Reinsurance Business		Net Change
	Provision	Release	Provision	Release		Provision	Release	
<u>Reported but not paid</u>								
Fire insurance	\$ 1,200,718	\$ 1,207,505	\$ 3,011	\$ 2,517	\$ (6,293)	\$ 1,016,332	\$ 1,016,511	\$ (179)
Marine insurance	342,494	398,991	5,146	4,077	(55,428)	208,387	265,365	(56,978)
Motor insurance	2,815,572	2,846,406	81,080	82,940	(32,694)	615,422	658,722	(43,300)
Casualty insurance	637,075	609,845	7,501	7,621	27,110	304,623	300,217	4,406
Health and injury insurance	86,983	111,722	5	11	(24,745)	17,926	15,995	1,931
Foreign inward business insurance	-	-	320,785	318,854	1,931	863	854	9
	<u>5,082,842</u>	<u>5,174,469</u>	<u>417,528</u>	<u>416,020</u>	<u>(90,119)</u>	<u>2,163,553</u>	<u>2,257,664</u>	<u>(94,111)</u>
<u>Incurred but not reported</u>								
Fire insurance	5,649	4,427	66	46	1,242	788	736	52
Marine insurance	102,506	52,771	2,197	726	51,206	74,234	38,006	36,228
Motor insurance	446,546	301,268	156,962	155,685	146,555	199,759	156,048	43,711
Casualty insurance	250,865	182,471	13,587	8,471	73,510	105,277	67,204	38,073
Health and injury insurance	387,869	425,712	2,672	2,971	(38,142)	117,278	109,263	8,015
Foreign inward business insurance	-	-	18,086	21,445	(3,359)	-	-	-
	<u>1,193,435</u>	<u>966,649</u>	<u>193,570</u>	<u>189,344</u>	<u>231,012</u>	<u>497,336</u>	<u>371,257</u>	<u>126,079</u>
	<u>\$ 6,276,277</u>	<u>\$ 6,141,118</u>	<u>\$ 611,098</u>	<u>\$ 605,364</u>	<u>\$ 140,893</u>	<u>\$ 2,660,889</u>	<u>\$ 2,628,921</u>	<u>\$ 31,968</u>
For the Three Months Ended March 31, 2023								
	Direct Underwriting Business		Assumed Reinsurance Business		Net Change	Ceded Reinsurance Business		Net Change
	Provision	Release	Provision	Release		Provision	Release	
<u>Reported but not paid</u>								
Fire insurance	\$ 1,820,277	\$ 2,239,321	\$ 3,517	\$ 5,017	\$ (420,544)	\$ 1,439,973	\$ 1,806,430	\$ (366,457)
Marine insurance	377,170	472,684	12,931	12,604	(95,187)	235,001	280,095	(45,094)
Motor insurance	2,834,305	2,664,960	80,398	84,060	165,683	643,586	625,525	18,061
Casualty insurance	590,903	583,912	10,054	11,037	6,008	315,018	296,077	18,941
Health and injury insurance	72,722	91,019	11	12	(18,298)	19,908	26,908	(7,000)
Foreign inward business insurance	-	-	335,177	296,565	38,612	620	629	(9)
	<u>5,695,377</u>	<u>6,051,896</u>	<u>442,088</u>	<u>409,295</u>	<u>(323,726)</u>	<u>2,654,106</u>	<u>3,035,664</u>	<u>(381,558)</u>
<u>Incurred but not reported</u>								
Fire insurance	6,253	6,525	94	73	(251)	1,091	1,404	(313)
Marine insurance	83,796	70,369	1,822	615	14,634	55,807	46,416	9,391
Motor insurance	443,916	401,163	151,575	150,687	43,641	223,025	210,007	13,018
Casualty insurance	259,914	260,017	11,832	11,421	308	107,268	106,704	564
Health and injury insurance	462,676	469,962	3,075	3,269	(7,480)	140,190	143,494	(3,304)
Foreign inward business insurance	-	-	14,878	29,368	(14,490)	-	-	-
	<u>1,256,555</u>	<u>1,208,036</u>	<u>183,276</u>	<u>195,433</u>	<u>36,362</u>	<u>527,381</u>	<u>508,025</u>	<u>19,356</u>
	<u>\$ 6,951,932</u>	<u>\$ 7,259,932</u>	<u>\$ 625,364</u>	<u>\$ 604,728</u>	<u>\$ (287,364)</u>	<u>\$ 3,181,487</u>	<u>\$ 3,543,689</u>	<u>\$ (362,202)</u>

- d. Reinsurance assets - reported but paid claiming liabilities arising from indemnity refundable on reinsurance ceded

	Claim Paid		
	December 31,		
	March 31, 2024	2023	March 31, 2023
Fire insurance	\$ 6,705	\$ 143,154	\$ 362,800
Marine insurance	26,346	211,076	54,997
Motor insurance	268,423	272,201	200,617
Casualty insurance	43,088	42,159	45,162
Health and injury insurance	<u>41,365</u>	<u>78,001</u>	<u>149,160</u>
	385,927	746,591	812,736
Less: Allowance for impairment losses	<u>(2,076)</u>	<u>(3,925)</u>	<u>(4,542)</u>
	<u>\$ 383,851</u>	<u>\$ 742,666</u>	<u>\$ 808,194</u>

- e. Special reserve

- 1) Details of special reserve were as follows:

	December 31,		
	March 31, 2024	2023	March 31, 2023
Catastrophe	\$ 260,206	\$ 262,975	\$ 271,282
Risk-volatility	<u>2,544,716</u>	<u>2,549,980</u>	<u>2,380,446</u>
	<u>\$ 2,804,922</u>	<u>\$ 2,812,955</u>	<u>\$ 2,651,728</u>

- 2) Special reserve - the movements of compulsory and non-compulsory automobile liability insurance were as follows:

For the Three Months Ended March 31, 2024				
Liabilities				
Risk-Volatility				
	Catastrophe	Special Reserve - Compulsory Automobile Liability Insurance	Special Reserve - Non-compulsory Automobile Liability Insurance	Total
Balance, beginning of the period	\$ 262,975	\$ 733,281	\$ 1,816,699	\$ 2,812,955
Provision	-	-	7,602	7,602
Release	<u>(2,769)</u>	<u>-</u>	<u>(12,866)</u>	<u>(15,635)</u>
Balance, end of the period	<u>\$ 260,206</u>	<u>\$ 733,281</u>	<u>\$ 1,811,435</u>	<u>\$ 2,804,922</u>

For the Three Months Ended March 31, 2023

Liabilities				
		Risk-Volatility		Total
		Catastrophe	Special Reserve - Compulsory Automobile Liability Insurance	Special Reserve - Non-compulsory Automobile Liability Insurance
Balance, beginning of the period	\$ 274,053	\$ 733,281	\$ 1,661,745	\$ 2,669,079
Provision	-	-	34,068	34,068
Release	(2,771)	(43,763)	(4,885)	(51,419)
Balance, end of the period	<u>\$ 271,282</u>	<u>\$ 689,518</u>	<u>\$ 1,690,928</u>	<u>\$ 2,651,728</u>

- f. The assets and liability of compulsory automobile liability insurance and the revenue and cost of compulsory automobile liability insurance

- 1) The assets and liability of compulsory automobile liability insurance

Items		Amount		
	Assets	March 31, 2024	December 31, 2023	March 31, 2023
1.	Cash and cash in banks	\$ 2,530,372	\$ 2,511,003	\$ 2,454,827
2.	Cash equivalents	-	-	-
3.	Notes receivable	6,375	6,661	6,010
4.	Premiums receivable	15,993	18,045	14,456
5.	Indemnity refundable on reinsurance ceded	67,849	69,043	35,974
6.	Refundable reinsurance	49,646	48,985	48,049
7.	Other receivable	-	-	-
8.	Financial assets at fair value through other comprehensive income	-	-	-
9.	Ceded unearned premium reserve	225,267	223,592	219,901
10.	Ceded claims reserve	332,217	287,878	369,383
11.	Temporary payments	77	5,665	3,185
12.	Other assets	-	-	-
13.	Total	\$ 3,227,796	\$ 3,170,872	\$ 3,151,785

Items		Amount		
	Liabilities	March 31, 2024	December 31, 2023	March 31, 2023
1.	Notes payable	\$ -	\$ -	\$ -
2.	Insurance claims and benefits payable	-	-	-
3.	Reinsurance indemnity payable	-	-	-
4.	Due to reinsurance and ceding companies	65,405	73,401	70,082
5.	Unearned premium reserve	541,860	536,988	527,860
6.	Claims reserve	791,984	719,262	852,576
7.	Special reserve	1,811,435	1,816,699	1,690,928
8.	Temporary receipts	16,693	24,103	9,920
9.	Other liabilities	419	419	419
10.	Total	\$ 3,227,796	\$ 3,170,872	\$ 3,151,785

2) The revenues and costs of compulsory automobile liability insurance

	For the Three Months Ended March 31	
	2024	2023
Operating revenues		
Direct written premiums	\$ 168,470	\$ 165,249
Reinsurance premiums	<u>80,213</u>	<u>74,369</u>
Premiums income	248,683	239,618
Less: Reinsurance premiums ceded	(101,088)	(97,989)
Net changes in unearned premium reserve	<u>(3,197)</u>	<u>(670)</u>
Net premium	144,398	140,959
Interest revenue	<u>7,153</u>	<u>6,024</u>
Total operating revenues	<u>\$ 151,551</u>	<u>\$ 146,983</u>
Operating costs		
Claims incurred and paid	\$ 150,588	\$ 115,461
Reinsurance claims incurred	74,011	64,809
Less: Claims recovered from reinsurance	<u>(90,016)</u>	<u>(65,231)</u>
Net claims	134,583	115,039
Net changes of reserve for claims reserve	28,383	8,795
Net changes of reserve for special reserve (Note)	<u>(5,264)</u>	<u>29,183</u>
Total operating costs	<u>\$ 157,702</u>	<u>\$ 153,017</u>

Note: According to Rule No. 11004107771 issued by FSC, since April 1, 2021, the property insurance industry should reserve the provision monthly in accordance with the operating expense from issuer. Every contract would be charged for NT\$30.

g. Reserve for deficiency premium

1) Details of reserve for deficiency premium and ceded reserve for deficiency premium are as follows:

	March 31, 2024			
	Reserve for Deficiency Premium		Ceded Reserve for Deficiency Premium	
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	Retention
Fire insurance	\$ 68,279	\$ 40	\$ -	\$ 68,319
Marine insurance	5,199	22	-	5,221
Motor insurance	-	-	-	-
Casualty insurance	-	-	-	-
Health and injury insurance	8,269	-	-	8,269
Foreign inward business insurance	<u>-</u>	<u>46,329</u>	<u>-</u>	<u>46,329</u>
	<u>\$ 81,747</u>	<u>\$ 46,391</u>	<u>\$ -</u>	<u>\$ 128,138</u>
	December 31, 2023			
	Reserve for Deficiency Premium		Ceded Reserve for Deficiency Premium	
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	Retention
Fire insurance	\$ 72,891	\$ 73	\$ -	\$ 72,964
Marine insurance	5,035	24	-	5,059
Motor insurance	-	-	-	-
Casualty insurance	-	-	-	-
Health and injury insurance	2,950	-	-	2,950
Foreign inward business insurance	<u>-</u>	<u>50,080</u>	<u>-</u>	<u>50,080</u>
	<u>\$ 80,876</u>	<u>\$ 50,177</u>	<u>\$ -</u>	<u>\$ 131,053</u>
	March 31, 2023			
	Reserve for Deficiency Premium		Ceded Reserve for Deficiency Premium	
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	Retention
Fire insurance	\$ 29,849	\$ 137	\$ -	\$ 29,986
Marine insurance	16,216	-	-	16,216
Motor insurance	-	-	-	-
Casualty insurance	-	-	-	-

(Continued)

March 31, 2023				
	Reserve for Deficiency Premium		Ceded Reserve for Deficiency Premium	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	
Health and injury insurance	\$ 1,006	\$ -	\$ -	\$ 1,006
Foreign inward business insurance	-	61,655	-	61,655
	<u>\$ 47,071</u>	<u>\$ 61,792</u>	<u>\$ -</u>	<u>\$ 108,863</u>
(Concluded)				

- 2) Loss of reserve for deficiency premium - the movements of reserve for deficiency premium and ceded reserve for deficiency premium are as follows:

For the Three Months Ended March 31, 2024									
	Direct Underwriting Business Reserve for Deficiency Premium		Assumed Reinsurance Business Reserve for Deficiency Premium		Net Change	Ceded Reinsurance Business Reserve for Deficiency Premium		Net Change	Loss of Provisions for Deficiency Premium Reserve
	Provision	Release	Provision	Release		Provision	Release		
Fire insurance	\$ 68,279	\$ 72,891	\$ 40	\$ 73	\$ (4,645)	\$ -	\$ -	\$ -	\$ (4,645)
Marine insurance	5,199	5,035	22	24	162	-	-	-	162
Motor insurance	-	-	-	-	-	-	-	-	-
Casualty insurance	-	-	-	-	-	-	-	-	-
Health and injury insurance	8,269	2,950	-	-	5,319	-	-	-	5,319
Foreign inward business insurance	-	-	46,329	52,181	(5,852)	-	-	-	(5,852)
	<u>\$ 81,747</u>	<u>\$ 80,876</u>	<u>\$ 46,391</u>	<u>\$ 52,278</u>	<u>\$ (5,016)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,016)</u>

For the Three Months Ended March 31, 2023									
	Direct Underwriting Business Reserve for Deficiency Premium		Assumed Reinsurance Business Reserve for Deficiency Premium		Net Change	Ceded Reinsurance Business Reserve for Deficiency Premium		Net Change	Loss of Provisions for Deficiency Premium Reserve
	Provision	Release	Provision	Release		Provision	Release		
Fire insurance	\$ 29,849	\$ 35,245	\$ 137	\$ 164	\$ (5,423)	\$ -	\$ -	\$ -	\$ (5,423)
Marine insurance	16,216	24,919	-	-	(8,703)	-	-	-	(8,703)
Motor insurance	-	-	-	-	-	-	-	-	-
Casualty insurance	-	-	-	-	-	-	-	-	-
Health and injury insurance	1,006	62,280	-	-	(61,274)	-	-	-	(61,274)
Foreign inward business insurance	-	-	61,655	33,134	28,521	-	-	-	28,521
	<u>\$ 47,071</u>	<u>\$ 122,444</u>	<u>\$ 61,792</u>	<u>\$ 33,298</u>	<u>\$ (46,879)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (46,879)</u>

31. PROVISIONS FOR EMPLOYEE BENEFITS

	March 31, 2024	December 31, 2023	March 31, 2023
Recognized in consolidated balance sheet			
Defined benefit plans	\$ 4,037,235	\$ 4,206,337	\$ 4,067,826
Preferential interest on employees' deposits	<u>1,474,390</u>	<u>1,470,733</u>	<u>1,440,113</u>
	<u>\$ 5,511,625</u>	<u>\$ 5,677,070</u>	<u>\$ 5,507,939</u>

a. Defined contribution plans

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

The total expenses of defined contribution plans recognized in profit or loss for the three months ended March 31, 2024 and 2023 were \$112,906 and \$104,664, respectively.

b. Defined benefit plans

The defined benefit plans adopted by the Group in accordance with the Labor Standard Law is operated by the government, and pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Under the plan, HNFH, HNCB and HNAME made monthly contributions at the rate of 12% of gross salaries, SCIC made monthly contribution at the rate of 8.81% of gross salaries, HNSC, HNIT, made monthly contributions at the rate of 2% of gross salaries. The preceding monthly contributions were deposited in the name of each company's committee in the Bank of Taiwan ("the Bureau"). If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The total expenses of defined benefit plans recognized in profit or loss for the three months ended March 31, 2024 and 2023 were \$71,130 and \$74,084, respectively.

32. OTHER FINANCIAL LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
Principal of structured products	\$ 74,206,763	\$ 71,771,662	\$ 64,983,672
Futures traders' equity	5,897,326	5,206,318	4,589,715
Appropriations loan funds	<u>85,863</u>	<u>898</u>	<u>20,030</u>
	<u>\$ 80,189,952</u>	<u>\$ 76,978,878</u>	<u>\$ 69,593,417</u>

33. OTHER LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
Guarantee deposits received	\$ 5,063,640	\$ 2,131,655	\$ 2,964,094
Deposits from securities borrowing	1,829,096	1,878,180	1,606,318
Advance receipts	1,240,198	1,311,258	1,104,880
Temporary receipt and suspense accounts	799,824	729,120	706,959
Receipts under custody from customer's security subscription	546,626	38,044	4
Others	<u>350,779</u>	<u>370,276</u>	<u>290,214</u>
	<u>\$ 9,830,163</u>	<u>\$ 6,458,533</u>	<u>\$ 6,672,469</u>

34. EQUITY

a. Share capital

The Company's board of directors resolved stock dividends of \$1,364,275 to paid-in capital, the number of common stocks of a par value of \$10 are 136,427 thousand at the board of directors' meeting on April 29, 2024. Total share capital was increased to \$137,791,734. These appropriations of stock dividends will be resolved by the shareholders in their meeting and approved by the Securities and Futures Bureau.

The issued common stocks of a par value of \$10 are 13,642,746 thousand shares as of March 31, 2024.

b. Capital surplus

The capital surplus from the issuance of new shares at a premium (additional paid-in capital from issuance of common shares, issuance of shares due to business combination and treasury stock transactions, etc.) and endowments received by the Company may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividend or transferred to capital (limited to a certain percentage of the Company's paid-in capital every year).

Details of HNFH's capital surplus were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Share premium	\$ 17,702,376	\$ 17,702,376	\$ 17,702,376
Treasury stock	52,349	52,349	52,349
Donated assets received	2,936	2,936	2,936
Others	<u>4,143</u>	<u>4,143</u>	<u>1,325</u>
	<u>\$ 17,761,804</u>	<u>\$ 17,761,804</u>	<u>\$ 17,758,986</u>

Under the Financial Holding Company Act and related directives of the Securities and Futures Bureau, if the capital surplus obtained by a financial holding company through a share swap comes from its subsidiaries' unappropriated retained earnings after legal and special reserves, the surplus is exempted from the restriction stated in the Securities and Exchange Act.

The sources and usage of HNFH's capital surplus as of March 31, 2024 were as follows:

	March 31, 2024
Arising through a share swap on December 19, 2001	\$ 44,439,624
Bonus to employees and the remuneration to directors and supervisors from subsidiaries before December 19, 2001	(250,881)
Issuance of cash dividend in 2001	(692,924)
Issuance of stock dividend from capital surplus in 2002	(3,317,439)
Offsetting a deficit in 2002	(26,693,288)
SCIC and HNIT became wholly owned subsidiaries of HNFH through a share swap	(185,812)
Issuance of stock dividend from capital surplus in 2004	(945,701)
Issuance of new shares in 2011	8,004,000
Stock-based compensation	115,382
Donated assets received	2,936
Treasury stock transactions and the capital surplus from investment accounted for using equity method	(2,716,911)
Subsidiaries' share of change in capital surplus of associates ventures	<u>2,818</u>
Balance, end of the period	<u>\$ 17,761,804</u>

c. Special reserve

According to Rule No. 11202709871 issued by FSC, following up legal reserve. The Company appropriates and reserves special reserve based on Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs (IFRSs Standards)".

d. Appropriation of earnings and dividend policy

Under the dividend policy in the Amended Articles, The Company takes the residual dividend policy in order to expand its scale and enhance its abilities to make profit. When HNFH appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve based on legal rules or business needs may then be appropriated or reserved. Shareholders' meeting approve to appropriate 30%-100% distributable amount, including unappropriated earnings in prior years, for stock dividend and cash dividend. Stock or cash dividends were appropriated based on the Company's operating plan, and the cash dividends should be more than 10% of total dividends. Cash dividend would not be appropriated if it is less than \$0.1 per share unless the approval of the shareholders' meeting. For the policies on distribution of employees' compensation and remuneration to directors and supervisor before and after amendment, please refer to Note 40.

Shareholders' meeting should be held in the next year, and the distribution of earnings would be recognized and reflected in the financial statements in that year.

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

Based on a directive issued by the Securities and Futures Bureau, when distributing earnings, an amount equal to the net debit balance of certain shareholders' equity accounts shall be transferred from unappropriated earnings to a special reserve. An amount equal to the past net debit balance of certain shareholders' equity accounts (including unrealized loss in financial instruments and cumulative translation adjustments) shall be transferred from past unappropriated earnings to a special reserve, yet such amount can not be distributed. However the Group should replenish amount, which equals to the difference between the net debit balance of certain shareholders' equity accounts and amount appropriated to special reserve during initial IFRS adoption, to special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The appropriation of earnings for 2023 and 2022 has been proposed and approved by the board of directors and the shareholders' meeting on April 29, 2024 and June 16, 2023, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2023	2022	2023	2022
Legal reserve	\$ 2,306,831	\$ 1,892,993	\$ -	\$ -
Special reserve	(7,963,245)	12,031,764	-	-
Cash dividends	16,371,295	8,049,221	1.20	0.59
Stock dividends	1,364,275	-	0.10	-

The appropriation of earnings for 2023 is subject to the resolution of the shareholders in the shareholders' meeting for 2024.

e. Gain or loss on financial assets at FVTOCI

	For the Three Months Ended March 31, 2024	
	Revaluation Gain or Loss on Investment in Equity Instruments	Gain or Loss from Investments in Debt Instruments
Balance, beginning of the period	\$ 10,697,410	\$ (20,563,285)
Unrealized gain or loss - equity instruments	3,680,599	-
Unrealized gain or loss - debt instruments	-	(1,399,256)
Income tax related to unrealized gain or loss - debt instruments	-	5,782
Adjustment for allowance gain - debt instruments	-	2,212
Disposal of investments in debt instruments	-	(58,534)
Cumulative gain of equity instruments transferred to retained earnings due to disposal	<u>(78,587)</u>	<u>-</u>
Balance, end of the period	<u>\$ 14,299,422</u>	<u>\$ (22,013,081)</u>

	For the Three Months Ended March 31, 2023	
	Revaluation Gain or Loss on Investment in Equity Instruments	Gain or Loss from Investments in Debt Instruments
Balance, beginning of the period	\$ 8,570,902	\$ (26,224,250)
Unrealized gain or loss - equity instruments	(387,467)	-
Unrealized gain or loss - debt instruments	-	3,467,187
Income tax related to unrealized gain or loss - debt instruments	-	(15,155)
Adjustment for allowance gain - debt instruments	-	82
Disposal of investments in debt instruments	-	(76,345)
Cumulative gain of equity instruments transferred to retained earnings due to disposal	<u>(56,637)</u>	<u>-</u>
Balance, end of the period	<u>\$ 8,126,798</u>	<u>\$ (22,848,481)</u>

f. Gain or loss on other comprehensive income reclassified by overlay approach

	For the Three Months Ended March 31	
	2024	2023
Balance, beginning of the period	\$ 211,430	\$ (291,568)
Loss on reclassification of overlay approach	266,259	298,024
Income tax related to reclassification of overlay approach	<u>(18,706)</u>	<u>(3,442)</u>
Balance, end of the period	<u>\$ 458,983</u>	<u>\$ 3,014</u>

35. NET INTEREST

	For the Three Months Ended March 31	
	2024	2023
Interest revenue		
Discounts and loans	\$ 16,417,082	\$ 13,742,570
Securities investments	5,303,386	4,002,074
Due from the Central Bank and other banks	1,805,036	1,627,374
Others	<u>599,313</u>	<u>404,090</u>
	<u>24,124,817</u>	<u>19,776,108</u>
Interest expense		
Deposits	12,493,523	8,945,247
Due to the Central Bank and banks	2,964,540	1,734,445
Others	<u>2,461,416</u>	<u>1,597,880</u>
	<u>17,919,479</u>	<u>12,277,572</u>
	<u>\$ 6,205,338</u>	<u>\$ 7,498,536</u>

36. COMMISSION AND FEE REVENUES, NET

	For the Three Months Ended March 31	
	2024	2023
Commission and fee revenues		
Insurance commission	\$ 1,233,035	\$ 1,088,135
Brokerage business	1,080,889	722,758
Trust and financial management business	1,018,373	645,871
Loan business	691,476	243,387
Credit card business	421,543	362,383
Remittance business	146,666	131,816
Others	<u>400,727</u>	<u>355,783</u>
	<u>4,992,709</u>	<u>3,550,133</u>
Commission and fee expenses		
Insurance commission	583,152	562,192
Credit card business	321,138	270,082
Brokerage business	100,801	66,646
Others	<u>169,271</u>	<u>144,903</u>
	<u>1,174,362</u>	<u>1,043,823</u>
	<u>\$ 3,818,347</u>	<u>\$ 2,506,310</u>

37. INCOME FROM INSURANCE PREMIUMS, NET

	For the Three Months Ended March 31	
	2024	2023
Insurance revenue		
Direct written premiums	\$ 4,000,719	\$ 3,873,985
Indemnity refundable on reinsurance ceded	<u>512,323</u>	<u>950,137</u>
	<u>4,513,042</u>	<u>4,824,122</u>
Insurance expenses		
Insurance claims and benefits	1,650,840	2,167,334
Reinsurances premiums ceded	1,278,111	1,307,007
Disbursements toward industry stability	<u>7,613</u>	<u>3,665</u>
	<u>2,936,564</u>	<u>3,478,006</u>
	<u>\$ 1,576,478</u>	<u>\$ 1,346,116</u>

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

	For the Three Months Ended March 31	
	2024	2023
Realized gain or loss on financial assets and liabilities at fair value through profit or loss		
Currency swap	\$ 1,642,847	\$ 5,725,801
Listed stocks	324,433	127,917
Cross currency swap	100,824	750,755
Unlisted stocks	58,378	36,997
Exchange rate option	37,217	44,484
Government bonds	25,258	14,533
Forward	16,042	31,415
Others	35,440	(5,449)
	<u>2,240,439</u>	<u>6,726,453</u>
Unrealized gain or loss financial assets and liabilities at fair value through profit or loss		
Currency swap	13,129,443	(5,878,639)
Listed stocks	372,378	342,710
Cross currency swap	70,250	(736,900)
Mutual funds	28,389	27,642
Others	(263,413)	9,838
	<u>13,337,047</u>	<u>(6,235,349)</u>
Dividend income on financial assets at fair value through profit or loss	<u>33,958</u>	<u>30,221</u>
Interest revenue on financial assets at fair value through profit or loss	<u>453,354</u>	<u>258,296</u>
	<u>\$ 16,064,798</u>	<u>\$ 779,621</u>

When the Group designated financial instruments measure at FVTPL, fair value change in derivate instruments is also listed in “financial assets and liabilities at FVTPL”.

Part of financial assets and liabilities at FVTPL held by the Group, like currency swap, its gain or loss on valuation arising from spot position is recorded as “foreign exchange gain or loss”; its gain or loss on valuation arising from forward position is recorded as “gain (loss) on financial assets or liabilities at FVTPL”.

39. REALIZED GAIN ON FINANCIAL ASSETS AT FVTOCI

	For the Three Months Ended March 31	
	2024	2023
Dividend income	<u>\$ 102,596</u>	<u>\$ 15,547</u>
Gain or loss on disposal of		
Government bonds	56,808	77,709
Agency mortgage-backed securities	916	1,083
Corporate bonds	810	(435)
Bank debentures	-	(2,012)
	<u>58,534</u>	<u>76,345</u>
	<u>\$ 161,130</u>	<u>\$ 91,892</u>

40. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended March 31	
	2024	2023
Salaries and wages	\$ 3,997,829	\$ 3,739,576
Labor insurance and national health insurance	306,314	296,928
Pension and compensation	190,901	183,847
Others	<u>495,780</u>	<u>437,106</u>
	<u>\$ 4,990,824</u>	<u>\$ 4,657,457</u>

For the three months ended March 31, 2024 and 2023, the amount of incentives and bonus were \$1,583,524 and \$1,419,991, included in salaries and wages.

The Company distribute employees' compensation and remuneration of directors at the rates between 0.2% and 1.5% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors.

For the three months ended March 31, 2024, the employees' compensation and remuneration of directors were \$4,522 and \$56,904, representing 0.8‰ and 1% of the base net profit, respectively. For the three months ended March 31, 2023, the employees' compensation and remuneration of directors were \$3,923 and \$49,033, representing 0.8‰ and 1% of the base net profit, respectively.

The board of directors had been held on March 11, 2024 and March 13, 2023, which resolved compensations to employees and remuneration to directors for 2023 and 2022.

For the year ended December 31, 2023, the employees' compensation and remuneration of directors were \$21,364 and \$215,375 representing 0.98994‰ and 0.998% of the base net profit, respectively. For the year ended December 31, 2022, the employees' compensation and remuneration of directors were \$14,734 and \$174,552, representing 0.84244‰ and 0.998% of the base net profit, respectively.

There is no difference between the proposed and approved amounts of the compensation and bonus to employees and remuneration to directors and the accrual amounts reflected in the financial statements for the 2023 and 2022.

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

41. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Three Months Ended March 31	
	2024	2023
Depreciation expense		
Property and equipment		
Buildings	\$ 48,043	\$ 76,675
Computer and machinery	99,816	90,047
Transportation equipment	9,268	8,504
		(Continued)

	For the Three Months Ended March 31	
	2024	2023
Other equipment	\$ 34,358	\$ 30,967
Lease improvements	<u>5,242</u>	<u>4,599</u>
	196,727	210,792
Right-of-use assets	189,415	187,563
Investments properties	<u>53,080</u>	<u>20,651</u>
	439,222	419,006
Amortization expenses	86,143	91,867
Deferred expenses	<u>1,690</u>	<u>2,127</u>
	<u>\$ 527,055</u>	<u>\$ 513,000</u>
		(Concluded)

42. OTHER OPERATING EXPENSES

	For the Three Months Ended March 31	
	2024	2023
Taxation and government fee	\$ 1,056,417	\$ 899,543
Printing, binding and advertising fee	171,582	120,203
Insurance	169,282	154,373
Rent	167,142	130,413
Membership fee	162,396	158,134
Postage fee	151,685	142,450
Professional fee	104,753	139,086
Maintenance and warranty fee	92,077	89,487
Others	<u>454,847</u>	<u>351,129</u>
	<u>\$ 2,530,181</u>	<u>\$ 2,184,818</u>

43. INCOME TAX

Under a Ministry of Finance directive 910458039 “Article 49 of the Financial Holding Company Act and Article 45 of Business Mergers and Acquisition Act”, a financial holding company and its domestic subsidiaries in which over 90% of issued shares was held by the financial holding company for 12 months within the same taxation year may adopt the linked-tax system for income tax filing.

The principle adopted by the Company, HNCB, HNSC, SCIC, HNIT, HNVC and HNAMEC (collectively, the “Group”) under the linked-tax system is to reduce the income tax liabilities of the Group and to consider the fairness of the tax borne by all the companies in order to maximize the synergy of the Group.

The government of U.K. and Vietnam, where the overseas branches of HNCB have registered in enacted the Pillar Two income tax legislation effective from January 1, 2024.

The Group will continue to review the impact of the Pillar 2 Income Tax Act on its future financial performance ring.

a. Income tax recognized in profit or loss

The components of tax expense were as follows:

	For the Three Months Ended March 31	
	2024	2023
Current tax		
In respect of the current period	\$ 1,206,744	\$ 869,726
Income tax of overseas branches	268,380	219,285
In respect of prior periods	1,501	(148,224)
Other	<u>1,219</u>	<u>-</u>
	1,477,844	940,787
Deferred tax		
In respect of the current period	<u>(61,951)</u>	<u>125,856</u>
Income tax expenses recognized through profit or loss	<u>\$ 1,415,893</u>	<u>\$ 1,066,643</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2024	2023
<u>Deferred tax</u>		
In respect of the current period		
Unrealized gain or loss on investments in debt instruments at FVTOCI	\$ 5,782	\$ (15,155)
Gain or loss on other comprehensive income reclassified by overlay approach	<u>(18,706)</u>	<u>(3,442)</u>
	<u>\$ (12,924)</u>	<u>\$ (18,597)</u>

As of March 31, 2024, income tax returns through 2018 of HNFH had been assessed by the tax authorities. However, HNFH disagreed with the tax authorities' assessments of its tax returns for 2016 and had applied for administrative remedy.

As of March 31, 2024, income tax returns through 2018 of HNCB had been assessed by the tax authorities. However, HNCB disagreed with the tax authorities' assessments of its tax returns for 2016 and had applied for administrative remedy.

As of March 31, 2024, income tax return through 2018 of HNSC had been assessed by the tax authorities. However, HNSC disagreed with the tax authorities' assessments of its tax returns for 2016 and had applied for administrative remedy.

As of March 31, 2024, income tax returns through 2018 of HNIT had been assessed by the tax authorities. However, HNIT disagreed with the tax authority's assessments of its tax returns for 2016 had applied for administrative remedy.

As of March 31, 2024, income tax return through 2018 of SCIC, HNVC and HNAMC had been assessed by the tax authorities.

As of March 31, 2024, income tax returns through 2021 of HNFC and HNIM had been assessed by the tax authorities.

As of March 31, 2024, income tax returns through 2022 of HNILC had been assessed by the tax authorities.

44. EARNINGS PER SHARE

Earnings per share is calculated by earnings on the Company's shareholders divide by weighted average number of ordinary shares outstanding.

	For the Three Months Ended March 31	
	2024	2023
Basic and diluted earnings per share		
Profit for the period attributable to HNFH's shareholders	<u>\$ 0.41</u>	<u>\$ 0.37</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Period

	For the Three Months Ended March 31	
	2024	2023
Profit for the period attributable to HNFH's shareholders	<u>\$ 5,628,913</u>	<u>\$ 5,000,054</u>

Shares

	For the Three Months Ended March 31	
	2024	2023
Weighted average number of ordinary shares in computation of basic and diluted earnings per share	<u>13,642,746</u>	<u>13,642,746</u>

45. RELATED PARTY TRANSACTIONS

Balances and transactions between the Group, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, related party transactions and related party transactions of subsidiaries over \$100 million were summarized below, and the transactions wrote-off were disclosed in Table 7.

a. Name and relationship with related parties were as follows:

Related Party	Relationship with the Company
Bank of Taiwan Co., Ltd. (BOT)	Major shareholder of HNFH
Bank Taiwan Life Insurance Co., Ltd. (BTLI)	Major shareholder of HNFH (the related information and proportionate share in investees with BOT)
Funds Under Hua Nan Investment Trust Corporation (HNIT)	Funds issuer is a subsidiary of HNFH
Yuan-Ding Investment Co., Ltd. (Yuan-Ding Investment)	The director of HNFH is its chairman
Entrust Investment Co., Ltd. (Entrust Investment)	The director of HNFH is its chairman
Yung-Chi Asset Management Corp. (Yung-Chi AMC)	The director of HNFH is its chairman
Chung-Hua Real Estate Management Co., Ltd. (Chung-Hua Real Estate)	Associates of HNCB
Yuan Jen Enterprises Co., Ltd. (YJE)	Associates of HNSC
Shin Kong Commercial Bank Co., Ltd. (SKCB)	Related party in substance
Shin Kong Life Insurance Co., Ltd. (SKLI)	Related party in substance
Yong Da Construction Co., Ltd. (Yong Da Construction)	Related party in substance
Chien Hsin Trading Co., Ltd. (Chien Hsin Trading)	Related party in substance
Taiwan Futures Exchange (TAIFEX)	Related party in substance
MasterLink Securities Corporation. (ML)	Related party in substance (No longer related parties from July 2023.)
Chou Dang-Zheng	A close relative of the supervisor of HNSC
Reliance Securities Co., Ltd. (Reliance Securities)	FSC-approved IAS 24, "Related Party Disclosures" other related parties
Mega Securities Co., Ltd. (Mega Securities)	FSC-approved IAS 24, "Related Party Disclosures" other related parties
Others	FSC-approved IAS 24, "Related Party Disclosures" other related parties

b. Substantial transactions with related parties were as follows:

1) Due from other banks

	March 31, 2024	December 31, 2023	March 31, 2023
BOT	<u>\$ 333,362</u>	<u>\$ 194,185</u>	<u>\$ 341,816</u>

2) Call loans to banks

For the Three Months Ended March 31, 2024				
	Highest Balance	Ending Balance	Interest Income	Interest Rate (%)
BOT	<u>\$ 9,377,300</u>	<u>\$ 2,284,440</u>	<u>\$ 15,197</u>	0.70-5.90
For the Three Months Ended March 31, 2023				
	Highest Balance	Ending Balance	Interest Income	Interest Rate (%)
BOT	\$ 6,932,940	\$ 852,320	\$ 9,942	0.84-5.02

3) Call loans from banks

For the Three Months Ended March 31, 2024				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
BOT	<u>\$ 14,225,330</u>	<u>\$ 9,484,030</u>	<u>\$ 197,539</u>	0.70-5.93
For the Three Months Ended March 31, 2023				
	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
BOT	<u>\$ 11,174,870</u>	<u>\$ 10,864,245</u>	<u>\$ 98,667</u>	0.65-5.30

4) Deposits

For the Three Months Ended March 31						
	2024			2023		
	Ending Balance	Interest Rate (%)	Interest Expenses	Ending Balance	Interest Rate (%)	Interest Expenses
TAIFEX	\$ 22,273,753	0-5.75	\$ 122,094	\$ 20,082,690	0.01-4.95	\$ 76,586
Chung-Hua Real Estate	159,388	0-1.285	371	155,030	0-1.45	249
Chien Hsin Trading Yuan-Ding Investment	121,824	0-4.6	81	121,277	0-3.35	240
Entrust Investment	108,290	-	-	7,280	-	-
Reliance Securities	83,994	-	-	2,394	-	-
Others	11,884	0.611-0.67	20	11,831	0.4749-0.5	14
	<u>12,665,888</u>	0-13	<u>40,185</u>	<u>12,321,444</u>	0-13	<u>36,036</u>
	<u>\$ 35,425,090</u>		<u>\$ 162,751</u>	<u>\$ 32,701,946</u>		<u>\$ 113,125</u>

5) Loans

For the Three Months Ended March 31, 2024							
Type	Number/Name of Related Party	Highest Balance	Ending Balance	Payment Status		Type of Collateral	Is the Transaction at Arm's Length Commercial Term
				Normal	Overdue		
Consumer loan	1	\$ 571	\$ 552	\$ 552	\$ -	None	Yes
Household mortgages	34	324,379	319,142	319,142	-	Real estate	Yes
Others	Others	22,486	18,920	18,920	-	Deposit and real estate	Yes

For the Three Months Ended March 31, 2023							
Type	Number/Name of Related Party	Highest Balance	Ending Balance	Payment Status		Type of Collateral	Is the Transaction at Arm's Length Commercial Term
				Normal	Overdue		
Consumer loan	5	\$ 926	\$ 772	\$ 772	\$ -	None	Yes
Household mortgages	35	318,322	306,975	306,975	-	Real estate	Yes
Others	Others	23,087	21,561	21,561	-	Real estate	Yes

	March 31, 2024	December 31, 2023	March 31, 2023
SCIC			
Others	\$ 83,869	\$ 87,508	\$ 104,296

Interest revenue generated from loans

	For the Three Months Ended March 31	
	2024	2023
SCIC		
Others	\$ 422	\$ 444

SCIC loans to some main management, and the lending rate is made by adding 0.375% to 1% markup to average rate on time savings deposits of Bank of Taiwan.

The type of loans are both real estate loans for the three months ended March 31, 2024 and 2023.

6) Futures traders' equity

	March 31, 2024	December 31, 2023	March 31, 2023
Fund under HNIT	\$ 132	\$ 132	\$ 4,313

7) Securities transaction

As of March 31, 2024, December 31, 2023 and March 31, 2023, open-end mutual funds purchased by HNSC from HNIT amounted to \$0, \$5,000 and \$0, respectively. HNSC purchased open-end mutual funds for \$5,347, \$85,047 and \$85,047, respectively. The disposal gain were \$347, \$547 and \$547, respectively, and were calculated on the basis of the net assets value on the transaction dates.

Open-end mutual funds purchased by HNSC from HNIT amounted to \$0, \$5,096 and \$0 as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively (recorded as financial assets at fair value through profit or loss).

The cost of mutual funds purchased by SCIC from HNIT on March 31, 2024, December 31, 2023 and March 31, 2023, amounts to \$100,422, \$160,086 and \$176,596, respectively (recorded as financial assets at fair value through profit or loss).

SCIC's profit or loss of selling HNIT's mutual funds were profit \$49 and \$66 for the three months ended March 31, 2024 and 2023, respectively (recorded as financial assets at fair value through profit or loss.)

8) Receivables - management expense

	March 31, 2024	December 31, 2023	March 31, 2023
Fund under HNIT	<u>\$ 9,723</u>	<u>\$ 12,897</u>	<u>\$ 8,018</u>

9) Sales or purchase of bills and bonds

	March 31, 2024				
	Bills and Bonds Purchased from Related Parties	Bills and Bonds Sold to Related Parties	Bills and Bonds Purchased under Resale Agreements from Related Parties	Bills and Bonds Sold under Repurchase Agreements from Related Parties	Interest Expense
BOT	\$ -	\$ 1,283,267	\$ -	\$ -	\$ -
	December 31, 2023				
	Bills and Bonds Purchased from Related Parties	Bills and Bonds Sold to Related Parties	Bills and Bonds Purchased under Resale Agreements from Related Parties	Bills and Bonds Sold under Repurchase Agreements from Related Parties	Interest Expense
SKCB	\$ 49,840	\$ -	\$ -	\$ -	\$ -
BOT	-	1,415,873	-	-	-
Fund under HNIT	-	-	50,000	-	9
	March 31, 2023				
	Bills and Bonds Purchased from Related Parties	Bills and Bonds Sold to Related Parties	Bills and Bonds Purchased under Resale Agreements from Related Parties	Bills and Bonds Sold under Repurchase Agreements from Related Parties	Interest Expense
ML	\$ 199,576	\$ 115,667	\$ -	\$ -	\$ -
SKCB	49,840	-	-	-	-
Fund under HNIT	-	-	230,000	-	4

10) Trust business commission

	For the Three Months Ended March 31	
	2024	2023
Fund under HNIT	<u>\$ 38,624</u>	<u>\$ 26,368</u>

11) Brokerage commission

	For the Three Months Ended March 31	
	2024	2023
Fund under HNIT	\$ 1,461	\$ 1,290
YJE	-	77
Others	<u>2,090</u>	<u>1,294</u>
	<u>\$ 3,551</u>	<u>\$ 2,661</u>

12) Brokerage commission discount (decrease in the brokerage commission)

	For the Three Months Ended March 31	
	2024	2023
YJE	\$ -	\$ 32
Others	<u>1,160</u>	<u>719</u>
	<u>\$ 1,160</u>	<u>\$ 751</u>

13) Premium income

	For the Three Months Ended March 31	
	2024	2023
Others	<u>\$ 13,330</u>	<u>\$ 11,138</u>

14) Commission

	For the Three Months Ended March 31	
	2024	2023
BOT	\$ 1,908	\$ 1,683
SKLI	331	13,250
BTLI	<u>40</u>	<u>59</u>
	<u>\$ 2,279</u>	<u>\$ 14,992</u>

Preceding commission and fee revenue are the rewards from SKLI and BTLI to HNCB Insurance Agency under commission revenue and the rewards from BOT to HNCB under gold passbook.

15) Lease arrangements

Line Item	Related Party Name	March 31, 2024	December 31, 2023	March 31, 2023
Acquisition of right-of-use assets	Chien Hsin Trading	\$ -	\$ 31,406	\$ -
	SKLI	-	16,776	16,776
	Chou Dang-Zheng	-	3,497	-
		<u>\$ -</u>	<u>\$ 51,679</u>	<u>\$ 16,776</u>
Lease liabilities	SKLI	\$ 32,562	\$ 35,371	\$ 43,003
	Chien Hsin Trading	26,391	27,904	1,099
	Yung-Chi AMC	5,583	6,514	7,368
	Yong Da Construction	2,783	3,816	6,885
	Chou Dang-Zheng	2,450	2,738	100
	BOT	<u>1,459</u>	<u>1,618</u>	<u>2,091</u>
		<u>\$ 71,228</u>	<u>\$ 77,961</u>	<u>\$ 60,546</u>
Refundable deposits	Chou Dang-Zheng	\$ 200	\$ 200	\$ 200
	BOT	<u>110</u>	<u>110</u>	<u>110</u>
		<u>\$ 310</u>	<u>\$ 310</u>	<u>\$ 310</u>

Line Item	Related Party Name	For the Three Months Ended March 31	
		2024	2023
Interest expense	SKLI	\$ 176	\$ 230
	Chien Hsin Trading	136	9
	Yung-Chi AMC	29	38
	Yong Da Construction	16	38
	Chou Dang-Zheng	13	1
	BOT	<u>6</u>	<u>9</u>
		<u>\$ 376</u>	<u>\$ 325</u>

16) Rental agreement

Business lease rental

Lease arrangements under operating leases for the leasing out of properties to the following related parties, lease period 2 to 5 years, rent is charged monthly.

The total amount of lease payments to be received in the future is summarized as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Mega Securities	\$ 15,745	\$ -	\$ 810
Reliance Securities	7,254	2,592	3,629
Other	<u>365</u>	<u>4,150</u>	<u>7,074</u>
	<u>\$ 23,364</u>	<u>\$ 6,742</u>	<u>\$ 11,513</u>

The rental income is summarized as follows:

Related Party	For the Year Ended December 31	
	2024	2023
SKLI	\$ 2,983	\$ 2,983
Chien Hsin Trading	1,650	1,650
Yong Da Construction	1,050	1,050
Other	<u>1,875</u>	<u>2,177</u>
	<u>\$ 7,558</u>	<u>\$ 7,860</u>

17) Interest expense

	For the Three Months Ended March 31	
	2024	2023
Fund under HNIT	<u>\$ -</u>	<u>\$ 18</u>

18) Other non-interest net revenues

	For the Three Months Ended March 31	
	2024	2023
YJE	<u>\$ -</u>	<u>\$ 105</u>

19) Cash and cash equivalents

Checking deposits and savings deposits (foreign currency included)

	March 31, 2024	December 31, 2023	March 31, 2023
BOT	\$ 23,297	\$ 23,968	\$ 166,200
SKCB	1	1	1
Others	<u>10,549</u>	<u>10,445</u>	<u>2,730</u>
	<u>\$ 33,847</u>	<u>\$ 34,414</u>	<u>\$ 168,931</u>

Time deposits

	March 31, 2024	December 31, 2023	March 31, 2023
SKCB	\$ 102,500	\$ 332,500	\$ 202,500
BOT	3,000	3,000	3,000
Others	<u>78,000</u>	<u>78,000</u>	<u>78,000</u>
	<u>\$ 183,500</u>	<u>\$ 413,500</u>	<u>\$ 283,500</u>

Interest revenues from related parties were \$997 and \$1,361 for the three months ended March 31, 2024 and 2023, respectively.

- 20) HNCB paid \$11,560 to Chung-Hua Real Estate to build an information technology center on March 31, 2024, December 31, 2023 and March 31, 2023, respectively. It is recognized in construction in progress and prepayment for equipment, land and buildings.

HNAMC paid \$19,375, \$18,661 and \$17,269 to Chung-Hua Real Estate to build an information technology center on March 31, 2024, December 31, 2023 and March 31, 2023, respectively. It is recognized in investment properties and other properties.

21) Compensation of key personnel managements

The key managements refer to directors, supervisors, and vice president beyond managements personnel.

	For the Three Months Ended March 31	
	2024	2023
Short-term employee benefits	\$ 127,767	\$ 117,994
Post-employment benefits	4,510	3,714
Other long-term employee benefits	<u>10</u>	<u>10</u>
	<u>\$ 132,287</u>	<u>\$ 121,718</u>

22) Others

In compliance with Banking Act, except for consumer and government loans, credits extended by HNCB to any related party should be fully secured, and the credit terms for related parties should be similar to those for third parties.

For transactions between HNCB and related parties, the terms are similar to those transacted with third parties, except for the preferential interest rates for employees with limited amounts.

c. Information of related party transactions of subsidiaries over \$100 million

1) HNCB

a) Deposits

	For the Three Months Ended March 31					
	2024			2023		
	Ending Balance	Interest Rate (%)	Interest Expense	Ending Balance	Interest Rate (%)	Interest Expense
TAIFEX	\$ 22,273,753	0-5.75	\$ 122,094	\$ 20,082,690	0.01-4.95	\$ 76,586
HNSC	970,299	0-1.69	1,373	465,112	0-1.565	845
SCIC	868,350	0-1.16	1,854	1,137,575	0-1.565	1,479
HNVC	517,338	0-1.16	1,482	388,837	0-3.45	999
HNFH	259,281	0.602-0.608	455	345,956	0.472-0.478	1,337
Chung-Hua Real Estate	159,388	0-1.285	371	155,030	0-1.45	249
Chien Hsin Trading	121,824	0-4.6	81	121,277	0-3.45	240
Yuan-Ding Investment	<u>108,290</u>	-	<u>-</u>	<u>7,280</u>	-	<u>-</u>
	<u>\$ 25,278,523</u>		<u>\$ 127,710</u>	<u>\$ 22,703,757</u>		<u>\$ 81,735</u>

b) Payable to related party for allocation under the linked-tax system

	March 31, 2024	December 31, 2023	March 31, 2023
Tax payable to the parent company	<u>\$ 3,327,156</u>	<u>\$ 2,468,456</u>	<u>\$ 3,315,646</u>

c) Short-term loans

Line Item	Related Party Name	March 31, 2024	December 31, 2023	March 31, 2023
Short-term loans	HNSC	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ -</u>

2) HNSC

a) Cash and cash equivalents

	March 31, 2024		December 31, 2023		March 31, 2023	
	Ending Balance	Annual Interest Rate (%)	Ending Balance	Annual Interest Rate (%)	Ending Balance	Annual Interest Rate (%)
HNCB	<u>\$ 970,299</u>	0-1.69	<u>\$ 478,895</u>	0-1.565	<u>\$ 465,112</u>	0-1.565

b) Payable to related party for allocation under the linked-tax system

	March 31, 2024	December 31, 2023	March 31, 2023
Tax payable to the parent company	<u>\$ 317,399</u>	<u>\$ 238,021</u>	<u>\$ 252,789</u>

c) Short-term debts

Line Item	Related Party Name	March 31, 2024	December 31, 2023	March 31, 2023
Short-term debts	HNCB	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ -</u>

3) SCIC

a) Cash and cash equivalents

	March 31, 2024		December 31, 2023		March 31, 2023	
	Ending Balance	Annual Interest Rate (%)	Ending Balance	Annual Interest Rate (%)	Ending Balance	Annual Interest Rate (%)
HNCB	<u>\$ 868,350</u>	0-1.16	<u>\$ 779,896</u>	0-1.575	<u>\$ 1,137,575</u>	0-1.065

b) (Receivable) payable to related party for allocation under the linked-tax system

	March 31, 2024	December 31, 2023	March 31, 2023
Tax payable to the Company	<u>\$ 138,947</u>	<u>\$ 93,801</u>	<u>\$ 46,513</u>
Tax receivable to the Company	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,022</u>

c) Marketable securities

	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	Value of Assets Entrusted	Amount	Value of Assets Entrusted	Amount	Value of Assets Entrusted
HNIT	\$ 80,000	\$ 86,727	\$ 150,000	\$ 157,944	\$ 100,000	\$ 104,977

4) HNIT

Payable to related party for allocation under the linked-tax system

	March 31, 2024	December 31, 2023	March 31, 2023
Tax payable to the parent company	\$ 105,439	\$ 105,439	\$ 105,439

5) HNVC

Cash and cash equivalents

	March 31, 2024		December 31, 2023		March 31, 2023	
	Ending Balance	%	Ending Balance	%	Ending Balance	%
HNCB	\$ 517,338	0-1.16	\$ 452,727	0-3.55	\$ 388,837	0-3.45

46. BUSINESS COMBINATIONS

Business Transfer

In order to enhance the operating performance and expand the business competitiveness, the stockholders of HNSC approved to sell all its business for the total consideration of \$66,000 thousand to Feng Long Securities, \$22,000 shall be prepaid at the time of signing the contract on August 15, 2022. With the lessor's consent, upon the approve and acquisition date of FSC was paid \$22,000, respectively. According to Rule No. 1110384930 issued by FSC, the record date of business transfer was January 3, 2023, the amount of business transfer and assets acquired were as follows:

	Amount
Contract price for business transfer	\$ 66,000
Non-current assets	
Property and equipment	\$ 1,812
Intangible assets - computer software	62
Other intangible assets - customer relationships	64,126
Total assets	\$ 66,000

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date; the acquirer shall retrospectively adjust additional assets or liabilities recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Appointed to new information obtained about facts and circumstances that existed as of the acquisition date and should not acquire more information, the measurement period will be end. The measurement period cannot exceed one year from the acquisition date.

47. CASH FLOW INFORMATION

a. Non-cash transactions

Except as disclosed in other notes, the Group conducted the following non-cash transaction investment and financing activities for the three months ended March 31, 2024 and 2023:

The Group acquired intangible assets with an aggregate fair value of \$47,183 on March 31, 2024 (refer to Note 20). Related payables on intangible assets (recorded as accounts payable) decreased by \$271. Total cash used in acquisition of intangible assets was \$47,454.

The Group acquired intangible assets with an aggregate fair value of \$39,418 and the intangible assets obtained by business combining with Feng Long Securities with an aggregate fair value of \$22,000 on March 31, 2023 (refer to Note 46). Related payables on intangible assets (recorded as accounts payable) decreased by \$162. Total cash used in acquisition of intangible assets was \$61,580.

b. Changes in Liabilities Arising from Financing Activities

For the three months ended March 31, 2024

	Opening Balance	Cash Flows	Non-cash Changes				Other	Closing Balance
			Increase In Leasing	Change in Exchange Rates	Other Changes			
Short-term debts	\$ 2,653,000	\$ 1,083,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,736,000
Commercial paper payable	36,316,177	3,284,193	-	-	(311)	-	-	39,600,059
Corporate bonds payable	21,686,915	-	-	-	567	-	-	21,687,482
Bank debentures payable	58,900,000	(4,300,000)	-	-	-	-	-	54,600,000
Long-term debts	759,328	19,672	-	-	-	-	-	779,000
Lease liabilities	2,325,107	(213,357)	196,241	16,682	(36,528)	(11,239)	-	2,276,906
	<u>\$ 122,640,527</u>	<u>\$ (126,492)</u>	<u>\$ 196,241</u>	<u>\$ 16,682</u>	<u>\$ (36,272)</u>	<u>\$ (11,239)</u>		<u>\$ 122,679,447</u>

For the three months ended March 31, 2023

	Opening Balance	Cash Flows	Non-cash Changes				Other	Closing Balance
			Increase In Leasing	Change in Exchange Rates	Other Changes			
Short-term debts	\$ 1,286,000	\$ (241,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,045,000
Commercial paper payable	19,879,471	4,801,976	-	-	5,889	-	-	24,687,336
Corporate bonds payable	28,684,626	(7,000,000)	-	-	588	-	-	21,685,214
Bank debentures payable	57,900,000	-	-	-	-	-	-	57,900,000
Long-term debts	570,000	10,000	-	-	-	-	-	580,000
Lease liabilities	2,075,114	(210,767)	277,298	(2,821)	10,289	(10,139)	-	2,138,974
	<u>\$ 110,395,211</u>	<u>\$ (2,639,791)</u>	<u>\$ 277,298</u>	<u>\$ (2,821)</u>	<u>\$ 16,766</u>	<u>\$ (10,139)</u>		<u>\$ 108,036,524</u>

48. PLEDGED ASSETS

The pledged assets as of March 31, 2024, December 31, 2023 and March 31, 2023 were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Equity instruments at FVOCI	\$ 768,851	\$ 742,676	\$ 605,382
Debt instruments at FVOCI	663,133	645,588	946,293
Debt instruments at amortized cost - bond investment	8,096,300	8,004,000	7,943,200
Debt instruments at amortized cost - certificates of time deposits	39,200,000	39,200,000	39,200,000
Other assets - operating deposits and settlement fund	908,187	915,974	914,135
Other assets - restricted assets	39,690	39,690	57,590
Property and equipment - land	596,727	596,727	596,727
Property and equipment - buildings, net	81,730	82,814	86,066
Investment properties - land	867,802	867,802	867,802
Investment properties - buildings, net	<u>11,339</u>	<u>11,439</u>	<u>11,738</u>
	<u>\$ 51,233,759</u>	<u>\$ 51,106,710</u>	<u>\$ 51,228,933</u>

49. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. HNCB and its subsidiaries

As of March 31, 2024, December 31, 2023 and March 31, 2023, HNCB and its subsidiaries had commitments as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Undrawn loan commitment (Note)	\$ 123,865,689	\$ 113,093,465	\$ 89,782,156
Undrawn credit card commitment	103,075,121	100,644,210	99,482,464
Standby letters of credit	31,571,684	27,703,497	35,272,645
Guarantees issued	106,807,220	105,123,922	100,562,657
Collections for customers	85,718,471	86,167,451	81,993,583
Commissioned deposit	1,263	1,263	1,263
Guarantee notes payable	47,916,375	47,804,575	48,044,200
Trust assets	1,494,671,795	1,181,397,888	933,675,508
Marketable securities under custody	47,363,007	46,292,509	45,284,280
Agent for book-entry government bonds	117,467,000	100,158,700	109,096,500
Agent for short-term bills under custody	115,850,250	105,550,738	105,870,460

Note: Only disclose irrevocable undrawn loan commitment.

b. SCIC

Unrecognized contractual agreements

	March 31, 2024	December 31, 2023	March 31, 2023
Purchase of property, equipment and intangible assets	\$ 89,244	\$ 78,610	\$ 132,689

50. OTHERS

According to Wall Street Journal's report on April 27, 2009 and the indictment presented by U.S. Securities and Exchange Commission (SEC) to United States Court, the assets under the names of Danny Pang, Private Equity Management Group, Inc. and Private Equity Management Group LLC (PEM Group) had been frozen by United States Court. PEM Group is the parent group of GVEC Resource II Inc., which issued structured notes and were invested by HNCB, and is now taken over by the administrator of property (Receiver) assigned by SEC. HNCB had sold five structured notes issued by GVEC Resource II Inc. subordinate to PEM Group from July 2007 to February 2008. HNIT had managed the financial instruments issued by PEM Group. Total amount of those financial instruments mentioned above is US\$258,876.

On May 8, 2009, HNCB and HNIT decided to buy back those financial instruments from investors with the resolution of board of directors and later claimed for damage and compensation in order to protect their reputation and their clients' right. As of March 31, 2024, HNCB and HNIT had bought back \$5,388,042 and \$1,594,288, respectively (including outstanding premium which recognized as receivable). In order to protect shareholders' equity, HNCB's board resolved on December 17, 2010 and December 27, 2010, and HNIT's board resolved on December 21, 2010, to comply with United States Court and transfer US\$39,469 and US\$7,310 worth of Insurance Policy on the balance sheets. The accumulated allowance for HNCB and HNIT amounting to \$3,883,491 and \$1,317,938. HNCB and HNIT had submitted the follow-up scheme to the authorities as of January 3, 2011. HNCB and HNIT had established the Trustee jointly with other financial institutions to take the insurance policy transferred from the receiver and prolonged the insurance premium payment to maintain the validity of insurance policy in March 2011.

51. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

The hierarchy information of fair value of financial instruments:

- a. The fair value of financial instruments of the Group is all measured at fair value on a recurring basis. The fair value hierarchy of the Group financial instruments were as follows:

Assets and Liabilities Items	March 31, 2024			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets mandatorily at FVTPL				
Investment in stocks	\$ 9,202,882	\$ 8,359,175	\$ 209,383	\$ 634,324
Investment in bonds	17,510,509	1,532,119	15,978,390	-
Others	113,448,207	1,987,655	110,996,241	464,311
				(Continued)

Assets and Liabilities Items	March 31, 2024			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTOCI				
Investment in stocks	\$ 57,007,647	\$ 46,266,311	\$ -	\$ 10,741,336
Investment in bonds	340,666,490	4,000,040	336,666,450	-
Others	8,525,564	491,555	8,034,009	-

Liabilities

Financial liabilities at FVTPL				
Held-for-trading financial liabilities	66,791	-	66,791	-

Derivative financial instruments

Assets

Financial assets at FVTPL	14,752,207	2,547	14,749,660	-
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Liabilities

Financial liabilities at FVTPL	4,860,560	2,740	4,857,820	-
				(Concluded)

Assets and Liabilities Items	December 31, 2023			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets mandatorily at FVTPL				
Investment in stocks	\$ 8,292,287	\$ 7,326,209	\$ 122,823	\$ 843,255
Investment in bonds	5,554,445	1,283,548	4,270,897	-
Others	99,487,271	1,952,757	97,031,423	503,091
Financial assets at FVTOCI				
Investment in stocks	45,179,062	35,401,604	-	9,777,458
Investment in bonds	326,175,965	9,806,560	316,369,405	-
Others	8,429,912	491,555	7,938,357	-
<u>Liabilities</u>				
Held-for-trading financial liabilities	32,544	-	32,544	-
<u>Assets</u>				
Financial assets at FVTPL	5,459,900	704	5,459,196	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	8,618,874	2,453	8,612,870	3,551

Assets and Liabilities Items	March 31, 2023			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets mandatorily at FVTPL				
Investment in stocks	\$ 7,585,794	\$ 6,650,700	\$ 30,469	\$ 904,625
Investment in bonds	1,138,808	-	1,138,808	-
Others	86,604,533	1,972,853	84,114,224	517,456
Financial assets at FVTOCI				
Investment in stocks	36,453,335	27,704,132	-	8,749,203
Investment in bonds	315,191,135	7,916,797	307,274,338	-
Others	10,159,772	431,876	9,727,896	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	7,343,454	1,839	7,341,615	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	4,516,535	2,564	4,513,971	-

Note 1: Level 1 financial instruments are traded in active market and have the identical price for the same financial instruments. “Active market” should match the following characteristics:

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

Note 2: Level two financial instruments categorized in this level have the prices that can be inferred from either direct observable inputs (etc. price) or indirect observable inputs (etc. inputs derived from price) other than the active market’s prices. Examples of these inputs are:

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

Note 3: The fair prices of the products in this level are based on the inputs other than the direct market data. For example, historical volatility used in valuing options is an unobservable input, since it cannot represent the entire market participants' expectation toward future volatility.

b. Reconciliation of Level 3 fair value measurements of financial instruments

For the three months ended March 31, 2024

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease			Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	Refunds from Capital Reduction	
Financial assets at FVTPL									
Unlisted shares	\$ 843,255	\$ (74,847)	\$ -	\$ 23,169	\$ -	\$ 33,190	\$ 124,063	\$ -	\$ 634,324
Beneficiary securities	503,091	(50,780)	-	12,000	-	-	-	-	464,311
Financial assets at FVOCI									
Unlisted shares	9,777,458	-	963,878	-	-	-	-	-	10,741,336

As of March 31, 2024, the valuation loss included in profit and loss for assets still held was \$125,627.

For the three months ended March 31, 2023

Name	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease			Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	Refunds from Capital Reduction	
Financial assets at FVTPL									
Unlisted shares	\$ 925,750	\$ 11,534	\$ -	\$ 1,830	\$ -	\$ 34,489	\$ -	\$ -	\$ 904,625
Beneficiary securities	511,768	3,163	-	8,700	-	6,175	-	-	517,456
Financial assets at FVOCI									
Unlisted shares	10,721,818	-	(1,972,615)	-	-	-	-	-	8,749,203
Other financial assets									
Overdue receivables	10,003	14,247	-	-	-	24,250	-	-	-

As of March 31, 2023, the valuation loss included in profit for assets still held was \$28,944.

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

As of March 31, 2024, December 31, 2023 and March 31, 2023, Level 3 items of financial assets and financial liabilities held by the Group. The quantitative information about the unobservable inputs is as follows:

Name	Fair Value on March 31, 2024	Fair Value on December 31, 2023	Fair Value on March 31, 2023	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>							
Financial assets at FVTPL							
Unlisted stocks	\$ 634,324	\$ 843,225	\$ 904,625	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation
Beneficiary securities	464,311	503,091	-	Balance sheet approach	Volatility	10%-20%	Positive correlation
Financial assets at FVOCI							
Unlisted stocks	10,741,336	9,777,458	8,749,203	Market approach or market prices adjusted according to liquidity discount or balance sheet approach	Volatility	10%-20%	Positive correlation

HNFH

As of March 31, 2024, December 31, 2023 and March 31, 2023, Level 3 items of financial assets and financial liabilities held by HNFH. The quantitative information about the unobservable inputs is as follows:

Name	Fair Value on March 31, 2024	Fair Value on December 31, 2023	Fair Value on March 31, 2023	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>							
Financial assets at FVOCI Unlisted stocks	\$ 1,445,009	\$ 1,363,092	\$ 1,261,041	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation

HNCB and its subsidiaries

As of March 31, 2024, December 31, 2023 and March 31, 2023, Level 3 items of financial assets and financial liabilities held by HNFH. The quantitative information about the unobservable inputs is as follows:

Name	Fair Value on March 31, 2024	Fair Value on December 31, 2023	Fair Value on March 31, 2023	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>							
Financial assets mandatorily at FVTPL							
Beneficiary securities	\$ 250,452	\$ 288,976	\$ 321,276	Balance sheet approach	Volatility	10%	Positive correlation
Financial assets at FVOCI							
Unlisted stocks	8,464,602	7,601,465	6,707,588	Market approach or market prices adjusted according to liquidity discount or balance sheet approach	Volatility	10%-20%	Positive correlation

HNSC and its subsidiaries

Significant unobservable inputs are as follow:

Non-controlling interest and liquidity discount. The discount rate was 10% since companies which HNSC invested are government institutions, therefore it would not incur much loss on non-controlling interest.

Name	Fair Value on March 31, 2024	Fair Value on December 31, 2023	Fair Value on March 31, 2023	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>							
Financial assets at FVTPL							
Unlisted stocks	\$ 6,204	\$ 12,960	\$ -	Market approach or market prices adjusted according to liquidity discount	Volatility	20%	Positive correlation
Financial assets at FVOCI							
Unlisted stocks	719,984	701,768	671,047	Balance sheet approach	Volatility	10%	Positive correlation

SCIC

Significant unobservable inputs are as follow. When liquidity discount and non-controlling interest discount decrease, the investments' fair value will increase.

Name	Fair Value on March 31, 2024	Fair Value on December 31, 2023	Fair Value on March 31, 2023	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>							
Financial assets at FVTPL							
Unlisted stocks	\$ 78,044	\$ 91,105	\$ 79,953	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation
Beneficiary securities	19,773	22,815	25,365	Balance sheet approach	Volatility	10%	Positive correlation
Financial assets at FVOCI							
Unlisted stocks	9,600	10,896	12,724	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation

HNIT

Significant unobservable inputs are as follow:

Name	Fair Value on March 31, 2024	Fair Value on December 31, 2023	Fair Value on March 31, 2023	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>							
Financial assets at FVOCI Unlisted stocks	\$ 93,611	\$ 91,414	\$ 87,743	Market approach or market prices adjusted according to liquidity discount	Volatility	10%	Positive correlation

HNVC

Significant unobservable inputs are as follow:

Name	Fair Value on March 31, 2024	Fair Value on December 31, 2023	Fair Value on March 31, 2023	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>							
Financial assets at FVTPL Unlisted stocks	\$ 550,076	\$ 739,190	\$ 824,672	Market approach or market prices adjusted according to liquidity discount	Volatility	20%	Positive correlation
Beneficiary securities	194,086	191,300	170,815	Balance sheet approach	Volatility	10%-20%	Positive correlation

HNAMC

Significant unobservable inputs are as follow:

Name	Fair Value on March 31, 2024	Fair Value on December 31, 2023	Fair Value on March 31, 2023	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>							
Financial assets at FVOCI Unlisted stocks	\$ 8,530	\$ 8,823	\$ 9,059	Balance sheet approach	Volatility	10%	Positive correlation

d. Valuation processes for fair value measurements categorized within Level 3

The convertible bond asset swap of HNCB were based on prices quoted by the counterparty in transactions and by the Bloomberg, respectively. HNCB evaluated the fair value on the basis of conservative principle.

For unlisted equity, HNCB and its subsidiaries mainly adopts market approach and balance sheet approach for evaluation. The market approach evaluation process is to conduct financial analysis, compare with 3 to 5 comparable listings according to their industry and business nature, and select an appropriate multiplier to calculate the equity value, such as price-to-earnings ratio, price-to-net value ratio, etc., and finally obtains the fair value after considering liquidity discount. To reflect the overall equity value, the balance sheet approach evaluates the value of individual assets and liabilities. The evaluation process is to obtain the income statement and balance sheet during the historical period, and to conduct the analysis and adjust the fair value of the accounting items that should be evaluated, and finally obtain fair value after considering liquidity discount and adjustment with the fair value, the final consideration of the liquidity discount to obtain the fair value.

e. HNCB and its subsidiaries' sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions may be used.

HNCB and its subsidiaries evaluate the fair value of financial instruments reasonably. Nevertheless, the outcome of the evaluation may vary because of the adoption of different valuation models and parameters. For the Level 3 financial instruments as of March 31, 2024, December 31, 2023 and March 31, 2023, the sensitivity analysis based on assets category are as follows:

The valuation of unlisted stocks is considered to assess the impact of a 10% upward or downward change in liquidity discount on profit or loss or other comprehensive income for the current period.

Items	The Change in Fair Value Influence Current Net Income		The Change in Fair Value Influence Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>March 31, 2024</u>				
<u>Assets</u>				
Financial assets mandatorily at FVTPL				
Equity investment	\$ 2,783	\$ (2,783)	\$ -	\$ -
Financial assets at FVOCI - equity instruments				
Unlisted shares	-	-	207,876	(207,876)

Items	The Change in Fair Value Influence Current Net Income		The Change in Fair Value Influence Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>December 31, 2023</u>				
<u>Assets</u>				
Financial assets mandatorily at FVTPL				
Equity investment	\$ 3,211	\$ (3,211)	\$ -	\$ -
Financial assets at FVOCI - equity instruments				
Unlisted stocks	-	-	186,378	(186,378)

Items	The Change in Fair Value Influence Current Net Income		The Change in Fair Value Influence Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>March 31, 2023</u>				
<u>Assets</u>				
Financial assets mandatorily at FVTPL				
Equity investment	\$ 3,570	\$ (3,570)	\$ -	\$ -
Financial assets at FVOCI - equity instruments				
Unlisted stocks	-	-	164,168	(164,168)

Favorable or unfavorable changes of HNCB and its subsidiaries refer to the fluctuation of fair value, which is calculated by different unobserved parameters.

If the fair value of financial instruments are affected by more than one parameter, the preceding table only reflects effect caused by a single parameter, and do not consider the correlation among parameters.

HNCB and its subsidiaries

Not measure in fair value:

a. Fair value of financial instruments

The book value of financial instruments not carried at fair value, excluding items in the table below, are reasonably similar to their fair value, therefore their fair value are not disclosed, for example: Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables, discounts and loans, other financial assets, refundable deposits, deposits from the Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittances, other financial liabilities and guarantee deposits received.

Items	Book Value	Fair Value
<u>March 31, 2024</u>		
Financial assets		
Financial assets at amortized cost	\$ 840,957,247	\$ 834,108,032
Non-financial assets		
Investment properties	9,070,832	30,423,544
Financial liabilities		
Bank debentures	54,600,000	55,495,354

Items	Book Value	Fair Value
<u>December 31, 2023</u>		
Financial assets		
Financial assets at amortized cost	\$ 685,304,417	\$ 678,045,131
Non-financial assets		
Investment properties	11,644,573	33,887,086
Financial liabilities		
Bank debentures	58,900,000	60,035,128

Items	Book Value	Fair Value
<u>March 31, 2023</u>		
Financial assets		
Financial assets at amortized cost	\$ 723,456,917	\$ 714,915,220
Non-financial assets		
Investment properties	8,966,050	28,717,904
Financial liabilities		
Bank debentures	57,900,000	59,504,528

b. Hierarchy information of fair value of financial instruments

Assets and Liabilities Items	March 31, 2024			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	\$ 834,108,032	\$ -	\$ 834,108,032	\$ -
Non-financial assets				
Investment properties	30,423,544	-	-	30,423,544
Financial liabilities				
Bank debentures	55,495,354	-	55,495,354	-

Assets and Liabilities Items	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	\$ 678,045,131	\$ 7,424,501	\$ 670,620,630	\$ -
Non-financial assets				
Investment properties	33,887,086	-	-	33,887,086
Financial liabilities				
Bank debentures	60,035,128	-	60,035,128	-

Assets and Liabilities Items	March 31, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	\$ 714,915,220	\$ 13,991	\$ 714,901,229	\$ -
Non-financial assets				
Investment properties	28,717,904	-	-	28,717,904
Financial liabilities				
Bank debentures	59,504,528	-	59,504,528	-

c. Valuation techniques

HNCB and its subsidiaries apply the following methods and assumptions to determine the fair values of financial instruments not carried at fair value:

- 1) The carrying amounts of the following financial instruments approximate to their fair values because of their short-term maturity and the fair value would be estimated by the book value as of the balance sheet date: Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables, other financial assets, refundable deposits, deposits from the Central Bank and other banks, fund borrowed from Central Bank and other banks, securities sold under repurchase agreements, payables, other financial liabilities, and guarantee deposits received.
- 2) Discounts and loans (include nonperforming loans): The interest rate of HNCB and its subsidiaries' loan are determined by the base rate and the added/deducted margin, i.e. the floating rate which can represent market rate. Thus, it's reasonable to estimate the fair value using the carrying amount with the consideration to the possibility of the collection.
- 3) Financial assets at amortized cost: Held-to-maturity financial assets with quoted price in an active market are using market price as fair value; held-to-maturity financial assets with no quoted price in an active market are estimated by valuation methods or counterparties' price.
- 4) Deposits and remittances: The evaluation of fair value are based on banking industry's characteristic. Deposits' mature within one year and measured by market rate (market value), are reasonable to assess fair value with its carrying value. Deposits with three years maturity are measured by discounted cash flow, and it is reasonable using carrying value to assess fair value.
- 5) Bank debenture: The fair value of bank debenture are determined by their expected future cash flow discounted at borrowing rate of debt instruments with equivalent term. The discount rates adopted by HNCB and its subsidiaries were from 1.9111% to 1.9738%.

HNSC and its subsidiaries

a. The information of fair value

1) Financial instruments not measured at fair value

The management of HNSC and its subsidiaries consider the carrying amount of financial assets and liabilities not valued at fair value could not be reliably measured.

2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Debt securities investments	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates at the end of the reporting period.
Derivatives - currency swap contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Emerging stock (non-active market)	Market approach. The company in same industry and similar finance situation which strike price of stock in active market corresponding price multiplier, converting the price of determined subject.

b. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Mandatory at FVTPL	\$ 4,111,528	\$ 2,508,539	\$ 1,920,696
Financial assets of amortized cost (Note 1)	50,018,195	42,739,707	32,117,673
Financial assets at FVOCI			
Investments in equity instruments	5,249,492	4,460,658	2,550,526
Investments in debt instruments	20,294,817	19,015,259	18,117,166
<u>Financial liabilities</u>			
Financial liabilities at FVTPL			
Held for trading	77,236	36,736	4,341
Financial liabilities at amortized cost (Note 2)	67,252,477	57,028,424	44,223,858

Note 1: Balance for financial assets at amortized cost include the succeeding accounts: Cash and cash equivalents, securities purchased under resell agreements, securities financing receivables, refinancing deposits, refinancing guarantee prices receivable, securities borrowings receivable, and borrowing receivables - unlimited use, customer margin accounts, futures trading margin receivable, security borrowing margins, notes receivable and accounts receivable, other receivables, pledged time deposits (presented as other assets), underwriting stock payments (presented as other assets) and other assets (excluding prepayments for equipment, prepayments for investments and others).

Note 2: Balance for financial liabilities valued at amortized cost include the succeeding accounts: Short-term loans, commercial paper payable, securities sold under repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, securities lending refundable deposits, future traders equity, notes payable and accounts payable, other payables (excluding employee benefit and tax), other payables-related party receipts under custody-collections from underwriting corporate bonds payable (including foreign corporate bonds) other long-term provision and other liabilities.

SCIC

a. The information of fair value

1) Financial instruments not valued at fair value

March 31, 2024

	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost (Note)					
Domestic bank debentures	\$ 149,425	\$ -	\$ 149,997	\$ -	\$ 149,997
Domestic government bonds	296,663	296,013	-	-	296,013
Foreign bank debentures	386,079	-	366,978	-	366,978
Foreign corporate bonds	910,999	-	848,147	-	848,147
Foreign government bonds	<u>95,734</u>	<u>92,151</u>	<u>-</u>	<u>-</u>	<u>92,151</u>
	<u>\$ 1,838,900</u>	<u>\$ 388,164</u>	<u>\$ 1,365,122</u>	<u>\$ -</u>	<u>\$ 1,753,286</u>

December 31, 2023

	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost (Note)					
Domestic bank debentures	\$ 149,044	\$ -	\$ 149,995	\$ -	\$ 149,995
Domestic government bonds	296,613	295,069	-	-	295,069
Foreign bank debentures	468,973	-	447,514	-	447,514
Foreign corporate bonds	876,854	-	821,648	-	821,648
Foreign government bonds	<u>91,848</u>	<u>88,951</u>	<u>-</u>	<u>-</u>	<u>88,951</u>
	<u>\$ 1,883,332</u>	<u>\$ 384,020</u>	<u>\$ 1,419,157</u>	<u>\$ -</u>	<u>\$ 1,803,177</u>

March 31, 2023

	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost (Note)					
Domestic bank debentures	\$ 149,263	\$ -	\$ 149,997	\$ -	\$ 149,997
Domestic government bonds	296,461	297,059	-	-	297,059
Foreign bank debentures	359,309	-	318,736	-	318,736
Foreign corporate bonds	868,208	-	805,664	-	805,664
Foreign government bonds	<u>90,994</u>	<u>87,980</u>	<u>-</u>	<u>-</u>	<u>87,980</u>
	<u>\$ 1,764,235</u>	<u>\$ 385,039</u>	<u>\$ 1,274,397</u>	<u>\$ -</u>	<u>\$ 1,659,436</u>

Note: Included amortized cost financial assets as refundable deposits.

The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis.

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - forward contracts and currency swap contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Mandatory at FVTPL	\$ 8,410,287	\$ 8,106,879	\$ 7,318,728
Financial assets at amortized costs (Note 1)	9,501,365	9,922,989	8,875,824
Financial assets at FVTOCI			
Equity instruments	9,600	10,896	12,724
Debt instruments	3,555,648	2,994,298	3,009,466
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Held for trading	123,656	36,165	29,797
Financial liabilities at amortized cost (Note 2)	1,360,128	2,108,006	1,296,283

Note 1: Balances include cash and cash equivalents, receivables, financial assets at amortized cost, other financial assets, loans, indemnity refundable on reinsurance, refundable reinsurance and refundable deposits.

Note 2: Balances include financial liabilities at amortized cost such as payables and guarantee deposits (excluding salary and incentive payable, insurance payable, compensated absence payable, pension payable and tax payable).

HNIT

a. The information of fair value

- Financial instruments not valued at fair value

The management of HNIT considers the carrying amount of financial assets and liabilities not valued at fair value approximates their fair value.

b. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 421,987	\$ 438,221	\$ 456,635
Financial assets at FVTOCI - equity instruments	93,611	91,415	87,743
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	301,216	443,835	350,980

Note 1: Balances includes financial assets at amortized cost such as cash and cash equivalents, accounts receivable, other receivables, other receivables and other assets (other receivables, net and refundable deposits).

Note 2: Balances include financial liabilities at amortized cost such as short-term loans, short-term bills payable and other payables (excluding dividends payable, salary and incentive payable, employee bonus payable, pension payable, labor insurance and national health insurance payable, and business tax payable).

HNVC

a. The information of fair value

- Financial instruments not valued at fair value

The management of HNVC considers the carrying amount of financial assets and liabilities not measured at fair value approximates their fair value, except that the fair value of financial assets at cost cannot be reliably valued.

b. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
FVTPL			
Mandatorily at FVTPL	\$ 1,055,023	\$ 1,071,357	\$ 1,153,805
Financial assets at amortized cost (Note 1)	566,712	501,326	413,760

Financial liabilities

Financial liabilities at amortized cost (Note 2)	244	272	234
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Note 1: Balances includes financial assets at amortized cost such as cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposits.

Note 2: Balances includes financial liabilities at amortized cost such as other payables (excluding salary payable, pension payable, insurance payable and incentive payable), other payables-related parties, other current liabilities.

HNAMC

a. The information of fair value

- Financial instruments not measured at fair value

The management of HNAMC considers the carrying amount of financial assets and liabilities not measured at fair value approximates their fair value.

b. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 266,441	\$ 260,623	\$ 200,407
FVTOCI - equity instruments	8,530	8,823	9,059

Financial liabilities

Financial liabilities at amortized cost (Note 2)	4,371,002	4,391,767	3,527,237
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Note 1: Balances includes financial assets at amortized cost such as cash and cash equivalents, parts of accounts receivable, account receivable-related parties, other receivables, long-term receivables and refundable deposits.

Note 2: Balances include financial liabilities at amortized cost such as short-term loans, net value of short-term bills payable, part of other payables, other payable-related parties, long-term loans, debt provisions and refundable deposits (presented as other non-current liabilities).

52. FINANCIAL RISK MANAGEMENT

a. HNFH

HNFH has set up the policies and related guidelines covering market risk, non-retail credit risk, retail credit risk, operational risk, and asset/liability management. In addition, HNFH has established a set of standards to identify, measure, control (including mitigate or hedge), monitor and manage risks, and applied the aforementioned rules to all members within the Company. Through the execution of risk mechanism monitored by Group Risk Committee and Group Asset and Liability Committee, all risks can be controlled at an acceptable level, while reflecting the Group business targets and corporate value.

HNFH endeavors to integrate the various types of risks of its subsidiaries, and commence on measuring its integral risk exposures and capital by using economic capital. With the implementation of economic capital, HNFH can accurately measure the risk-adjusted return on capital and economic profits for each profit center and then optimize its capital allocation to ultimately maximize the shareholder's value.

b. HNCB

1) Overview

The major risks confronted by HNCB and its subsidiaries include credit risk, market risk, liquidity risk, and operational risk regarding to on-balance and off-balance business.

To improve and reinforce the ability as well as the culture of risk management, HNCB and its subsidiaries have established related risk management policies approved by the board of directors and developed risk measurement instruments which can identify, estimate, monitor and control all types of risk reasonably.

To strengthen the management of climate risk by HNCB and its subsidiaries, and ensure the sustainable operation of HNCB and its subsidiaries, HNCB and its subsidiaries established new policies "Climate Risk Management Policy of HNCB", which clearly define the responsibilities and management system, and regularly report risk information to the Risk Management Committee and the board of directors.

2) Risk management framework

The board of directors is the top risk supervisor of HNCB and its subsidiaries is responsible for the review of related policies and the approval of risk report etc.

After authorized by the board of directors, senior and related managers set up various committee including risk management, business loan audit, overdue loan review and asset management committee to establish mechanisms for risk managing and supervise the execution of risks management policies.

Audit division takes charge of inspecting and evaluating the feasibility as well as the effectiveness of internal control.

3) Credit risk

a) Sources and definitions of credit risk

Credit risk is the risk of default loss if a customer or counterparty fails to meet the contract due to the deterioration of their financial condition.

b) Policies and strategies

To ensure the sound development and establish consistent credit management culture, HNCB and its subsidiaries have stipulated “Hua Nan Commercial Bank Corporate Finance Risk Management Policy”, “Hua Nan Commercial Bank Personal Finance Risk Management Policy”, “Hua Nan International Leasing Co., Ltd. Risk Management Policy” and “Hua Nan International Leasing Corporation Risk Management Policy” as the basis of credit risk regulations.

Credit risk management procedures and measurements are as follows:

i. Loan business (includes loan commitment and guarantee)

Loan business classification and credit quality level are shown as follows:

i) Classification

HNCB and its subsidiaries’ loans are classified into 5 classes. Except for normal credits classified as the Class 1, the remaining unsound credit assets are classified as Class 2 “Assets that require special mention”, Class 3 “Assets that are substandard”, Class 4 “Assets that are doubtful” and Class 5 “Assets for which there is loss” based on the status on collaterals and the length of time overdue. To manage the problematic loans, HNCB and HNILC set up “Evaluation of Asset Classification Guidelines”, “Overdue Loans, Nonperforming Loans and Bad Debt Management Guidelines” and the subsidiaries established “Overdue Loans, Nonperforming Loans, Nonperforming Receivables and Bad Debt Management Guidelines”. All regulations are the basis to manage the problematic and overdue debts.

ii) Credit quality level

In order to measure clients’ credit risks, HNCB and its subsidiaries established credit rating model and the personal finance scorecard on the basis of the statistic method and judgment of the professionals.

Based on the actual occurrence of default, the model and scorecard are examined and revised, if necessary, to ensure the effectiveness of the related risk measurement.

ii. Due from the Central Bank and other banks

HNCB and its subsidiaries will evaluate the counterparties’ credit status and refer to the information issued by credit agencies. HNCB and its subsidiaries will set different credit limits based on different ratings.

iii. Debt investment and derivative financial instruments

HNCB and its subsidiaries manage and identify credit risks of debt investment through credit ratings by external institution, credit quality of the debt, regional conditions and counterparties’ risks.

HNCB and its subsidiaries categorized the credit quality of debt investment instruments into 3 groups which are, the instruments beyond certain ratings assigned by authorized credit agencies, the instruments below the certain ratings assigned by authorized credit agencies and the instruments without ratings assigned by authorized credit agencies.

HNCB and its subsidiaries set the related regulations on the qualification of the counterparties and the credit exposures. The related regulations are as follows:

- i) The clients' credit limit should be approved within the limitation on credit risk according to the regulation on conducting the derivative instruments business.
- ii) The financial institutions grants credit risk limits based on the long-term credit ratings assigned by credit rating agencies approved by the competent authorities.
- iii) The derivative transactions between HNCB and its subsidiaries and the Central Bank as well as the transactions in the stock exchange market are exempted from the aforementioned regulations.

c) Credit risk hedging or mitigation policies

i. Collateral

To reduce the loss of credit risk, HNCB and its subsidiaries have set up several mechanisms, such as collateral valuation, the use of credit guarantee fund, the supervision of valuation method and after-loans management, to ensure that HNCB and its subsidiaries are able to dispose the collateral and mitigate the credit risk effectively.

Through the foundation of the system and the mechanism of management, HNCB continuously monitors the fluctuation in price of the collateral to ensure its effectiveness.

Additionally, HNCB stated related agreements on debt preservation and the rule of setting off etc. to ensure the enforcement of debt preservation and thereby reduce the credit risk.

The subsidiaries established the guidelines on loan business, loan examination and loan review to ensure the qualities of assets and thereby reduce the credit risk. To take credit risk into consideration, the subsidiaries require the clients to provide collateral. To address managing the assessment of collateral. The subsidiaries established the guiding principles of classification of assets that can served as collateral, collateral management, to ensure the enforcement of debt preservation.

ii. Credit risk limits and credit risk concentration control

HNCB and its subsidiaries have set the limitation on credit exposure to single counterparty, related parties, associates, groups, industries and nations, respectively. The limitation on credit exposures includes loan and other credit-risk-related businesses. To achieve decentralization of risk, HNCB supervise and review the feasibilities periodically.

To avoid over-concentration of risk, the subsidiaries' guidelines of risk supervision set the maximum credit limit toward the same institution, related party or related corporation to control the degree of risk concentration.

iii. Agreement of net settlement

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

iv. Other credit risk reinforcement

HNCB and its subsidiaries can offset borrower's deposits. Offset clause was established in HNCB and its subsidiaries' loan agreement, which was defined that borrower's deposit in HNCB and its subsidiaries can be offset borrower's liabilities to decrease credit risk.

v. Pledge of impaired financial assets

HNCB and its subsidiaries closely observed the value of financial assets' pledge and evaluated which financial assets' credit had impaired and needed to recognize allowance impairment. Financial assets which credit were impaired and pledge value, which eliminate potential loss, are as follows:

March 31, 2024

	Book Value	Allowance Impairment	Exposure	Collateral Fair Value
Receivables				
Credit card				
receivables	\$ 120,434	\$ 14,314	\$ 106,120	\$ -
Others	5,629,499	4,000,443	1,629,056	-
Discounts and loans	<u>10,276,017</u>	<u>1,994,479</u>	<u>8,281,538</u>	<u>17,734,146</u>
Total pledge of impaired financial assets amount	<u>\$ 16,025,950</u>	<u>\$ 6,009,236</u>	<u>\$ 10,016,714</u>	<u>\$ 17,734,146</u>

December 31, 2023

	Book Value	Allowance Impairment	Exposure	Collateral Fair Value
Receivables				
Credit card				
receivables	\$ 120,506	\$ 13,043	\$ 107,463	\$ -
Others	5,776,249	3,899,777	1,876,472	-
Discounts and loans	<u>9,836,318</u>	<u>1,635,038</u>	<u>8,201,280</u>	<u>12,199,306</u>
Total pledge of impaired financial assets amount	<u>\$ 15,733,073</u>	<u>\$ 5,547,858</u>	<u>\$ 10,185,215</u>	<u>\$ 12,199,306</u>

March 31, 2023

	Book Value	Allowance Impairment	Exposure	Collateral Fair Value
Receivables				
Credit card				
receivables	\$ 122,792	\$ 12,381	\$ 110,411	\$ -
Others	6,183,804	3,998,062	2,185,742	-
Discounts and loans	<u>10,463,644</u>	<u>2,479,445</u>	<u>7,984,199</u>	<u>15,958,513</u>
Total pledge of impaired financial assets amount	<u>\$ 16,770,240</u>	<u>\$ 6,489,888</u>	<u>\$ 10,280,352</u>	<u>\$ 15,958,513</u>

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

i. Loan business

HNCB and its subsidiaries assess the change in the probability of default of discounts and loans, financing commitments of loans and receivable related to credit during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, HNCB and its subsidiaries classified as debtors' internal evaluation, default condition and the domain which pledge situated in. Each loan business' credit risks level are as follows:

Stage 1: Clients' loans and receivables do not meet the definition of stage 2 and stage 3.

Stage 2: Clients which do not belong to stage 3, however there is any loan or receivable which overdue date is 31 to 89 days. Or the creditor has the following events: Listed as an early warning account by the bank, refunded checks, be listed as a dishurned account by Taiwan Clearing House, the pledged collateral in the bank is enforced by other financial institutions, debts are listed as collections by other financial institutions or written off as bad debts, financial reports issued by accountants that have material uncertainty about the assumption of continued operation, and occurrence of bad credit.

Stage 3: Clients which meet the definition of e) Definition of financial asset default and credit impairment.

ii. Investment position

HNCB and its subsidiaries adopt external credit rating scales to measure whether the credit risk after the initial recognition is significantly increased for debt instrument measured at amortized cost and debt instrument measured at FVOCI on each report date. If the credit rating is above the investment grade on record date and there has not been a significant increase in credit risk, then the bond is stage 1 and need to calculate 12-month ECLs. If the credit rating is below the investment grade on record date and there has been a significant increase in credit risk, then the bond is stage 2 and need to calculate lifetime ECLs. If the credit rating is Ca/CC on record date, the credit is impaired and the bond is stage 3 and need to calculate lifetime ECLs in stage 3.

e) Definition of financial asset default and credit impairment

i. Loan business

If one or more of the following condition are met, HNCB and its subsidiaries determine such financial assets as default and with credit impairment:

- Overdue loans;
- Loans reclassified as nonperforming loans;
- Claim for reorganization;
- Negotiable household which compromise due to debtor's significant financial difficulty;

- Poverty-relief case;
- Individual consultation/debt consultation/debt clearance/debt deferral;
- Accounts receivable or loans to client after offsetting financial derivatives.

The aforementioned default and credit impairment definition implied to credit assets held by HNCB and its subsidiaries, and should be in consistent with what internal credit risk management purpose defined related financial assets, and should be used in related impairment evaluation systems.

ii. Investment position

The credit risk is considered increase significantly if the credit rating is below the investment grade on record date and above investment grade on initial purchasing date. Whereas the credit is considered impaired if it is Ca/CC on record date.

If liability investment instrument does not qualify the default and credit impairment definition, it should no longer be consider as default and credit impaired and its status should be identified as collectable.

f) Write-off policy

If one of the following situations occurred, non-performing loans as well as overdue receivables, after deducting recoverable amount, will be written off as bad debt:

- All or part of the creditor's right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
- The values of collateral and properties of the debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed the bank's reimbursable amount.
- The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneficial to the bank.
- Overdue and nonperforming loans have not been recovered after more than 2 years from the maturity date.
- The minimum payable amount of debit card and credit card which are overdue for three months, should be written off in six months. Appropriate documents should be acquired to support such written off.

g) The amendment of financial assets' cash flow

HNCB and its subsidiaries may amend the contract cash flow of financial assets due to debtor's financial difficulty, enhancing the recovery rate of questionable borrowers, or maintaining customer relationship. The amendment of contract may include deferring contract period, amending the date of paying interesting, amending interest rate or exempting partial unpaid amount. The amendment of contract cash flow may cause HNCB and its subsidiaries derecognize current financial assets and recognize new financial assets in fair value.

If amending contract cash flow do not cause derecognition, HNCB and its subsidiaries compare the following issue and evaluate if the credit risk of financial assets has increase significantly:

- The risk of default on record date (based on amended contract clause).
- The risk of default on initial recognition (based on original non-amended contract clause).

h) Measurement of expected credit losses

- Loan business

HNCB and its subsidiaries divide loan business into corporate banking and customer banking. Corporate banking incudes domestic branch, OBU (domestic corporate banking) and oversea branch. Domestic corporate banking is divided into five group based on government agency, public enterprise, and credit line. Oversea branch of corporate banking are divided based on accounts. Customer banking are divided into six products, based on the type of loan, debit and credit card.

HNCB and its subsidiaries evaluate loss allowance of financial assets, which credit risk did not significantly increased after initial recognition, based on 12 month expected credit losses. Whereas evaluate loss allowance of financial assets, which credit risk significantly increased after initial recognition, based on lifetime expected credit losses.

To evaluate expected credit losses, HNCB and its subsidiaries multiply borrowers' future 12 month and lifetime probability of default (as "PD"), by the loss given default (as "LGD"), by the exposure at default (as "EAD"), and considered the effect of time value of money.

PD is the default percentage of a borrower. LGD is the loss ratio once a borrower default. The PD and LGD applied by HNCB and its subsidiaries for loan business impairment evaluation, are based on each portfolio's historical information calculated internally (etc. credit risks experience), and adjusted the historical information with current observable information and forward-looking macro economic information.

HNCB and its subsidiaries evaluate risk exposure amount based on "IFRS 9 Impairment Evaluation Methodology Guideline" issued by BAROC. Off-balance sheet exposure items are calculated through credit conversion factor, regulated in "The description and form of calculating banks' eligible capital and risk-weighted assets", and the historical credit utilization of Group and its subsidiaries to estimate the risk exposure amount of loan commitments.

- Investment position

HNCB and its subsidiaries evaluate loss allowance of liability investment instruments, which credit risk did not significantly increased after initial recognition, based on 12 month expected credit losses. Whereas evaluate loss allowance of liability investment instruments, which credit risk significantly increased after initial recognition, based on lifetime expected credit losses.

ECLs are calculated by PD multiply by LGD and EAD.

i) Consideration of forward - looking estimation

- Loan business

HNCB and its subsidiaries apply Asymptotic Single Risk Factor (ASRF), because according to IFRS 9 it required effect of forward - looking estimation to calculate ECLs, to adjust forward - looking estimation by matching default percentage with macro economic index. Corporate banking apply GDP growth rate whereas customer banking apply unemployment rate as macro economic index. Overseas branch offices apply GDP growth rate whereas customer banking apply unemployment rate to adjust prospective estimation. Related forward - looking estimation data are historical data of the past five years (consider as one business cycle). Macro economic data of future five years estimation are considered as an alert. The rates are updated every half year. If economic reversal point was found in advance, HNCB and its subsidiaries are able to respond to future impact in time.

- Investment position

Default percentage and default loss are calculated based on historical default rate and default loss rate, which are announced by external credit agencies. External credit agencies had considered forward - looking estimation while evaluating credit, therefore HNCB and its subsidiaries applied the evaluation result and matched with external credit migration matrix to acquire PD, and evaluated ECLs.

j) The changes in the total carrying amount and loan business of HNCB and its subsidiaries

Changes in loss allowance for discounts and loans

	For the Three Months Ended March 31, 2024					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 1,577,071	\$ 3,764,486	\$ 1,635,038	\$ 6,976,595	\$ 21,884,985	\$ 28,861,580
Changes of financial instruments that have been identified at the beginning of the period:						
To lifetime ECL	(369,833)	370,295	(462)	-	-	-
To credit impaired financial assets	(32,293)	(68,786)	101,079	-	-	-
To 12-month ECL	7,429	(7,409)	(20)	-	-	-
Derecognizing financial assets during the current period	(717,928)	(1,141,160)	(232,782)	(2,091,870)	-	(2,091,870)
Purchased or originated financial assets	1,154,467	2,972,175	482,037	4,608,679	-	4,608,679
Loss recognized based on the regulations	-	-	-	-	(1,817,970)	(1,817,970)
Exchange rate and others changes	20,223	23,753	9,589	53,565	-	53,565
Balance, March 31	<u>\$ 1,639,136</u>	<u>\$ 5,913,354</u>	<u>\$ 1,994,479</u>	<u>\$ 9,546,969</u>	<u>\$ 20,067,015</u>	<u>\$ 29,613,984</u>

	For the Three Months Ended March 31, 2023					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 4,036,727	\$ 1,914,979	\$ 3,695,763	\$ 9,647,469	\$ 18,025,750	\$ 27,673,219
Changes of financial instruments that have been identified at the beginning of the period:						
To lifetime ECL	(3,112,134)	3,263,235	(151,101)	-	-	-
To credit impaired financial assets	(27,239)	(10,258)	37,497	-	-	-
To 12-month ECL	12,464	(12,311)	(153)	-	-	-
Derecognizing financial assets during the current period	(3,047,429)	(1,627,479)	(1,556,037)	(6,230,945)	-	(6,230,945)
Purchased or originated financial assets	3,331,702	817,387	456,091	4,605,180	-	4,605,180
Loss recognized based on the regulations	-	-	-	-	1,602,856	1,602,856
Exchange rate and others changes	(19,743)	(8)	(2,615)	(22,366)	-	(22,366)
Balance, March 31	<u>\$ 1,174,348</u>	<u>\$ 4,345,545</u>	<u>\$ 2,479,445</u>	<u>\$ 7,999,338</u>	<u>\$ 19,628,606</u>	<u>\$ 27,627,944</u>

Changes in the total carrying amount of discounts and loans

	For the Three Months Ended March 31, 2024			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 2,115,749,640	\$ 146,731,962	\$ 9,836,318	\$ 2,272,317,920
Changes of financial instruments that have been identified at the beginning of the period:				
To lifetime ECL	(6,182,148)	6,189,800	(7,652)	-
To credit impaired financial assets	(388,040)	(440,516)	828,556	-
To 12-month ECL	8,189,716	(8,165,013)	(24,703)	-
Derecognizing financial assets during the current period	(440,330,080)	(57,263,728)	(1,243,480)	(498,837,288)
Purchased or originated financial assets	467,436,216	53,669,565	810,310	521,916,091
Exchange rate and others changes	<u>9,630,746</u>	<u>1,039,968</u>	<u>76,668</u>	<u>10,747,382</u>
Balance, March 31	<u>\$ 2,154,106,050</u>	<u>\$ 141,762,038</u>	<u>\$ 10,276,017</u>	<u>\$ 2,306,144,105</u>

	For the Three Months Ended March 31, 2023			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 2,006,203,694	\$ 40,083,936	\$ 18,493,078	\$ 2,064,780,708
Changes of financial instruments that have been identified at the beginning of the period:				
To lifetime ECL	(85,094,534)	91,000,149	(5,905,615)	-
To credit impaired financial assets	(125,550)	(98,912)	224,462	-
To 12-month ECL	17,658,512	(16,962,521)	(695,991)	-
Derecognizing financial assets during the current period	(444,213,815)	(8,994,912)	(2,738,254)	(455,946,981)
Purchased or originated financial assets	450,245,685	45,875,370	1,093,817	497,214,872
Exchange rate and others changes	<u>(2,011,090)</u>	<u>(4,792)</u>	<u>(7,853)</u>	<u>(2,023,735)</u>
Balance, March 31	<u>\$ 1,942,662,902</u>	<u>\$ 150,898,318</u>	<u>\$ 10,463,644</u>	<u>\$ 2,104,024,864</u>

Changes in loss allowance for receivables

	For the Three Months Ended March 31, 2024					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 42,896	\$ 84,521	\$ 3,912,820	\$ 4,040,237	\$ 64,654	\$ 4,104,891
Changes of financial instruments that have been identified at the beginning of the period:						
To lifetime ECL	(2,523)	2,523	-	-	-	-
To credit impaired financial assets	(475)	(2,195)	2,670	-	-	-
To 12-month ECL	22	(22)	-	-	-	-
Derecognizing financial assets during the current period	(20,723)	(11,828)	(22,810)	(55,361)	-	(55,361)
Purchased or originated financial assets	23,993	6,832	8,016	38,841	-	38,841
Loss recognized based on the regulations	-	-	-	-	54,701	54,701
Exchange rate and others changes	<u>372</u>	<u>(56,058)</u>	<u>114,061</u>	<u>58,375</u>	<u>-</u>	<u>58,375</u>
Balance, March 31	<u>\$ 43,562</u>	<u>\$ 23,773</u>	<u>\$ 4,014,757</u>	<u>\$ 4,082,092</u>	<u>\$ 119,355</u>	<u>\$ 4,201,447</u>

	For the Three Months Ended March 31, 2023					Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	
Balance, January 1	\$ 55,095	\$ 45,078	\$ 4,076,863	\$ 4,177,036	\$ 72,789	\$ 4,249,825
Changes of financial instruments that have been identified at the beginning of the period:						
To lifetime ECL	(11,299)	11,730	(431)	-	-	-
To credit impaired financial assets	(363)	(222)	585	-	-	-
To 12-month ECL	52	(48)	(4)	-	-	-
Derecognizing financial assets during the current period	(32,926)	(9,821)	(14,369)	(57,116)	-	(57,116)
Purchased or originated financial assets	24,156	10,959	8,148	43,263	-	43,263
Loss recognized based on the regulations	-	-	-	-	2,425	2,425
Exchange rate and others changes	(204)	25,573	(60,349)	(34,980)	-	(34,980)
Balance, March 31	<u>\$ 34,511</u>	<u>\$ 83,249</u>	<u>\$ 4,010,443</u>	<u>\$ 4,128,203</u>	<u>\$ 75,214</u>	<u>\$ 4,203,417</u>

Changes in the total carrying amount of receivables

	For the Three Months Ended March 31, 2024			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 18,817,754	\$ 12,966,625	\$ 5,896,755	\$ 37,681,134
Changes of financial instruments that have been identified at the beginning of the period:				
To lifetime ECL	(37,466)	37,485	(19)	-
To credit impaired financial assets	(8,268)	(11,219)	19,487	-
To 12-month ECL	18,878	(18,788)	(90)	-
Derecognizing financial assets during the current period	(7,777,689)	(514,610)	(52,885)	(8,345,184)
Purchased or originated financial assets	7,874,306	356,432	15,870	8,246,608
Exchange rate and others changes	<u>123,041</u>	<u>1,155,293</u>	<u>(129,185)</u>	<u>1,149,149</u>
Balance, March 31	<u>\$ 19,010,556</u>	<u>\$ 13,971,218</u>	<u>\$ 5,749,933</u>	<u>\$ 38,731,707</u>

	For the Three Months Ended March 31, 2023			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 17,101,573	\$ 7,986,674	\$ 6,377,048	\$ 31,465,295
Changes of financial instruments that have been identified at the beginning of the period:				
To lifetime ECL	(381,690)	391,404	(9,714)	-
To credit impaired financial assets	(3,881)	(1,940)	5,821	-
To 12-month ECL	41,930	(39,517)	(2,413)	-
Derecognizing financial assets during the current period	(7,759,703)	(257,536)	(35,511)	(8,052,750)
Purchased or originated financial assets	6,452,081	603,786	27,034	7,082,901
Exchange rate and others changes	<u>(39,166)</u>	<u>683,071</u>	<u>(55,669)</u>	<u>588,236</u>
Balance, March 31	<u>\$ 15,411,144</u>	<u>\$ 9,365,942</u>	<u>\$ 6,306,596</u>	<u>\$ 31,083,682</u>

Changes in loss on allowance for other financial assets

	For the Three Months Ended March 31, 2024					
	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 11,168	\$ -	\$ 137,728	\$ 148,896	\$ 3,600	\$ 152,496
Changes of financial instruments that have been identified at the beginning of the period:						
Derecognizing financial assets during the current period	(2,810)	-	(3,649)	(6,459)	-	(6,459)
Purchased or originated financial assets	1,837	-	13,308	15,145	-	15,145
Loss recognized based on the Regulations	-	-	-	-	(1,007)	(1,007)
Exchange rate other change	159	-	5,290	5,449	-	5,449
Balance, March 31	<u>\$ 10,354</u>	<u>\$ -</u>	<u>\$ 152,677</u>	<u>\$ 163,031</u>	<u>\$ 2,593</u>	<u>\$ 165,624</u>

	For the Three Months Ended March 31, 2023					
	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 5,790	\$ -	\$ 10,799	\$ 16,589	\$ 2,791	\$ 19,380
Changes of financial instruments that have been identified at the beginning of the period:						
Derecognizing financial assets during the current period	(866)	-	(2,131)	(2,997)	-	(2,997)
Purchased or originated financial assets	1,374	-	2,608	3,982	-	3,982
Loss recognized based on the Regulations	-	-	-	-	1,111	1,111
Exchange rate other change	39	-	-	39	-	39
Balance, March 31	<u>\$ 6,337</u>	<u>\$ -</u>	<u>\$ 11,276</u>	<u>\$ 17,613</u>	<u>\$ 3,902</u>	<u>\$ 21,515</u>

Changes in the total carrying amount of other financial assets

	For the Three Months Ended March 31, 2024			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 850,398	\$ -	\$ 150,044	\$ 1,000,442
Changes of financial instruments that have been identified at the beginning of the period:				
Derecognizing financial assets during the current period	(192,233)	-	(7,184)	(199,417)
Purchased or originated financial assets	118,223	-	25,745	143,968
Exchange rate other change	10,694	-	5,278	15,972
Balance, March 31	<u>\$ 787,082</u>	<u>\$ -</u>	<u>\$ 173,883</u>	<u>\$ 960,965</u>

	For the Three Months Ended March 31, 2023			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 307,737	\$ -	\$ 22,189	\$ 329,926
Changes of financial instruments that have been identified at the beginning of the period:				
Derecognizing financial assets during the current period	(45,092)	-	(3,572)	(48,664)
Purchased or originated financial assets	103,659	-	4,954	108,613
Exchange rate other change	1,893	-	-	1,893
Balance, March 31	<u>\$ 368,197</u>	<u>\$ -</u>	<u>\$ 23,571</u>	<u>\$ 391,768</u>

Note: The total book amount only includes nonperforming loans transferred from other than loans, long-term receivables and remittance purchased.

Changes of commitment and guarantee liability provisions

	For the Three Months Ended March 31, 2024					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 201,402	\$ 874,328	\$ 9,007	\$ 1,084,737	\$ 675,775	\$ 1,760,512
Changes of financial instruments that have been identified at the beginning of the period:						
To lifetime ECL	(41,689)	41,689	-	-	-	-
To credit impaired financial assets	(186)	(516)	702	-	-	-
To 12-month ECL	6,036	(6,036)	-	-	-	-
Derecognizing financial assets during the current period	(100,934)	(522,638)	(2,055)	(625,627)	-	(625,627)
Purchased or originated financial assets	98,069	159,533	1,750	259,352	-	259,352
Loss recognized based on the Regulations	-	-	-	-	291,733	291,733
Exchange rate other change	799	1,255	1	2,055	-	2,055
Balance, March 31	\$ 163,497	\$ 547,615	\$ 9,405	\$ 720,517	\$ 967,508	\$ 1,688,025

	For the Three Months Ended March 31, 2023					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 549,524	\$ 587,145	\$ 52,982	\$ 1,189,651	\$ 504,294	\$ 1,693,945
Changes of financial instruments that have been identified at the beginning of the period:						
To lifetime ECL	(937,823)	937,891	(68)	-	-	-
To credit impaired financial assets	(426)	(60)	486	-	-	-
To 12-month ECL	3,724	(3,679)	(45)	-	-	-
Derecognizing financial assets during the current period	(414,582)	(568,277)	(46,106)	(1,028,965)	-	(1,028,965)
Purchased or originated financial assets	961,751	34,029	1,360	997,140	-	997,140
Loss recognized based on the Regulations	-	-	-	-	24,861	24,861
Exchange rate other change	(1,331)	(44)	(42)	(1,417)	-	(1,417)
Balance, March 31	\$ 160,837	\$ 987,005	\$ 8,567	\$ 1,156,409	\$ 529,155	\$ 1,685,564

k) The maximum credit exposure of the financial instruments

- i. Maximum credit exposures of assets, excluding collaterals and other credit enhancement instruments, on consolidated balance sheet are almost equivalent to its carrying amount.
- ii. HNCB and its subsidiaries' maximum credit exposures (excluding collaterals) off balance sheet are shown as follows:

Off-balance Sheet Items	The Maximum Credit Exposure		
	March 31, 2024	December 31, 2023	March 31, 2023
Undrawn loan commitment	\$ 123,865,689	\$ 113,093,465	\$ 89,782,156
Undrawn credit card commitment	103,075,121	100,644,210	99,482,464
Standby letters of credit	31,571,684	27,703,497	35,272,645
Guarantees issued	106,807,220	105,123,922	100,562,657
Total	\$ 365,319,714	\$ 346,565,094	\$ 325,099,922

Because the payments of these loan business and financial instruments would not be disbursed before maturity, therefore, the amounts of these contracts do not represent future outflows, namely that the demand of future cash is lower than the amounts stated in contract. If the credit line is reached and the collateral is of little value, the credit risk equals the contract amounts, the greatest possible losses.

The table below analyzes the collaterals held as security, master netting agreements and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheet:

March 31, 2024

	Maximum Exposure to Credit Risk Mitigated by	
	Collateral	Total
<u>Balance sheet items</u>		
Financial assets at FVOCI		
Bond investments	\$ 316,816,025	\$ 1,199,995
Others	8,034,009	-
Amortized costs - debt instruments		
Bond investments	288,198,722	6,594,565
Others	552,798,837	-
Receivables		
Credit cards business	9,942,012	-
Others	24,325,722	-
Discounts and loans	2,306,144,105	1,653,755,935
Other financial assets		
Credit cards business	156,277	-
Others	20,396	-

Off-balance sheet items

Undrawn loan commitment	123,865,689	5,037,771
Undrawn credit card commitment	103,075,121	-
Standby letters of credit	31,571,684	11,515,723
Guarantees issued	106,807,220	53,292,144

December 31, 2023

	Maximum Exposure to Credit Risk Mitigated by	
	Collateral	Total
<u>Balance sheet items</u>		
Financial assets at FVOCI		
Bond investments	\$ 304,166,408	\$ 1,199,996
Others	7,938,357	-
Amortized costs - debt instruments		
Bond investments	248,539,273	5,899,916
Others	436,798,479	-
Receivables		
Credit cards business	10,381,019	-
Others	23,117,427	-
Discounts and loans	2,272,317,920	1,635,491,677
Other financial assets		
Credit cards business	149,909	-
Others	4,137	-

(Continued)

	Maximum Exposure to Credit Risk Mitigated by	
	Collateral	Total
<u>Off-balance sheet items</u>		
Undrawn loan commitment	\$ 113,093,465	\$ 6,681,580
Undrawn credit card commitment	100,644,210	-
Standby letters of credit	27,703,497	11,623,384
Guarantees issued	105,123,922	50,419,170
		(Concluded)

March 31, 2023

	Maximum Exposure to Credit Risk Mitigated by	
	Collateral	Total
<u>Balance sheet items</u>		
Financial assets at FVOCI		
Bond investments	\$ 294,064,503	\$ 1,199,995
Others	9,727,896	-
Amortized costs - debt instruments		
Bond investments	209,288,277	3,699,971
Others	514,188,205	-
Receivables		
Credit cards business	9,055,637	-
Others	20,475,244	-
Discounts and loans	2,104,024,864	1,524,762,357
Other financial assets		
Credit cards business	23,441	-
Others	8,437	-

Off-balance sheet items

Undrawn loan commitment	89,782,156	5,209,660
Undrawn credit card commitment	99,482,464	-
Standby letters of credit	35,272,645	13,216,714
Guarantees issued	100,562,657	47,858,378

iii. Total book value of the maximum credit risk exposures discounted and loans

March 31, 2024				
Categories of Financial Assets	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Losses			
Ratings				
Corporate finance	\$ 1,284,961,004	\$ 137,471,075	\$ 8,918,747	\$ 1,431,350,826
Personal finance	<u>869,145,046</u>	<u>4,290,963</u>	<u>1,357,270</u>	<u>874,793,279</u>
Total book value of discounted and loans	<u>\$ 2,154,106,050</u>	<u>\$ 141,762,038</u>	<u>\$ 10,276,017</u>	<u>2,306,144,105</u>
Allowance for impairment loss	<u>\$ (1,639,136)</u>	<u>\$ (5,913,354)</u>	<u>\$ (1,994,479)</u>	(9,546,969)
Recognized loss by regulations				<u>(20,067,015)</u>
Premium discount adjustment of discounted and loans				<u>(158,696)</u>
Discounted and loans, net				<u>\$ 2,276,371,425</u>
December 31, 2023				
Categories of Financial Assets	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Losses			
Ratings				
Corporate finance	\$ 1,267,324,454	\$ 142,966,235	\$ 8,410,763	\$ 1,418,701,452
Personal finance	<u>848,425,186</u>	<u>3,765,727</u>	<u>1,425,555</u>	<u>853,616,468</u>
Total book value of discounted and loans	<u>\$ 2,115,749,640</u>	<u>\$ 146,731,962</u>	<u>\$ 9,836,318</u>	<u>2,272,317,920</u>
Allowance for impairment loss	<u>\$ (1,577,071)</u>	<u>\$ (3,764,486)</u>	<u>\$ (1,635,038)</u>	(6,976,595)
Recognized loss by regulations				<u>(21,884,985)</u>
Premium discount adjustment of discounted and loans				<u>(111,904)</u>
Discounted and loans, net				<u>\$ 2,243,344,436</u>
March 31, 2023				
Categories of Financial Assets	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Losses			
Ratings				
Corporate finance	\$ 1,149,396,385	\$ 147,221,507	\$ 9,033,759	\$ 1,305,651,651
Personal finance	<u>793,266,517</u>	<u>3,676,811</u>	<u>1,429,885</u>	<u>798,373,213</u>
Total book value of discounted and loans	<u>\$ 1,942,662,902</u>	<u>\$ 150,898,318</u>	<u>\$ 10,463,644</u>	<u>2,104,024,864</u>
Allowance for impairment loss	<u>\$ (1,174,348)</u>	<u>\$ (4,345,545)</u>	<u>\$ (2,479,445)</u>	(7,999,338)
Recognized loss by regulations				<u>(19,628,606)</u>
Premium discount adjustment of discounted and loans				<u>85,764</u>
Discounted and loans, net				<u>\$ 2,076,482,684</u>

- iv. Amount that does not apply impairment of financial instruments of the maximum credit risk exposure

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets at fair value through profit or loss			
Bonds	\$ 14,746,913	\$ 3,732,122	\$ 60,557
Derivative financial instruments	14,744,455	5,368,328	7,330,920
Others	<u>111,845,599</u>	<u>98,006,678</u>	<u>84,887,883</u>
	<u>\$ 141,336,967</u>	<u>\$ 107,107,128</u>	<u>\$ 92,279,360</u>

l) Credit risk concentration of HNCB and its subsidiaries

To manage credit assets portfolio, enhance the assets quality as well as the efficiency of utility of capital, and thereby prevent material effect from negative credit events, HNCB and its subsidiaries stipulate various credit limits and monitor the appropriateness periodically.

i. By industry

Industries	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
Private enterprise	\$ 1,057,846,356	46	\$ 1,063,833,221	47	\$ 957,498,858	46
Nature person	871,081,461	38	849,727,748	38	794,292,416	38
Foreign institution	302,475,355	13	288,462,835	13	272,519,294	13
Public enterprise	42,500,000	2	33,015,047	1	25,000,000	1
Government agency	28,499,902	1	32,406,020	1	51,041,566	2
Financial institutions	1,920,000	-	3,049,000	-	2,500,000	-
Non-profit organization	1,821,031	-	1,824,049	-	1,172,730	-
Total	\$ 2,306,144,105	100	\$ 2,272,317,920	100	\$ 2,104,024,864	100

ii. By region

According to the country risk statistics of transnational debt rights (excluding Taiwan), the proportions of total overseas exposure in Asia, America, Europe and others are 35.7%, 30.8%, 17.2% and 16.4%, respectively. In compliance with the conservatism principles, Group invest in subject above the investment grade with lower country risk as the guideline of expanding business. Currently, the country risk exposure in all region is within sustainable limits of HNCB and its subsidiaries.

iii. By collateral

Industries	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
Credit	\$ 652,388,170	28	\$ 636,826,243	28	\$ 579,262,507	28
Secured						
Stocks	32,346,920	1	31,900,071	1	30,395,521	1
Liabilities	29,930,934	1	37,748,949	2	32,345,304	2
Real estate	1,398,459,339	61	1,376,974,346	61	1,308,623,112	62
Movables	40,267,622	2	40,913,527	2	37,066,154	2
Receivables	10,284,713	1	10,375,172	-	10,332,573	-
Guarantees	124,690,448	5	120,558,360	5	88,362,579	4
Others	17,775,959	1	17,021,252	1	17,637,114	1
Total	\$ 2,306,144,105	100	\$ 2,272,317,920	100	\$ 2,104,024,864	100

4) Liquidity risk

a) Source and definition of liquidity risk

Liquidity risk refers to HNCB and its subsidiaries that could not provide sufficient funding to meet its obligations for on a reasonable price which cause earnings or capital losses. Sources of liquidity risk include unexpected changes or decrement of funds and the indiscretion or incapacity of handling the changes of the market, resulting in the condition that cannot liquidate assets promptly.

b) Strategies of HNCB and its subsidiaries' liquidity risk management

The goal of liquidity risk management is to maintain stability of liquidity under the premise that the cost of capital and return of assets would be both considered.

HNCB and its subsidiaries have stipulated rules consisting of identification measurement and supervision of risk, etc. To control the extent of exposure, HNCB and its subsidiaries have established supervision mechanism and set liquidity ratio or cash flow for reference of estimation on liquidity cushion. Moreover, certain rules are set to handle urgent liquidity crisis.

The information addressing the liquidity risk management will be reported to "Assets and Liabilities Committee" and boards of directors periodically. Also the information will be independently reviewed by internal auditor.

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

Cash outflow analyses of HNCB and its subsidiaries' non-derivative financial assets and liabilities are summarized as follows. Since the holding period of non-derivative financial assets and liabilities in financial assets and liabilities at FVTPL is short-termed, they are categorized into the shortest term group. The amounts disclosed in the following table are based on undiscounted contract cash flow; hence, parts of disclosed amounts of some items will not match the related items in consolidated balance sheet.

March 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Main capital inflow on maturity						
Cash and cash equivalents	\$ 43,740,358	\$ 3,351,680	\$ 2,137,709	\$ 1,317,238	\$ -	\$ 50,546,985
Due from the Central Bank and other banks	136,473,658	40,157,325	16,346,130	14,423,930	48,414,765	255,815,808
Financial assets mandatorily at FVTPL	126,342,060	-	-	-	-	126,342,060
Securities purchased under resell agreements	2,850,000	-	-	-	-	2,850,000
Loans (excluding nonperforming loans)	215,510,918	235,195,571	183,123,489	187,868,471	1,451,516,314	2,273,214,763
Financial assets at FVTOCI	3,050,805	7,849,669	3,337,266	7,898,387	353,406,867	375,542,994
Amortized cost - debt instruments	435,488,425	24,473,137	39,973,776	76,305,661	264,716,248	840,957,247
Other capital inflow	8,116,931	2,295,350	2,736,262	1,457,769	871,818	15,478,130
Subtotal	971,573,155	313,322,732	247,654,632	289,271,456	2,118,926,012	3,940,747,987
Main capital outflow on maturity						
Deposits from the Central Bank and banks	111,548,846	79,366,234	43,691	68,949	5	191,027,725
Deposits and remittances	332,933,113	417,021,969	525,584,737	511,685,097	1,557,111,510	3,344,336,426
Securities sold under repurchase agreements	25,804,099	46,267,454	1,024,824	20,033	-	73,116,410
Bank debentures payable	-	-	5,000,000	1,900,000	47,700,000	54,600,000
Lease liabilities	85,651	93,211	147,219	292,350	1,568,643	2,187,074
Other capital outflow	10,158,847	8,025,796	12,021,728	8,410,750	48,084,584	86,701,705
Subtotal	480,530,556	550,774,664	543,822,199	522,377,179	1,654,464,742	3,751,969,340
Gap	\$ 491,042,599	\$ (237,451,932)	\$ (296,167,567)	\$ (233,105,723)	\$ 464,461,270	\$ 188,778,647

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Main capital inflow on maturity						
Cash and cash equivalents	\$ 29,527,591	\$ 3,309,432	\$ 2,415,319	\$ 1,590,266	\$ -	\$ 36,842,608
Due from the Central Bank and other banks	136,880,325	33,642,262	11,154,060	14,807,237	49,273,579	245,757,463
Financial assets mandatorily at FVTPL	101,449,824	-	-	-	-	101,449,824
Securities purchased under resell agreements	2,000,000	-	-	-	-	2,000,000
Loans (excluding nonperforming loans)	218,493,130	201,474,060	215,282,949	199,810,916	1,405,028,978	2,240,090,033
Financial assets at FVTOCI	1,238,264	3,299,284	10,537,509	7,017,470	329,747,972	351,840,499
Amortized cost - debt instruments	324,802,937	33,569,221	33,183,768	67,301,125	226,447,366	685,304,417
Other capital inflow	7,510,781	2,022,885	2,874,594	1,344,711	923,701	14,676,672
Subtotal	821,902,852	277,317,144	275,448,199	291,871,725	2,011,421,596	3,677,961,516
Main capital outflow on maturity						
Deposits from the Central Bank and banks	109,747,151	80,588,401	172,197	42,871	2	190,550,622
Deposits and remittances	356,079,705	403,238,271	311,861,936	507,989,153	1,488,438,879	3,067,607,944
Securities sold under repurchase agreements	21,220,184	63,759,771	3,990,454	35,033	-	89,005,442
Bank debentures payable	-	4,300,000	-	6,900,000	47,700,000	58,900,000
Lease liabilities	85,651	93,211	147,219	292,350	1,568,643	2,187,074
Other capital outflow	9,971,760	7,238,308	7,883,957	8,399,704	47,920,461	81,414,190
Subtotal	497,104,451	559,217,962	324,055,763	523,659,111	1,585,627,985	3,489,665,272
Gap	\$ 324,798,401	\$ (281,900,818)	\$ (48,607,564)	\$ (231,787,386)	\$ 425,793,611	\$ 188,296,244

March 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Main capital inflow on maturity						
Cash and cash equivalents	\$ 21,780,283	\$ 1,567,147	\$ 1,723,980	\$ 2,631,243	\$ -	\$ 27,702,653
Due from the Central Bank and other banks	132,805,775	36,997,946	11,503,718	14,114,827	49,725,397	245,147,663
Financial assets mandatorily at FVTPL	84,627,163	-	-	-	-	84,627,163
Securities purchased under resell agreements	1,900,000	-	-	-	-	1,900,000
Loans (excluding nonperforming loans)	210,044,262	243,418,858	182,833,509	172,211,943	1,265,557,303	2,074,065,875
Financial assets at FVTOCI	10,171	1,521,881	6,826,395	12,014,215	316,383,854	336,756,516
Amortized cost - debt instruments	399,143,760	35,932,269	32,805,642	78,270,861	177,304,385	723,456,917
Other capital inflow	6,064,434	2,161,252	1,390,167	821,130	481,122	10,918,105
Subtotal	856,375,848	321,599,353	237,083,411	280,064,219	1,809,452,061	3,504,574,892
Main capital outflow on maturity						
Deposits from the Central Bank and banks	104,178,836	27,093,974	74,894,486	99,901	-	206,267,197
Deposits and remittances	307,187,470	375,920,412	316,731,536	445,128,798	1,488,541,357	2,933,509,573
Securities sold under repurchase agreements	46,889,327	12,516,386	837,187	2,554,133	-	62,797,033
Bank debentures payable	-	-	-	4,300,000	53,600,000	57,900,000
Lease liabilities	69,138	88,923	141,349	296,498	1,437,323	2,033,231
Other capital outflow	5,595,087	8,314,962	6,175,267	6,368,673	47,788,952	74,242,941
Subtotal	463,919,858	423,934,657	398,779,825	458,748,003	1,591,367,632	3,336,749,975
Gap	\$ 392,455,990	\$ (102,335,304)	\$ (161,696,414)	\$ (178,683,784)	\$ 218,084,429	\$ 167,824,917

Demand deposit included in deposits on the zone was allocated to each time table according to historical experience of HNCB and its subsidiaries.

d) Maturity analysis of derivative financial assets and liabilities

Derivative instruments consist of forward contracts, currency swap contracts, non-deliverable forward contracts, exchange rate option, interest rate swap contracts, cross-currency swap contracts, and interest rate option. The amounts of forward contracts, currency swap contracts and cross-currency swap contracts are based on contractual cash flow, and the others are based on fair value.

Maturity analysis of derivative financial assets and liabilities was as follows:

March 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Cash outflow	\$ 219,801,555	\$ 121,331,274	\$ 103,827,099	\$ 85,392,288	\$ 3,464,980	\$ 533,817,196
Cash inflow	221,313,147	125,361,305	108,232,472	89,620,557	3,464,845	547,992,326

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Cash outflow	\$ 147,536,401	\$ 109,565,178	\$ 138,221,559	\$ 59,340,411	\$ 2,940,092	\$ 457,603,641
Cash inflow	148,066,864	109,375,314	137,984,815	59,785,442	2,949,809	458,162,244

March 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Cash outflow	\$ 155,204,687	\$ 77,621,825	\$ 143,184,674	\$ 114,551,896	\$ 2,815,814	\$ 493,378,896
Cash inflow	155,796,552	78,562,995	145,997,881	117,288,261	2,816,301	500,461,990

e) The maturity analysis of off-balance sheet items

The maturity analysis of off-balance sheet items shows irrevocable undrawn credit card commitment, undrawn loan commitment, standby letters of credit and guarantee issued amounts. The amounts in the table below were prepared on contractual cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

March 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn credit card commitment	\$ 570,310	\$ 1,301,336	\$ 6,449,957	\$ 10,084,923	\$ 84,668,595	\$ 103,075,121
Undrawn loan commitment	241,461	1,675,304	3,452,552	68,534,336	49,962,036	123,865,689
Standby letters of credit	6,952,157	17,453,553	5,397,341	943,291	825,342	31,571,684
Guarantee issued	15,109,627	11,240,299	9,967,602	18,549,933	51,939,759	106,807,220
Total	\$ 22,873,555	\$ 31,670,492	\$ 25,267,452	\$ 98,112,483	\$ 187,395,732	\$ 365,319,714

December 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn credit card commitment	\$ 171,698	\$ 872,512	\$ 3,716,892	\$ 11,989,629	\$ 83,893,479	\$ 100,644,210
Undrawn loan commitment	957,522	9,765,910	2,329,406	52,129,894	47,910,733	113,093,465
Standby letters of credit	6,062,842	16,425,941	2,353,442	1,541,003	1,320,269	27,703,497
Guarantee issued	15,767,742	8,587,860	7,403,848	13,572,647	59,791,825	105,123,922
Total	\$ 22,959,804	\$ 35,652,223	\$ 15,803,588	\$ 79,233,173	\$ 192,916,306	\$ 346,565,094

March 31, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn credit card commitment	\$ 185,732	\$ 1,053,946	\$ 3,203,487	\$ 4,937,788	\$ 90,101,511	\$ 99,482,464
Undrawn loan commitment	257,400	4,125,107	7,461,421	38,320,426	39,617,802	89,782,156
Standby letters of credit	6,349,145	19,013,994	5,566,131	3,055,133	1,288,242	35,272,645
Guarantee issued	13,420,745	12,466,927	8,417,171	10,202,835	56,054,979	100,562,657
Total	\$ 20,213,022	\$ 36,659,974	\$ 24,648,211	\$ 56,516,181	\$ 187,062,534	\$ 325,099,922

5) Market risk

a) Source and definition of market risk

Market risk is the risk of potential decrease in values of trading position due to changes in market risk factors, such as interest rate, foreign exchange rate, price of equity securities, fluctuation or other factors.

b) Management structure and plan of market risk

To manage the market risk of the financial instrument transactions, HNCB and its subsidiaries implement market risk limit control scheme and regularly conduct the measurement, analysis, reporting and disclosure of the exposure amounts of the market risk factors faced by HNCB's financial instrument transactions. Moreover, HNCB and its subsidiaries implemented mechanism for control of market risk to manage financial market risk appropriately.

c) Market risk management

To manage market risk, HNCB and its subsidiaries set up limits on holding positions, losses of all financial instruments and value at risk (VaR) based on current year's budget. HNCB and its subsidiaries have insignificant market risk since gain or loss on change of market interest rate or foreign exchange rate is offset by those of hedged items or other assets or liabilities.

i. Value at risk

VaR is the statistics of potential losses on trading positions arising from unfavorable market condition changes. Within a 99% confidence level, VaR refers to the greatest potential loss in one day namely that there is one percent chance to incur the losses greater than VaR. VaR model assumes that HNCB and its subsidiaries hold the positions at least one day before the positions can be settled and that the market fluctuation in one day is similar to that in the past.

HNCB and its subsidiaries calculated VaR of their positions using historical simulation method. Based on the data in the past year to assess historical market fluctuations, the outcome will be used to monitor and examine the correctness of the assumptions and parameters. The aforementioned method cannot prevent the loss resulted from significant market fluctuations.

Trading Book Portfolio	For the Three Months Ended March 31					
	2024			2023		
	Average	Highest	Lowest	Average	Highest	Lowest
Exchange rate risk	\$ 67,796	\$ 108,490	\$ 24,910	\$ 53,590	\$ 70,928	\$ 21,256
Interest rate risk	159,660	213,226	100,152	142,576	241,746	29,404
Equity risk	17,503	24,822	10,451	8,356	12,524	3,726
Diversified risk	167,784	215,818	92,411	138,402	238,740	48,117

Limitation of VaR:

- i) Historical data may not be the best estimates of future risk factors, and cannot capture the extremely unfavorable market trend.
- ii) VaR cannot capture the market risk position that cannot be convertible or be hedged.
- iii) The loss calculated by using 99% confidence level cannot reflect the potential loss that is calculated using over 99% confidence level. The trading book can neither assure that the loss of financial instruments would not surpass VaR, nor confirm that the loss in each 99 day would not surpass VaR.

ii. Stress test

Stress testing is used to measure the greatest potential losses of the portfolio under the worst scenario. HNCB and its subsidiaries perform stress testing assuming the situation in which changes in interest rate ± 200 bps, decreases in securities 40%, changes in currency exchange rate $\pm 10\%$ and then report the outcome to the management and Risk Management Committee.

d) Information of exchange rate risk

	March 31, 2024		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 1,213,979	20.8500	\$ 25,311,463
CAD	61,366	23.6400	1,450,701
CNY	7,481,072	4.4090	32,984,047
EUR	670,183	34.4900	23,114,604
GBP	294,087	40.4200	11,887,015
HKD	4,348,125	4.0890	17,779,482
JPY	112,093,339	0.2115	23,707,741
NZD	68,357	19.1200	1,306,984
SGD	145,845	23.7100	3,457,991
USD	10,411,922	32.0050	333,233,578
VND	6,128,618,694	0.0013	7,762,386
ZAR	375,557	1.6890	634,316
PHP	1,276,390	0.5693	726,649
MOP	101,419	3.9699	402,625

(Continued)

March 31, 2024			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Nonmonetary items			
AUD	\$ 2,622,106	20.8500	\$ 54,670,913
CNY	2,011,088	4.4090	8,866,886
EUR	63,047	34.4900	2,174,486
GBP	83,720	40.4200	3,383,961
HKD	453,050	4.0890	1,852,522
SGD	96,261	23.7100	2,282,349
USD	9,595,525	32.0050	307,104,792
ZAR	1,644,575	1.6890	2,777,688
PHP	1,033,559	0.5693	588,405
MOP	64,539	3.9699	256,214
<u>Financial liabilities</u>			
Monetary items			
AUD	2,899,149	20.8500	60,447,249
CAD	61,003	23.6400	1,442,121
CNY	7,569,040	4.4090	33,371,896
EUR	793,945	34.4900	27,383,172
GBP	364,967	40.4200	14,751,982
HKD	2,677,159	4.0890	10,946,901
JPY	196,437,393	0.2115	41,546,509
NZD	67,769	19.1200	1,295,736
SGD	70,714	23.7100	1,676,632
USD	26,700,424	32.0050	854,547,071
VND	6,127,611,009	0.0013	7,761,110
ZAR	2,542,428	1.6890	4,294,161
MOP	52,456	3.9699	208,244
Nonmonetary items			
USD	2,960	32.0050	94,748
			(Concluded)

December 31, 2023			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 1,209,000	21.0000	\$ 25,388,997
CAD	94,928	23.2200	2,204,237
CNY	7,943,425	4.3280	34,379,142
EUR	683,969	34.0200	23,268,617
GBP	297,060	39.1200	11,620,995
HKD	4,711,167	3.9290	18,510,174
JPY	76,909,573	0.2171	16,697,068
NZD	64,088	19.5000	1,249,718
SGD	82,034	23.3100	1,912,204
USD	9,777,697	30.7050	300,224,180
VND	4,692,539,570	0.0013	5,943,477
ZAR	325,857	1.6570	539,946
PHP	777,588	0.5546	431,251
MOP	92,889	3.8146	354,331
Nonmonetary items			
AUD	2,370,180	21.0000	49,773,789
CNY	1,977,384	4.3280	8,558,118
EUR	14,600	34.0200	496,697
GBP	8	39.1200	297
HKD	222,621	3.9290	874,677
SGD	87,229	23.3100	2,033,315
USD	8,950,945	30.7050	274,838,753
ZAR	1,644,672	1.6570	2,725,221
PHP	1,535,103	0.5546	851,368
MOP	87,864	3.8146	335,161
<u>Financial liabilities</u>			
Monetary items			
AUD	2,629,053	21.0000	55,210,120
CAD	94,761	23.2200	2,200,358
CNY	7,934,247	4.3280	34,339,419
EUR	852,645	34.0200	29,006,984
GBP	301,100	39.1200	11,779,040
HKD	2,951,230	3.9290	11,595,383
JPY	171,927,172	0.2171	37,325,389
NZD	58,810	19.5000	1,146,800
SGD	44,356	23.3100	1,033,927
USD	27,194,905	30.7050	835,019,548
VND	4,695,814,697	0.0013	5,947,625
ZAR	2,494,639	1.6570	4,133,616
MOP	66,849	3.8146	255,001
Nonmonetary items			
USD	20,696	30.7050	635,482

March 31, 2023			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
AUD	\$ 963,546	20.4700	\$ 19,723,779
CAD	71,957	22.5300	1,621,190
CNY	6,098,246	4.4420	27,088,407
EUR	689,576	33.2200	22,907,704
GBP	232,957	37.7700	8,798,795
HKD	4,411,024	3.8770	17,101,539
JPY	16,760,304	0.2287	3,833,081
NZD	61,793	19.1500	1,183,340
SGD	87,311	22.9500	2,003,791
USD	10,224,926	30.4400	311,246,753
VND	3,482,203,574	0.0013	4,516,585
ZAR	766,483	1.7080	1,309,153
PHP	824,277	0.5605	462,007
MOP	60,350	3.7641	227,164
Nonmonetary items			
AUD	2,140,946	20.4700	43,825,166
CNY	2,551,829	4.4420	11,335,224
EUR	9,651	33.2200	320,601
HKD	190,533	3.8770	738,696
SGD	92,517	22.9500	2,123,271
USD	8,118,669	30.4400	247,132,299
ZAR	1,644,702	1.7080	2,809,150
MOP	59,758	3.7641	224,932
PHP	1,525,423	0.5605	854,999
<u>Financial liabilities</u>			
Monetary items			
AUD	2,579,624	20.4700	52,804,905
CAD	73,747	22.5300	1,661,514
CNY	6,758,225	4.4420	30,020,033
EUR	804,193	33.2200	26,715,304
GBP	229,918	37.7700	8,683,997
HKD	3,028,215	3.8770	11,740,391
JPY	119,028,264	0.2287	27,221,764
NZD	61,155	19.1500	1,171,113
SGD	45,425	22.9500	1,042,512
USD	25,410,620	30.4400	773,499,270
VND	3,483,574,706	0.0013	4,518,364
ZAR	2,413,843	1.7080	4,122,844
Nonmonetary items			
USD	7,852	30.4400	239,017

6) Impact of interest rate benchmark reform

The financial instruments of HNCB and its subsidiaries affected by interest rate benchmark reform include derivatives and non-derivative financial assets. The type of interest rate benchmark linked to it is mainly the USD London InterBank Offered Rate (USD LIBOR). It is expected that the US Secured Overnight Financing Rate (SOFR) will replace USD LIBOR, but the two are essentially different. LIBOR is a forward-looking interest rate benchmark that implies market expectations for future interest rate trends, and includes inter-bank credit discounts. SOFR is a retrospective interest rate benchmark calculated with actual transaction data and does not include credit discounts. Therefore, when an existing contract is modified from USD LIBOR to SOFR, additional adjustments must be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

HNCB and its subsidiaries have formulated a LIBOR conversion plan to deal with risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to meet the reform of interest rate benchmark. And the “LIBOR Conversion Special Committee” has been established and “LIBOR Exit Conversion The Planning Working Group” promotes the implementation of the response plan. Given that LIBOR in each currency has been exited on June 30, 2023.

As of March 31, 2024, the financial instruments of HNCB and its subsidiaries that have been affected by interest rate benchmark reform and have not yet been converted to alternative interest rate benchmark are summarized as follows:

	Unit: Million Dollars
	Book Value
Financial assets linked to USD LIBOR	
Bonds held-financial assets at FVTOCI	\$ 2,528,395
Bonds held-debt instruments at amortized cost	<u>480,075</u>
Non-derivative financial assets affected by interest rate benchmark reform	<u>\$ 3,008,470</u>

The postponed announcement of the benchmark reform on investments in debt instruments is mainly attributable to part of bond issuers in consideration of the fact that the ICE Benchmark Administration will provide the U.S. Dollar Synthetic LIBOR for a corresponding period until September 2024. The Company has confirmed the alternative interest rate benchmark applicable for post-reform of LIBOR with counterparties on their affected contracts whose conversion process is expected to be close on the next repricing date.

7) Transfers of financial assets

The transferred financial assets of HNCB and its subsidiaries that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreements.

The transaction transfers the contractual rights to receive the cash flows of the financial assets but HNCB and its subsidiaries retains the liabilities to repurchase the transferred financial assets at fixed price in the future period.

HNCB and its subsidiaries cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, HNCB and its subsidiaries still bear the interest rate risk and credit risk thus, HNCB and its subsidiaries do not derecognize it.

Analysis of financial assets and related liabilities that did not completely meet derecognizing condition is shown in following table:

Category of Financial Asset	March 31, 2024				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements					
Financial assets at FVTPL	\$ 2,639,312	\$ 2,638,343	\$ 2,639,312	\$ 2,638,343	\$ 969
Financial assets at FVTOCI	43,212,131	37,194,202	38,387,233	37,403,573	983,660
Investments in debt instruments at amortized cost	35,394,825	33,283,865	33,504,554	33,447,429	57,125

Category of Financial Asset	December 31, 2023				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements					
Financial assets at FVTPL	\$ 1,940,000	\$ 1,938,466	\$ 1,940,000	\$ 1,938,466	\$ 1,534
Financial assets at FVTOCI	62,656,841	53,985,455	56,439,050	54,291,930	2,147,120
Investments in debt instruments at amortized cost	34,939,132	33,081,521	33,165,514	32,953,214	212,300

Category of Financial Asset	March 31, 2023				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements					
Financial assets at FVTPL	\$ 1,665,123	\$ 1,662,495	\$ 1,665,123	\$ 1,662,495	\$ 2,628
Financial assets at FVTOCI	32,287,275	27,659,717	28,514,549	27,600,909	913,640
Investments in debt instruments at amortized cost	33,801,412	33,474,821	32,950,570	33,474,821	(524,251)

8) Offsetting of financial assets and financial liabilities

HNCB and its subsidiaries did not hold financial instruments which meet Section 42 of IAS 32 “Financial Instruments: Presentation”, and then offset them on the balance sheet.

HNCB and its subsidiaries engages in transactions with net settlement contracts or similar agreements with counterparties instead meeting offsetting condition in IFRSs. Above executable net settlement contracts or similar agreements allowed net settlement of financial assets and financial liabilities by the choice of both parties. If one party defaulted, the other one may choose to net settlement.

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

March 31, 2024

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 14,744,455	\$ -	\$ 14,744,455	\$ 2,639,840	\$ 4,252,824	\$ 7,851,791
Securities purchased under resell agreements	2,850,000	-	2,850,000	2,850,000	-	-

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 4,726,459	\$ -	\$ 4,726,459	\$ 2,639,840	\$ 1,236,993	\$ 849,626
Securities sold under repurchase agreements	73,116,410	-	73,116,410	81,246,268	237,221	(8,367,079)

December 31, 2023

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 5,368,328	\$ -	\$ 5,368,328	\$ 2,765,908	\$ 1,058,401	\$ 1,544,019
Securities purchased under resell agreements	2,000,000	-	2,000,000	2,000,000	-	-

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 8,578,517	\$ -	\$ 8,578,517	\$ 2,765,908	\$ 1,894,499	\$ 3,918,110
Securities sold under repurchase agreements	89,005,442	-	89,005,442	99,535,973	-	(10,530,531)

March 31, 2023

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 7,330,920	\$ -	\$ 7,330,920	\$ 1,810,963	\$ 1,964,293	\$ 3,555,664
Securities purchased under resell agreements	1,900,000	-	1,900,000	1,900,000	-	-

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 4,482,397	\$ -	\$ 4,482,397	\$ 1,810,963	\$ 1,111,669	\$ 1,559,765
Securities sold under repurchase agreements	62,797,033	-	62,797,033	67,753,810	956,577	(5,913,354)

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

c. HNSC and its subsidiaries

1) Financial risk management objectives and policies

Monitors and manages the financial risks relating to the operations of HNSC and its subsidiaries through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, liquidity risk and operational risks.

HNSC and its subsidiaries seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. To achieve reasonable identification, assessment, monitoring and the management purpose of controlling various types of risks.

a) Market risk

HNSC and its subsidiaries' activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price. HNSC and its subsidiaries entered into a variety of derivative financial instruments to manage its exposure to foreign currency exchange risk and interest rate risk, including:

- i. Foreign currency risk: Conduct in transaction to mitigate exchange rate risk. Interest rate risk: Interest rate swaps to mitigate the risk of rising interest rates; and
- ii. Interest rate risk: Interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to HNSC and its subsidiaries' exposure to market risks or the manner in which these risks are managed and measured.

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analyses.

Value at Risk (VaR) analysis

The VaR measures the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The 1-day 99% VaR number used by HNSC and its subsidiaries reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers included the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

(In Thousands of New Taiwan Dollars)

Historic Risk Value (Daily Risk Level in 99% Confidence Level)	For the Three Months Ended March 31, 2024			March 31, 2024	December 31, 2023	March 31, 2023
	Average	Min	Max			
Equity risk	\$ 73,315	\$ 5,132	\$ 91,233	\$ 78,298	\$ 62,046	\$ 50,021
Interest risk	33,460	27,024	38,778	30,568	28,976	30,509
Exchange rate risk	61,840	55,479	66,553	62,167	55,503	41,410
Volatility risk	428	26	1,237	545	204	246
Risk diversification	<u>(93,251)</u>			<u>(88,079)</u>	<u>(83,769)</u>	<u>(64,935)</u>
Sum of risk level after risk diversification	<u>\$ 75,792</u>			<u>\$ 83,499</u>	<u>\$ 62,960</u>	<u>\$ 57,251</u>

(In Thousands of New Taiwan Dollars)

Historic Risk Value (Daily Risk Level in 99% Confidence Level)	For the Three Months Ended March 31, 2023			March 31, 2023	December 31, 2022	March 31, 2022
	Average	Min	Max			
Equity risk	\$ 46,686	\$ 35,226	\$ 56,029	\$ 50,021	\$ 34,212	\$ 58,154
Interest risk	27,008	23,446	30,538	30,509	23,675	20,237
Exchange rate risk	37,474	34,210	41,424	41,410	33,790	25,036
Volatility risk	152	13	343	246	186	18
Risk diversification	<u>(62,410)</u>			<u>(64,935)</u>	<u>(53,284)</u>	<u>(56,554)</u>
Sum of risk level after risk diversification	<u>\$ 48,910</u>			<u>\$ 57,251</u>	<u>\$ 38,579</u>	<u>\$ 46,891</u>

Through VaR analysis, HNSC and its subsidiaries monitor the daily exchange rate, interest rate risk and other price risk daily. On the other hand, sensitivity analysis evaluates possible impact of a reasonably possible change in interest rates, exchange rates and other price risk per annum. Longer time frames of sensitivity analysis could assist HNSC and its subsidiaries in performing VaR analysis and assessing the market risk exposure. Detailed descriptions of exchange rates, interest rates and other price risk sensitivity analysis are further described in point i., ii. and iii. below.

i. Exchange rates risk

Several business divisions of HNSC and its subsidiaries engage in foreign currency based security transactions which exposes them to exchange rate fluctuation risks. The policies managing these exposed risks are within reasonable extent. HNSC and its subsidiaries use foreign exchange swap to manage these risks.

Sensitivity analysis

The exchange rate risk of HNSC and its subsidiaries are mainly impacted by changes in USD currency rates.

The following table details HNSC and its subsidiaries' sensitivity to a 3% increase in the New Taiwan dollar against USD. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 3%. The sensitivity analysis included only outstanding foreign currency denominated deposits, account receivables, refundable deposits, investing in bonds and notes and financial derivatives. A negative number below indicates a decrease in pre-tax profit associated with the New Taiwan dollar strengthening 3% against USD. For a 3% weakening of the New Taiwan dollar against USD, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be positive.

(In Thousands of New Taiwan Dollars)

	The Impact of 3% Foreign Currency Depreciation	
	March 31	
	2024	2023
Total profit or loss	\$ (283,322) *	\$ (147,854) *

* Mainly originates from outstanding and non-cash flow hedge foreign currency-based deposits, account receivables, refundable deposits, bonds, notes and financial derivatives on balance sheet date.

ii. Interest rate risk

Since HNSC and its subsidiaries use fixed and floating interest rates to borrow capital, they are exposed to interest rate risks. In order to manage interest rate risks, HNSC and its subsidiaries maintain a certain combinations of fixed and floating interests rate assets as well as retaining interest rate swap contracts. To ensure that the most cost-effective hedging strategy is used, HNSC and its subsidiaries regularly evaluate hedge activities to keep the consistency in interest rate view point and predetermined risk preference.

The book value of interest rate exposed to financial assets and liabilities on balance sheet date of HNSC and its subsidiaries are described in the following table below:

	March 31, 2024	December 31, 2023	March 31, 2023
Interest rate risk of fair value			
Financial assets (Note 1)	\$ 24,295,998	\$ 22,247,571	\$ 16,934,719
Financial liabilities (Note 2)	41,868,279	37,205,973	29,353,382
Interest rate risk of cash flow			
Financial assets	1,299,174	1,069,287	1,234,010

Note 1: Including fixed interest rate time deposit, commercial paper, operating deposits and all bonds.

Note 2: Including short-term debts, commercial paper payable, bonds sold under repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, securities lending refundable deposits and corporate bonds payable.

Sensitivity analysis

i) Interest rate risk of fair value

The sensitivity analysis below was determined based on HNSC and its subsidiaries' exposure to interest rates for non-derivative instrument at the end of the year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents assessment of the reasonably possible change in interest rates.

As of March 31, 2024, December 31, 2023 and March 31, 2023, if interest rates increase by 100 base points, holding other variables constant, the market value of the HNSC and its subsidiaries as a whole were to decrease by \$610,368, \$531,839 and \$532,480, respectively, due to the exposed interest rate risk from investing in interest rate swap contracts, bonds and notes.

ii) Interest rate risk with cash-flow

If market interest rate increase/decrease by 100 base points and other variables remained constant, the income before tax would increase/decrease by \$3,248 and \$3,085 for the three months ended March 31, 2024 and 2023, respectively, due to the exposed risk of deposits interest rate risk.

iii) Other price risk

HNSC and its subsidiaries have equity price risk due to investments in equity securities. The management of HNSC and its subsidiaries manages the risk by maintaining a portfolio of investments with different risks. HNSC and its subsidiaries set limitations per annum to manage annually losses, monthly losses, and to control risk levels.

Sensitivity analysis

The following sensitivity analysis was conducted by the exposed risk of equity price on balance sheet date.

If equity price drop by 15%, the market value would decrease by \$183,949 as a whole measured mandatorily at fair value through profit or loss and \$308,121 in investments through other comprehensive income due to fair value fluctuations on March 31, 2024.

If equity price drop by 15%, the market value would decrease by \$113,561 as a whole measured mandatorily at fair value through profit or loss and \$207,297 in investments through other comprehensive income due to fair value fluctuations on December 31, 2023.

If equity price drop by 15%, the market value would decrease by \$74,691 as a whole measured mandatorily at fair value through profit or loss and \$49,667 in investments through other comprehensive income due to fair value fluctuations on March 31, 2023.

b) Credit risk

Credit risk refers to the risk occurred in financial losses of default contracts from the counterparty. The biggest exposed credit risk of possible defaults of the counterparty resulting in financial losses of HNSC and its subsidiaries on balance sheet date arises from:

The book value of financial assets recognized on consolidated balance sheets.

The concentration of credit risks is limited due to the broad and independent customer base of HNSC and its subsidiaries.

The policy adopted by HNSC and its subsidiaries is to acquire adequate amount of collateral to lessen the risk of financial losses from arrears and to use other obtainable public financial information and interparty transaction records to evaluate client credit rating. HNSC and its subsidiaries would continuously monitor the exposed credit risk and the counterparty credit rating.

The table below analyzes the collaterals held as security, master netting agreements and other credit enhancements, and their financial effect in respect of the financial assets recognized in the consolidated balance sheet:

March 31, 2024

	Book Value	Maximum Exposure to Credit Risk Mitigated by Collateral
<u>Balance sheet items</u>		
Securities financing receivable	\$ 18,696,308	\$ 18,696,308
Securities borrowing receivable	29,786	29,786
Securities borrowing receivable - unlimited used	1,877,690	1,877,690

December 31, 2023

	Book Value	Maximum Exposure to Credit Risk Mitigated by Collateral
<u>Balance sheet items</u>		
Securities financing receivable	\$ 16,945,261	\$ 16,945,261
Securities borrowing receivable	8,726	8,726
Securities borrowing receivable - unlimited used	2,246,390	2,246,390

March 31, 2023

	Book Value	Maximum Exposure to Credit Risk Mitigated by Collateral
<u>Balance sheet items</u>		
Securities financing receivable	\$ 11,274,589	\$ 11,274,589
Securities borrowing receivable	336	336
Securities borrowing receivable - unlimited used	1,746,949	1,746,949

Note: There is no need to consider about other credit enhancements because items are fully covered by collaterals.

c) Liquidity risk

HNSC and its subsidiaries manage and maintain adequate amount of cash and cash equivalents to finance business operations and to lessen the impact of cash flow fluctuations. The management of HNSC and its subsidiaries supervises the usage of financing facilities to ensure the obedience of loan agreement terms.

Bank loan is an important source of liquidity to HNSC and its subsidiaries. Refer to Table (ii) finance facilities for undrawn banking facilities on March 31, 2024, December 31, 2023 and March 31, 2023.

i. Table of liquidity and interest rate risk

The following table details HNSC and its subsidiaries' remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which HNSC and its subsidiaries can be required to pay.

March 31, 2024

	Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Non-derivative financial liabilities</u>					
Liabilities with no interest	\$ 18,810,303	\$ -	\$ 752,703	\$ 318,128	\$ 124,018
Lease liabilities	4,950	9,808	39,951	87,831	-
Floating interest rate instruments	6,100,662	-	-	-	-
Fixed interest rate instruments	27,114,846	1,613,684	10,093,361	3,307,108	-
	<u>\$ 52,030,761</u>	<u>\$ 1,623,492</u>	<u>\$ 10,886,015</u>	<u>\$ 3,713,067</u>	<u>\$ 124,018</u>

December 31, 2023

	Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Non-derivative financial liabilities</u>					
Liabilities with no interest	\$ 14,019,048	\$ -	\$ 839,681	\$ 319,928	\$ 133,179
Lease liabilities	5,033	10,119	42,073	92,178	-
Floating interest rate instruments	5,404,296	-	-	-	-
Fixed interest rate instruments	23,720,914	1,002,777	9,817,695	2,850,820	-
	<u>\$ 43,149,291</u>	<u>\$ 1,012,896</u>	<u>\$ 10,699,449</u>	<u>\$ 3,262,926</u>	<u>\$ 133,179</u>

March 31, 2023

	Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Non-derivative financial liabilities</u>					
Liabilities with no interest	\$ 9,887,421	\$ -	\$ 599,079	\$ 2,759,991	\$ 104,314
Lease liabilities	5,312	10,207	34,734	73,497	-
Floating interest rate instruments	4,785,638	-	-	-	-
Fixed interest rate instruments	18,176,248	1,624,991	6,613,159	457,573	-
	<u>\$ 32,854,619</u>	<u>\$ 1,635,198</u>	<u>\$ 7,246,972</u>	<u>\$ 3,291,061</u>	<u>\$ 104,314</u>

The following table details HNSC and its subsidiaries' liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows of HNSC and its subsidiaries on derivative instruments that settle on a net basis.

March 31, 2024

	Request Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Net delivery</u>				
Exchange rate swap	\$ (8,650)	\$ -	\$ -	\$ -
Net cash outflow	<u>\$ (8,650)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2023

	Request Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Net delivery</u>				
Exchange rate swap	\$ 7,610	\$ -	\$ -	\$ -
Net cash outflow	<u>\$ 7,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2023

	Request Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Net delivery</u>				
Exchange rate swap	\$ (2,014)	\$ (88)	\$ -	\$ -
Net cash outflow	<u>\$ (2,014)</u>	<u>\$ (88)</u>	<u>\$ -</u>	<u>\$ -</u>

ii. Finance facilities

	March 31, 2024	December 31, 2023	March 31, 2023
Nonguaranteed bank facilities			
Drawn amount	\$ 12,910,000	\$ 8,980,000	\$ 4,905,000
Undrawn amount	<u>11,492,350</u>	<u>13,922,350</u>	<u>16,797,350</u>
	<u>\$ 24,402,350</u>	<u>\$ 22,902,350</u>	<u>\$ 21,702,350</u>
Guaranteed bank facilities			
Drawn amount	\$ 1,340,000	\$ 1,420,000	\$ -
Undrawn amount	<u>2,507,650</u>	<u>2,427,650</u>	<u>3,847,650</u>
	<u>\$ 3,847,650</u>	<u>\$ 3,847,650</u>	<u>\$ 3,847,650</u>

iii. Transfers of financial assets

The transferred financial assets of HNSC and its subsidiaries that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreements. The transaction transfers the contractual rights to receive the cash flows of the financial assets but HNSC and its subsidiaries retains the liabilities to repurchase the transferred financial assets at fixed price in the future period. HNSC and its subsidiaries cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, HNSC and its subsidiaries still bear the interest rate risk and credit risk thus, HNSC and its subsidiaries do not derecognize it. Analysis of financial assets and related liabilities not completely meet derecognizing condition is shown in following table:

Category of Financial Asset	March 31, 2024				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements	\$ 22,372,517	\$ 22,216,028	\$ 22,372,517	\$ 22,216,028	\$ 156,489

Category of Financial Asset	December 31, 2023				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements	\$ 20,399,559	\$ 20,098,477	\$ 20,399,559	\$ 20,098,477	\$ 301,082

Category of Financial Asset	March 31, 2023				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements	\$ 19,006,572	\$ 18,854,607	\$ 19,006,572	\$ 18,854,607	\$ 151,965

d. SCIC

1) Goal and policy of the financial risk management

To improve and enhance the risk management culture and capability of SCIC, SCIC has set up related risk management policy resolved by the board of directors addressing various risk such as market risk, exchange rate risk, credit risk and liquidity risk. SCIC has also developed various risk measurement tools and management mechanisms to achieve effective identification, measurement, control and supervision of risk management.

a) The organization structure of risk management

- i. The board of directors: The board of directors is the ultimate organization responsible for the overall risk management of SCIC. It is also responsible for the approval of the related risk management policy and the reporting of various important risk management policies.
- ii. SCIC Risk Control Committee which subordinate to the board of directors: The SCIC risk control committee is responsible for the risk management policy, framework, organization function as well as the qualitative and quantitative of management deliberation. The committee reports to the board of directors periodically to reflect the execution status of risk management, making necessary recommendations for improvements.
- iii. The Risk Management Division: The risk management division is responsible for the establishment, supervision and execution of the various risk control mechanisms and reports to the SCIC Risk Control Committee quarterly.

b) Market risk

i. The definition and source of market risk

Market risk arises from market changes (such as those referring to interest rates, exchange rates, equity securities, credit level differences, related correlations or the degree of fluctuations) which may cause the negative impact of the decrease in value of a financial instrument.

ii. The management structure and planning of market risk

To address the market risk management, SCIC has set up the goal of risk management, position limits, offset limits and risk level limits passed by the board of directors. Furthermore, SCIC periodically measures, analyzes, prepares financial statements and discloses the exposure levels affected by the market risk factors. SCIC also implements the mechanism of market risk limit control to appropriately reflect and fulfill the risk management of SCIC.

iii. The management of market risk

SCIC conducts various financial instrument trading operations based on yearly budget constraints with market risk control position limitations, offset limitations and risk level limitations. Please refer to point (i) below. On the other hand, SCIC regularly discloses foreign exchange fluctuation risks, exchange rate fluctuation risks and other price fluctuation risks. Please refer to point (ii), (iii) and (iv) below:

i) Value at Risk

SCIC uses VaR (Value at Risk, VaR) to evaluate the investment portfolio of trading and non-trading books. The aforementioned non-trading book investment portfolio refers to financial assets at FVTOCI.

VaR estimates the potential losses due to negative changes in markets. It also indicates the highest endurable potential loss of SCIC in a 99% confidence interval; however, there is still a 1% possibility for actual losses to be bigger than VaR estimations.

SCIC evaluates the risk level in self-owned assets based on historical simulation method, which collects historical past data over the past year to assess the market volatility. The calculated result will be used to regularly monitor and test the accuracy of the used parameters and assumptions.

Unit: Thousand Dollars

	March 31, 2024	December 31, 2023	March 31, 2023
Risk level of trading book	\$ 133	\$ 73	\$ 11
Risk level of non-trading book	225,705	206,341	501,956

ii) Exchange rate risk

The book value of foreign currency assets and liabilities are recognized on balance sheet date. The currency of the forward foreign exchange contracts should be the same as the instrument hedged. To maximize the effectiveness of hedging, the currency of forward foreign exchange contracts must be in coordinate with the derivatives and hedged contract terms.

Sensitivity analysis

The following table details SCIC's sensitivity to a 1% increase and decrease in the New Taiwan dollar against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated deposits, financial assets and reinsurance, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

Unit: Thousand Dollars

	Impact of USD	
	March 31	
	2024	2023
Total profit or loss	\$ 24,592	\$ 19,022

The source of the risk are from outstanding and non-cash flow hedged foreign deposits, financial assets and reinsurance of SCIC on balance sheet date.

The current period USD sensitivity level of SCIC increase due to increase investments in USD. The current period CNY sensitivity level of SCIC decreases due to decreased investments in CNY. The current period EUR sensitivity level of SCIC decreases due to decreased investments in EUR.

Concentration of exchange rate risk

Unit: Foreign/NTD Currency in Thousands

March 31, 2024

	Foreign Currencies	Exchange Rate	Book Value
<u>Financial assets</u>			
Monetary items			
USD	\$ 208,586	32.00	\$ 6,674,734
CNY	3,149	4.41	13,887
EUR	11,693	34.46	402,921

Financial liabilities

Monetary items			
USD	2	32.00	62

December 31, 2023

	Foreign Currencies	Exchange Rate	Book Value
<u>Financial assets</u>			
Monetary items			
USD	\$ 204,239	30.71	\$ 6,272,159
CNY	1,476	4.33	6,391
EUR	14,191	33.98	482,176

Financial liabilities

Monetary items			
USD	674	30.71	20,707

March 31, 2023

	Foreign Currencies	Exchange Rate	Book Value
<u>Financial assets</u>			
Monetary items			
USD	\$ 171,567	30.45	\$ 5,224,201
CNY	1,972	4.431	8,736
EUR	14,053	33.15	465,831
<u>Financial liabilities</u>			
Monetary items			
USD	1,401	30.45	42,656

iii) Interest rate risk

The book value of SCIC's interest rate risk-exposed financial assets on balance sheet date is as follows:

	Unit: Thousand Dollars		
	March 31, 2024	December 31, 2023	March 31, 2023
Interest rate risk with fair value			
Financial assets	\$ 8,393,754	\$ 8,306,152	\$ 7,179,573
Interest rate risk with cash flow			
Financial assets	1,857,296	1,762,103	2,170,338

Sensitivity analysis

The following sensitivity analysis is conducted based on the interest rate risk exposure of non-derivatives on balance sheet date. The assumption of analytical method for floating interest rate liabilities is that all liabilities within the reporting period are outstanding. The internal marginal interest rate of SCIC for management reporting is an increase/decrease of 1 base point.

The marginal interest rate also indicates the assessment of the reasonably possible range of interest rates.

If interest rate increase/decrease by 1 base point, holding other variables constant, SCIC's income before tax would increase/decrease \$46 thousand for the three months ended March 31, 2024 due to interest rate risk exposure of bank deposits.

If interest rate increase/decrease by 1 base point, holding other variables constant, SCIC's income before tax would increase/decrease \$54 thousand for the three months ended March 31, 2023 due to interest rate risk exposure of bank deposits.

iv) Other price risk

Other risk refers to the equity price risk exposure in equity securities, beneficiary certifications and convertible bonds of SCIC.

To manage the risk, the management of SCIC holds investment portfolio with different risk.

Sensitivity analysis

The following sensitivity analysis is conducted on the equity price risk exposure on balance sheet date.

If equity price increase/decrease by 1%, the income before tax would increase/decrease by \$53 in the FVPTL due to fair value fluctuations; other comprehensive income would increase/decrease by \$84,094 for the three months ended March 31, 2024.

If equity price increase/decrease by 1%, the income before tax would increase/decrease by \$55 in the FVTPL due to fair value fluctuations; other comprehensive income would increase/decrease by \$73,160 for the three months ended March 31, 2023.

c) Credit risk

Credit risk refers to the risk occurred in financial losses of default contracts of the counterparty.

Before trading transactions, the credit risk management division carefully evaluates and regularly examines the credit ratings of the counterparty, issuer and guarantee institution are in line with the regulation and SCIC management policy. To fully disclose the credit rating and the estimation of risk concentration level, the division also regularly assesses the credit ratings of the counterparty, issuer, guarantee institution after trading transactions.

Moreover, SCIC assesses the collectable values of premiums receivable to ensure the provision for impairment loss of non-collectable receivable are reasonable on balance sheet date.

After assessing the credit level of SCIC, SCIC considers the current period credit risk level is within reasonable limits.

Changes of receivable allowance loss

SCIC applied IFRS 9 expected credit loss and calculated allowance loss as below:

March 31, 2024

	Notes Receivable	Premiums Receivable	Other Receivable	Loans
Expected loss rate	0.1074%	0.0557%	(Note)	0.0000% - 0.0088%
Gross carrying amount	\$ 274,167	\$ 511,222	\$ 294,117	\$ 94,522
Impairment under IFRS 9	294	285	-	1
Differences in Impairments According to Law	<u>1,196</u>	<u>2,777</u>	<u>1,471</u>	<u>1,416</u>
Allowance loss	<u>\$ 1,490</u>	<u>\$ 3,062</u>	<u>\$ 1,471</u>	<u>\$ 1,417</u>

December 31, 2023

	Notes Receivable	Premiums Receivable	Other Receivable	Loans
Expected loss rate	0.1108%	0.0558%	(Note)	0.0000% - 0.0098%
Gross carrying amount	\$ 169,952	\$ 151,278	\$ 117,687	\$ 108,887
Impairment under IFRS 9	188	84	-	2
Differences in Impairments According to Law	<u>821</u>	<u>4,891</u>	<u>588</u>	<u>1,631</u>
Allowance loss	<u>\$ 1,009</u>	<u>\$ 4,975</u>	<u>\$ 588</u>	<u>\$ 1,633</u>

March 31, 2023

	Notes Receivable	Premiums Receivable	Other Receivable	Loans
Expected loss rate	0.1108%	0.0558%	(Note)	0.0009% - 0.0306%
Gross carrying amount	\$ 169,321	\$ 620,579	\$ 127,208	\$ 157,405
Impairment under IFRS 9	188	346	-	19
Differences in Impairments According to Law	<u>893</u>	<u>3,027</u>	<u>636</u>	<u>2,342</u>
Allowance loss	<u>\$ 1,081</u>	<u>\$ 3,373</u>	<u>\$ 636</u>	<u>\$ 2,361</u>

Note: As of March 31, 2024, December 31, 2023 and March 31, 2023, no other receivable was past due. SCIC has not recognized a loss allowance for the above receivable after taking into consideration the historical default experience and the future prospects of the industries.

SCIC calculated allowance loss according to the regulation of guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts as below:

For the three months ended March 31, 2024

	Notes Receivable	Premiums Receivable	Indemnity Refundable on Reinsurance Ceded	Refundable Reinsurance	Other Receivable	Loans	Total
Balance, January 1	\$ 1,009	\$ 4,975	\$ 3,925	\$ 35,308	\$ 588	\$ 1,633	\$ 47,438
Provision	481	-	-	47,537	883	-	48,901
Less: Amounts reversed	<u>-</u>	<u>(1,913)</u>	<u>(1,849)</u>	<u>-</u>	<u>-</u>	<u>(216)</u>	<u>(3,978)</u>
Allowance loss	<u>\$ 1,490</u>	<u>\$ 3,062</u>	<u>\$ 2,076</u>	<u>\$ 82,845</u>	<u>\$ 1,471</u>	<u>\$ 1,417</u>	<u>\$ 92,361</u>

For the three months ended March 31, 2023

	Notes Receivable	Premiums Receivable	Indemnity Refundable on Reinsurance Ceded	Refundable Reinsurance	Other Receivable	Loans	Total
Balance, January 1	\$ 955	\$ 1,937	\$ 2,926	\$ 10,133	\$ 564	\$ 2,562	\$ 19,077
Provision	126	1,436	1,616	2,342	72	-	5,592
Less: Amounts reversed	-	-	-	-	-	(201)	(201)
Allowance loss	<u>\$ 1,081</u>	<u>\$ 3,373</u>	<u>\$ 4,542</u>	<u>\$ 12,475</u>	<u>\$ 636</u>	<u>\$ 2,361</u>	<u>\$ 24,468</u>

d) Liquidity risk

The board of directors is ultimately responsible for SCIC's liquidity risk management. SCIC has established appropriate management structure of liquidity risk to respond to management's demand of liquidity. To manage liquidity risk, SCIC monitors expected and actual cash flow and plan similar expiration of financial asset to settle liabilities.

Table of liquidity and interest rate risk of non-derivatives financial liabilities

The following table illustrates the aging analysis of non-derivatives financial liabilities remaining contracts of agreed repayments. The information is disclosed based on the earliest possible requested repayment date and undiscounted cash flow of financial liabilities including the cash flow of interests and principal.

March 31, 2024

	Request Immediate Payment or Less than One Month	Within Three Months	Three Months to One Year	One Year to Five Years	Over Five Years
<u>Non-derivatives financial liabilities</u>					
Liabilities with no interest	\$ -	\$ 434,480	\$ 908,593	\$ 16,735	\$ 320
Lease liabilities	<u>2,655</u>	<u>5,243</u>	<u>21,165</u>	<u>41,859</u>	<u>8,290</u>
	<u>\$ 2,655</u>	<u>\$ 439,723</u>	<u>\$ 929,758</u>	<u>\$ 58,594</u>	<u>\$ 8,610</u>

December 31, 2023

	Request Immediate Payment or Less than One Month	Within Three Months	Three Months to One Year	One Year to Five Years	Over Five Years
<u>Non-derivatives financial liabilities</u>					
Liabilities with no interest	\$ -	\$ 1,483,366	\$ 607,585	\$ 16,735	\$ 320
Lease liabilities	<u>2,559</u>	<u>4,888</u>	<u>19,752</u>	<u>35,518</u>	<u>8,742</u>
	<u>\$ 2,559</u>	<u>\$ 1,488,254</u>	<u>\$ 627,337</u>	<u>\$ 52,253</u>	<u>\$ 9,062</u>

March 31, 2023

	Request Immediate Payment or Less than One Month	Within Three Months	Three Months to One Year	One Year to Five Years	Over Five Years
Non-derivatives <u>financial liabilities</u>					
Liabilities with no interest	\$ 368	\$ 324,999	\$ 953,639	\$ 17,277	\$ -
Lease liabilities	<u>2,515</u>	<u>7,413</u>	<u>16,948</u>	<u>34,657</u>	<u>-</u>
	<u>\$ 2,883</u>	<u>\$ 332,412</u>	<u>\$ 970,587</u>	<u>\$ 51,934</u>	<u>\$ -</u>

Liquidity and interest rate risk table for derivative financial liabilities

The liquidity analysis of derivative financial instruments of net delivery financial derivatives based on undiscounted net cash inflow and outflow; gross delivery financial derivatives based on undiscounted cash inflow and outflow.

March 31, 2024

	Less than Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Net delivery</u>				
Foreign exchange forward contract	<u>\$ (27,084)</u>	<u>\$ (726)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Gross delivery</u>				
Currency swap Inflow	\$ 2,010,480	\$ 1,667,695	\$ -	\$ -
Outflow	<u>(2,065,358)</u>	<u>(1,703,476)</u>	<u>-</u>	<u>-</u>
	<u>\$ (54,878)</u>	<u>\$ (35,781)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2023

	Less than Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Net delivery</u>				
Foreign exchange forward contract	\$ 29,148	\$ (5,473)	\$ -	\$ -
<u>Gross delivery</u>				
Currency swap				
Inflow	\$ 1,813,197	\$ 1,746,206	\$ -	\$ -
Outflow	(1,827,073)	(1,711,853)	-	-
	\$ (13,876)	\$ 34,353	\$ -	\$ -

March 31, 2023

	Less than Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Net delivery</u>				
Foreign exchange forward contract	\$ -	\$ 2,027	\$ -	\$ -
<u>Gross delivery</u>				
Currency swap				
Inflow	3,069,780	997,719	-	-
Outflow	(3,075,738)	(1,013,666)	-	-
	\$ (5,958)	\$ (15,947)	\$ -	\$ -

e. HNIT

1) Financial risk management objectives and policies

HNIT's major financial instruments include cash and cash equivalents, investments in equity instruments at FVTOCI, account receivables, loans, lease liabilities and short-term bills. HNIT's corporate treasury function provides services to the business, and monitors and manages the financial risks relating to the operations of HNIT through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk), credit risk and liquidity risk.

a) Market risk

The main financial risk endured from the operations of HNIT is interest rate risk.

- Interest rate risk

The carrying amount of HNIT's financial assets and financial liabilities with exposure to interest rates on balance sheet date were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Interest rate risk with cash flow			
Financial assets	\$ 83,157	\$ 48,338	\$ 22,117
Financial liabilities	295,000	325,000	345,247

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of non-derivatives on balance sheet date. For floating rate liabilities, the assumption of analysis method is that the liabilities are outstanding on balance sheet date. An interest rate change of 20 base point is the sensitivity rate used in internal management reports. Further, it also represents the evaluation of reasonable changes in interest rates of the management.

Were interest rate to increase/decrease 20 base points, holding other variables constant, the income before tax of HNIT were to decrease/increase \$106 and \$162, respectively for the three months ended March 31, 2024 and 2023 due to the interest rate risk exposure derived from demand deposits and floating rate loans.

b) Credit risk

Credit risk refers to the risk occurred in financial losses of default contracts from the counterparty. The biggest exposed credit risk of possible defaults of the counterparty resulting in financial losses of HNIT on balance sheet date arises from the recognized book value of financial assets.

To lessen the level of credit risks, the management of HNIT would review the possible collectable amount of receivables on balance sheet dates to ensure the provision for impairment loss of unrecoverable receivables are reasonable.

HNIT's concentration of credit risk of 84%, 94% and 99% of total trade receivables as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively, was attributable to investment trust funds managed by HNIT.

c) Liquidity risk

HNIT manages and maintains adequate amount of cash and cash equivalents to finance business operations and to lessen the impact of cash flow fluctuations. The management of HNIT supervises the usage of financing facilities to ensure the obedience of loan agreement terms.

Bank borrowings is an important liquidity source for HNIT. Please refer to the following illustration of ii for the undrawn financing facilities on March 31, 2024, December 31, 2023 and March 31, 2023.

i. Table of the liquidity and interest rate risk of non-derivative financial liabilities.

The aging analysis of non-derivative financial liabilities is disclosed in accordance with the earliest possible repayment date and undiscounted cash flow of financial liabilities (including the principal and estimated interest). Therefore, the requested immediate payment of bank borrowings are disclosed on the earliest period of the following table, leaving out the probability of immediate execution right of the bank. The aging analysis of other non-derivative financial liabilities is disclosed in accordance with the agreed repayment date.

March 31, 2024

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Non-derivative financial liabilities</u>				
Liabilities with no interest	\$ 1,714	\$ 808	\$ 4,595	\$ -
Lease liabilities	64	128	555	878
Floating interest instrument	<u>138</u>	<u>295,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,916</u>	<u>\$ 295,936</u>	<u>\$ 5,150</u>	<u>\$ 878</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 747</u>	<u>\$ 878</u>

December 31, 2023

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Non-derivative financial liabilities</u>				
Liabilities with no interest	\$ 1,572	\$ 274	\$ 466	\$ 3,919
Lease liabilities	64	128	576	1,049
Floating interest instrument	<u>92</u>	<u>325,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,728</u>	<u>\$ 325,402</u>	<u>\$ 1,042</u>	<u>\$ 4,968</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 768</u>	<u>\$ 1,049</u>

March 31, 2023

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Non-derivative financial liabilities</u>				
Liabilities with no interest	\$ 737	\$ 1,107	\$ 537	\$ 3,359
Lease liabilities	7	14	63	83
Floating interest instrument	<u>215</u>	<u>345,247</u>	<u>-</u>	<u>-</u>
	<u>\$ 959</u>	<u>\$ 346,368</u>	<u>\$ 600</u>	<u>\$ 3,442</u>

Additional information about the maturity analysis for lease liabilities:

		Less than 1 Year	1-5 Years
Lease liabilities		<u>\$ 84</u>	<u>\$ 83</u>
ii. Financing facilities			
	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank overdraft facility			
Drawn amount	\$ 295,000	\$ 325,000	\$ 195,000
Undrawn amount	<u>155,000</u>	<u>125,000</u>	<u>55,000</u>
	<u>\$ 450,000</u>	<u>\$ 450,000</u>	<u>\$ 250,000</u>

f. HNVC

1) The goal and policy of financial risk management

The primary financial instruments of HNVC include equity investments, accounts receivable and accounts payable. HNVC's corporate treasury function provides services to the business, and monitors and manages the financial risks relating to the operations of HNVC through internal risk reports that analyze exposures by degree and magnitude of risks. These financial risk include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

a) Market risk

The main financial risk endured from the operations of HNVC is exchange rates risk interest rate risk and other price risk (refer to the following tables).

The managements and measurements of the financial instruments risk exposure remain unchanged.

i. Exchange rates risk

The book value of foreign-currency based assets on balance sheet date is as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Assets			
USD	\$ 6	\$ 7,257	\$ 7,167
SGD	25,521	-	-

Sensitivity analysis

The exchange rate risk of HNVC is mainly impacted by change in USD listed above.

The following table illustrates sensitivity analysis based on an increment increase of 1% in functional currency to related foreign currency 1% is the sensitivity rate used in internal management reports. Further it also represents the evaluation of reasonable changes in foreign exchange rates of the management. The scope of sensitivity analysis only includes outstanding foreign monetary items, and the conversion at the end of the reporting period for a 1% exchange rate to change. The positive figure below indicates the amount that will decrease in income before tax when functional currency decrease by 1%.

	For the Three Months Ended March 31	
	2024	2023
<u>Profit and loss</u>		
Currency assets		
USD	\$ -	\$ 72
SGD	255	-

ii. Interest rate risk

The book value of interest rate risk exposed financial assets and financial liabilities on balance sheet date were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Interest rate risk of fair value			
Financial assets	\$ 389,600	\$ 54,086	\$ 7,108
Financial liabilities	1,923	2,347	476
Interest rate risk cash flow			
Financial assets	174,633	445,506	381,591

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of non-derivatives on balance sheet date. An interest rate change of 1% is the sensitivity rate used in internal management reports. Further, it also represents the evaluation of reasonable changes in interest rates of the management.

If interest rate would increase/decrease by 1%, holding other variables constant, the income before tax of HNIT would increase/decrease \$437 and \$954, respectively, for the nine months ended March 31, 2024 and 2023 due to the interest rate risk exposure derived from financial assets.

iii. Other price risk

The book value of interest rate risk exposed financial assets and financial liabilities on balance sheet date is as follows:

Sensitivity analysis

The following sensitivity analysis was conducted on the exposed risk of equity price on the balance sheet date.

If equity price rise/drop 1%, the income before tax would increase/decrease by \$10,550 and \$11,538, respectively, in the financial assets at fair value through profit or loss due to fair value rise/drop for the three months ended March 31, 2024 and 2023.

b) Credit risk

Credit risk refers to the risk occurred in financial losses of default contracts of the counterparty.

The biggest exposed credit risk of possible defaults of the counterparty resulting in financial losses of HNVC on balance sheet date arises from the recognized book value of financial assets.

The maximum credit exposures of each financial instruments HNVC holds are same as their book value.

The customer base of HNVC is large and unrelated, so the concentration of credit risk is not high.

c) Liquidity risk

HNVC manages and maintains adequate amount of cash and cash equivalents to finance business operations and to lessen the impact of cash flow fluctuations.

The following table illustrates the aging analysis of non-derivatives financial liabilities remaining contracts of agreed repayments. The information is disclosed based on the earliest possible requested repayment date and undiscounted cash flow of financial liabilities including the cash flow of interests and principal.

March 31, 2024

	Requested Immediate Payment or Less than One Month	One Month to Three Months	Three Months to One Year	One Year to Five Years
<u>Non-derivatives financial liabilities</u>				
Liabilities with no interest	\$ 31	\$ 213	\$ -	\$ -
Lease liabilities	<u>148</u>	<u>295</u>	<u>1,329</u>	<u>190</u>
	<u>\$ 179</u>	<u>\$ 508</u>	<u>\$ 1,329</u>	<u>\$ 190</u>

December 31, 2023

	Requested Immediate Payment or Less than One Month	One Month to Three Months	Three Months to One Year	One Year to Five Years
<u>Non-derivatives financial liabilities</u>				
Liabilities with no interest	\$ 272	\$ -	\$ -	\$ -
Lease liabilities	<u>148</u>	<u>295</u>	<u>1,329</u>	<u>633</u>
	<u>\$ 420</u>	<u>\$ 295</u>	<u>\$ 1,329</u>	<u>\$ 633</u>

March 31, 2023

	Requested Immediate Payment or Less than One Month	One Month to Three Months	Three Months to One Year	One Year to Five Years
<u>Non-derivatives financial liabilities</u>				
Liabilities with no interest	\$ 19	\$ 215	\$ -	\$ -
Lease liabilities	<u>13</u>	<u>25</u>	<u>114</u>	<u>342</u>
	<u>\$ 32</u>	<u>\$ 240</u>	<u>\$ 114</u>	<u>\$ 342</u>

g. HNAMC

Goal and policy of financial risk management

The primary financial instruments of HNAMC include accounts receivable, other financial assets and loans. The financial risk management division of HNAMC provides services to other business divisions, with the level of risk exposure and broad analysis of internal supervision and HNAMC risk management reporting of financial risks relating to operations. The financial risks include market risks (including interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

HNAMC's activities exposed it primarily to the financial risks of changes in interest rates and other price risk.

a) Interest rate risk

The book value of interest rate risk exposed financial assets and financial liabilities on balance sheet date is as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Interest rate risk of fair value			
Financial liabilities	\$ 3,717,906	\$ 3,378,421	\$ 2,613,175
Interest rate risk of cash flow			
Financial assets	31,121	53,761	16,305
Financial liabilities	944,000	920,000	860,000

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of non-derivatives on balance sheet date. For floating rate liabilities, the assumption of analysis method is that the liabilities are outstanding on balance sheet date. An interest rate change of 10 base point is the sensitivity rate used in internal management reports. Further, it also represents the evaluation of reasonable changes in interest rates of the management.

If interest rate increase/decrease 10 base points, holding other variables constant, the income before tax of HNAMEC would increase/decrease by \$913 for the three months ended March 31, 2024 due to the interest rate risk exposure derived from bank deposits and floating rate loans.

If interest rate increase/decrease 10 base points, holding other variables constant, the income before tax of HNAMEC would increase/decrease by \$844 for the three months ended March 31, 2023 due to the interest rate risk exposure derived from bank deposits and floating rate loans.

The increase in sensitivity of HNAMEC this period is due to the increase in floating rate of long-term and short-term loans.

b) Other price risk

HNAMEC was exposed to equity price risk through its investments in equity securities. HNAMEC manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks on balance sheet date.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the three months ended March 31, 2024 and 2023 would have increased/decreased by \$85 thousand and \$91 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

Credit risk refers to the risk occurred in financial losses of default contracts from the counterparty. The biggest exposed credit risk of possible defaults of the counterparty resulting in financial losses of HNAMC on balance sheet date arises from the recognized book value of financial assets. The customer base of HNVC is large and unrelated, so the concentration of credit risk is not high.

The policy of HNAMC holds is to conduct transactions only with high credit rating counterparty, and receives sufficient collateral to lessen the risks of financial loss derived from defaults. Furthermore, the professional unit regularly monitors the credit risk of the counterparty every year, so it is not expected to have a significant credit risk.

To lessen the level of credit risks, the management of HNAMC assigns specific responsibility team to be in charge of reviewing the possible collectable amount of receivables on balance sheet dates to ensure the provision for impairment loss of unrecoverable receivables are reasonable. By conduct, the management of HNAMC considers the credit risk has been reduced considerably.

3) Liquidity risk

HNAMC manages and maintains adequate amount of cash and cash equivalents to finance business operations and to lessen the impact of cash flow fluctuations. The management of HNAMC supervises the usage of financing facilities to ensure the obedience of loan agreement terms.

Bank borrowings is an important liquidity source for HNAMC. Please refer to the following illustration of ii for the undrawn financing facilities on March 31, 2024, December 31, 2023 and March 31, 2023.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities.

The aging analysis of non-derivative financial liabilities is disclosed in accordance with the earliest possible repayment date and undiscounted cash flow of financial liabilities (including the principal and estimated interest). Therefore, the requested immediate payment of bank borrowings are disclosed on the earliest period of the following table, leaving out the probability of immediate execution right of the bank. The aging analysis of other non-derivative financial liabilities is disclosed in accordance with the agreed repayment date.

March 31, 2024

	Request Immediate Payment or Less than One Month	Within Three Months	Three Months to One Year	One Year to Five Years	Over Five Years
<u>Non-derivatives financial liabilities</u>					
Liabilities with no interest	\$ 2,066	\$ 2,774	\$ -	\$ 64,255	\$ -
Floating interest instrument	1,490	167,783	407,887	385,366	-
Fixed interest instrument	2,637,486	1,089,609	-	-	-
Lease liabilities	<u>810</u>	<u>1,620</u>	<u>7,139</u>	<u>16,474</u>	<u>181,933</u>
	<u>\$ 2,641,852</u>	<u>\$ 1,261,786</u>	<u>\$ 415,026</u>	<u>\$ 466,095</u>	<u>\$ 181,933</u>

December 31, 2023

	Requested Immediate Payment or Less than One Month	Within Three Months	Three Months to One Year	One Year to Five Years	Over Five Years
<u>Non-derivatives financial liabilities</u>					
Liabilities with no interest	\$ 1,980	\$ 3,370	\$ 26,598	\$ 61,398	\$ -
Floating interest instrument	166,220	2,240	408,919	363,602	-
Fixed interest instrument	3,384,067	-	-	-	-
Lease liabilities	<u>811</u>	<u>1,621</u>	<u>7,219</u>	<u>18,383</u>	<u>182,380</u>
	<u>\$ 3,553,078</u>	<u>\$ 7,231</u>	<u>\$ 442,736</u>	<u>\$ 443,383</u>	<u>\$ 182,380</u>

March 31, 2023

	Requested Immediate Payment or Less than One Month	Within Three Months	Three Months to One Year	One Year to Five Years	Over Five Years
<u>Non-derivatives financial liabilities</u>					
Liabilities with no interest	\$ 584	\$ 2,582	\$ 191	\$ 50,704	\$ -
Floating interest instrument	1,284	301,792	6,479	564,291	-
Fixed interest instrument	3,310	2,596,598	294	23,433	-
Lease liabilities	<u>808</u>	<u>1,616</u>	<u>2,672</u>	<u>8,514</u>	<u>183,722</u>
	<u>\$ 5,986</u>	<u>\$ 2,902,588</u>	<u>\$ 9,636</u>	<u>\$ 646,942</u>	<u>\$ 183,722</u>

b) Financing facilities

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank overdraft facility			
Drawn amount	\$ 4,525,000	\$ 4,301,000	\$ 3,476,000
Undrawn amount	<u>5,125,000</u>	<u>4,549,000</u>	<u>5,474,000</u>
	<u>\$ 9,650,000</u>	<u>\$ 8,850,000</u>	<u>\$ 8,950,000</u>
Secured bank overdraft facilities			
Drawn amount	\$ 141,000	\$ -	\$ -
Undrawn amount	<u>459,000</u>	<u>600,000</u>	<u>600,000</u>
Undrawn amount	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 600,000</u>

53. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

Principle of Capital Management

To maintain sufficient eligible capital and withstand possible losses, the Group not only meet the minimum requirements set by the authorities but assess the extent of capital adequacy through advanced simulation as well as subsequent supervision and analysis, given the business scheme, risk status and composition of eligible capital thus, the Group is capable of developing countermeasures in a timely manner.

54. INFORMATION REGARDING THE TRUST BUSINESS UNDER THE TRUST LAW

As of March 31, 2024, December 31, 2023 and March 31, 2023, trust assets of HNCB and its subsidiaries were \$1,494,671,795, \$1,181,397,888 and \$933,675,508.

55. PUBLIC ANNOUNCEMENTS PRESCRIBED IN ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT: NONE

56. COLLABORATIVE MARKETING

HNCB, HNSC, SCIC, HNIT, HNVC, HNAMEC and HNFC signed an agreement and the term of the agreement was from January 2012 to December 2012. (In accordance with the provisions of Article 9, the contract will be automatically extended for 12 months at contract expiry, subsequently the same.) The scope of the collaboration includes sharing their workplace, human resource and business information. The calculation of related proportionate expense and remuneration was based on “The Instruction of the Distribution pm Collaboration Marketing Fees Between HNFH’s Subsidiaries” and “The Instruction of the Distribution on Commission Service Expense and Related Fees”.

In addition, HNCB also signed into a commission agreement with SCIC in March 2005. The calculation of related commission and remuneration was stated in the agreements.

HNCB also signed into a collaboration computer equipment agreement with Group, HNSC, SCIC, HNIT, HNVC and HNAMEC in July 2005. The scope of the collaboration includes planning, setup, management and distribution of the information equipment which used for joint management or business promotion.

Accordingly, for the three months ended March 31, 2024 and 2023, HNCB paid HNSC and its subsidiaries \$39,239 and \$36,747, respectively; HNSC and its subsidiaries paid HNCB \$18,150 and \$11,983 for business promotion and infrastructures sharing, respectively. For the three months ended March 31, 2024 and 2023, SCIC paid HNCB \$22,818 and \$23,473; HNCB paid SCIC \$221 and \$313 for the remuneration, respectively. For the three months ended March 31, 2024 and 2023, HNIT paid HNCB \$5,286 and \$2,961, respectively. For the three months ended March 31, 2024 and 2023, HNVC paid HNCB \$59 and \$57 for the remuneration, respectively. For the three months ended March 31, 2024 and 2023, HNAMEC paid HNCB \$16 and \$3 for the remuneration, respectively.

57. SEGMENT INFORMATION

	For the Three Months Ended March 31, 2024				
	Bank Division	Securities Division	Insurance Division	Other Divisions	Consolidation
Net interest income (loss)	\$ 6,152,294	\$ 189,431	\$ 53,598	\$ (189,985)	\$ 6,205,338
Net non-interest income	<u>7,356,683</u>	<u>1,193,393</u>	<u>1,464,449</u>	<u>108,885</u>	<u>10,123,410</u>
Net income	13,508,977	1,382,824	1,518,047	(81,100)	16,328,748
(Allowance for) reversal of doubtful accounts, commitments and guarantees	(705,246)	(5,450)	(44,923)	16,170	(739,449)
Change in provisions for insurance liabilities, net	-	-	(496,398)	-	(496,398)
Operating expenses	<u>(6,493,645)</u>	<u>(822,504)</u>	<u>(524,268)</u>	<u>(207,643)</u>	<u>(8,048,060)</u>
Net profit (loss) before income tax from continuing operations	6,310,086	554,870	452,458	(272,573)	7,044,841
Income tax expenses	<u>(1,280,389)</u>	<u>(85,824)</u>	<u>(40,907)</u>	<u>(8,773)</u>	<u>(1,415,893)</u>
Net profit (loss) from continuing operations	<u>\$ 5,029,697</u>	<u>\$ 469,046</u>	<u>\$ 411,551</u>	<u>\$ (281,346)</u>	<u>\$ 5,628,948</u>
	For the Three Months Ended March 31, 2023				
	Bank Division	Securities Division	Insurance Division	Other Divisions	Consolidation
Net interest income (loss)	\$ 7,494,295	\$ 127,053	\$ 37,909	\$ (160,721)	\$ 7,498,536
Net non-interest income	<u>4,735,116</u>	<u>758,225</u>	<u>1,100,470</u>	<u>177,631</u>	<u>6,771,442</u>
Net income	12,229,411	885,278	1,138,379	16,910	14,269,978
(Allowance for) reversal of doubtful accounts, commitments and guarantees	(401,779)	9,520	(5,391)	695	(396,955)
Change in provisions for insurance liabilities, net	-	-	(451,034)	-	(451,034)
Operating expenses	<u>(6,054,128)</u>	<u>(648,739)</u>	<u>(456,508)</u>	<u>(195,900)</u>	<u>(7,355,275)</u>
Net profit (loss) before income tax from continuing operations	5,773,504	246,059	225,446	(178,295)	6,066,714
Income tax (expenses) benefit	<u>(1,116,822)</u>	<u>(50,000)</u>	<u>(36,508)</u>	<u>136,687</u>	<u>(1,066,643)</u>
Net profit (loss) from continuing operations	<u>\$ 4,656,682</u>	<u>\$ 196,059</u>	<u>\$ 188,938</u>	<u>\$ (41,608)</u>	<u>\$ 5,000,071</u>

58. FINANCIAL STATEMENTS OF HUA NAN FINANCIAL HOLDINGS CO., LTD.

Hua Nan Financial Holdings Co., Ltd.

Balance Sheets

(In Thousands of New Taiwan Dollars)

Assets	March 31, 2024	December 31, 2023	March 31, 2023	Liabilities	March 31, 2024	December 31, 2023	March 31, 2023
Cash and cash equivalents	\$ 259,301	\$ 376,150	\$ 345,959	Commercial paper payable, net	\$ 24,651,221	\$ 24,250,017	\$ 17,662,414
Financial assets at fair value through other comprehensive income	1,445,009	1,363,092	1,261,041	Payables	2,270,943	2,463,820	2,292,535
Receivables, net	37,938	41,064	66,178	Current tax liabilities	3,819,748	2,835,200	3,683,127
Current tax assets	4,013,250	3,028,701	3,811,323	Bonds payable	19,187,482	19,186,915	19,185,214
Investments accounted for using equity method, net	261,668,921	251,773,982	230,365,264	Provisions	43,406	42,397	41,925
Property and equipment, net	2,117	2,397	2,177	Lease liabilities	218,616	232,214	275,024
Right-of-use assets, net	215,918	229,801	273,794	Other liabilities	<u>2,387</u>	<u>677</u>	<u>2,294</u>
Intangible assets, net	2,886	3,327	4,648	Total liabilities	<u>50,193,803</u>	<u>49,011,240</u>	<u>43,142,533</u>
Deferred tax assets	2,808	2,808	2,808				
Other assets, net	<u>69</u>	<u>-</u>	<u>-</u>	Equity			
				Share capital			
				Ordinary shares	<u>136,427,459</u>	<u>136,427,459</u>	<u>136,427,459</u>
				Capital surplus	<u>17,761,804</u>	<u>17,761,804</u>	<u>17,758,986</u>
				Retained earnings			
				Legal reserve	22,273,772	22,273,772	20,380,779
				Special reserve	18,503,358	18,503,358	6,471,594
				Unappropriated earnings	<u>28,825,499</u>	<u>23,117,999</u>	<u>27,080,359</u>
				Total retained earnings	<u>69,602,629</u>	<u>63,895,129</u>	<u>53,932,732</u>
				Other equity			
				Exchange differences on translating foreign operations	917,198	(619,865)	(409,849)
				Gain or loss on equity instruments at fair value through other comprehensive income	14,299,422	10,697,410	8,126,798
				Gain or loss on debt instruments at fair value through other comprehensive income	(22,013,081)	(20,563,285)	(22,848,481)
				Gain or loss on overlay approach measured at fair value through other comprehensive income	<u>458,983</u>	<u>211,430</u>	<u>3,014</u>
				Total other equity	<u>(6,337,478)</u>	<u>(10,274,310)</u>	<u>(15,128,518)</u>
				Total equity	<u>217,454,414</u>	<u>207,810,082</u>	<u>192,990,659</u>
Total	<u>\$ 267,648,217</u>	<u>\$ 256,821,322</u>	<u>\$ 236,133,192</u>	Total	<u>\$ 267,648,217</u>	<u>\$ 256,821,322</u>	<u>\$ 236,133,192</u>

Hua Nan Financial Holdings Co., Ltd.

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

	For the Three Months Ended March 31	
	2024	2023
REVENUE		
Interest revenue	\$ 495	\$ 1,511
Share of profit of subsidiaries and associates	<u>5,961,437</u>	<u>5,141,435</u>
Total revenue	<u>5,961,932</u>	<u>5,142,946</u>
OPERATING EXPENSES AND LOSSES		
Interest expenses	(178,347)	(151,899)
Employee benefits	(114,484)	(104,926)
Depreciation and amortization expenses	(15,407)	(15,384)
Other operating expenses	(21,295)	(17,937)
Other non-interest net loss	<u>(3,486)</u>	<u>(2,470)</u>
Total operating expenses and losses	<u>(333,019)</u>	<u>(292,616)</u>
NET PROFIT BEFORE INCOME TAX	5,628,913	4,850,330
INCOME TAX BENEFIT	<u>-</u>	<u>149,724</u>
NET PROFIT FOR THE PERIOD	<u>5,628,913</u>	<u>5,000,054</u>
OTHER COMPREHENSIVE (LOSS) INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Share of the other comprehensive income or loss of subsidiaries and associates accounted for using the equity method	3,598,681	(558,915)
Gain or loss on investments in equity instruments at fair value through other comprehensive income	81,917	171,448
Items that may be reclassified subsequently to profit or loss:		
Share of the other comprehensive income or loss of subsidiaries and associates	347,745	3,571,738
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(12,924)</u>	<u>(18,597)</u>
Total other comprehensive income for the period	<u>4,015,419</u>	<u>3,165,674</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 9,644,332</u>	<u>\$ 8,165,728</u>
BASIC AND DILUTED EARNINGS PER SHARE	<u>\$0.41</u>	<u>\$0.37</u>

HUA NAN FINANCIAL HOLDINGS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

											Other Equity				Total Equity
	Share Capital Ordinary Shares	Share Premium	Treasury Stock	Capital Surplus Donated Assets Received	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Gain or Loss on Investment in Equity Instruments at Fair Value Through Other Comprehensive Income	Gain or Loss on Investment in Debt Instruments at Fair Value Through Other Comprehensive Income	Gain or Loss on Other Comprehensive Income Reclassified by Overlay Approach	
BALANCE AT JANUARY 1, 2023	\$ 136,427,459	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 1,325	\$ 17,758,986	\$ 20,380,779	\$ 6,471,594	\$ 22,023,668	\$ 48,876,041	\$ (292,639)	\$ 8,570,902	\$ (26,224,250)	\$ (291,568)	\$ 184,824,931
Net profit for the three months ended March 31, 2023	-	-	-	-	-	-	-	-	5,000,054	5,000,054	-	-	-	-	5,000,054
Other comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	-	-	-	-	-	-	(117,210)	(387,467)	3,375,769	294,582	3,165,674
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	-	-	-	-	5,000,054	5,000,054	(117,210)	(387,467)	3,375,769	294,582	8,165,728
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	56,637	56,637	-	(56,637)	-	-	-
BALANCE AT MARCH 31, 2023	<u>\$ 136,427,459</u>	<u>\$ 17,702,376</u>	<u>\$ 52,349</u>	<u>\$ 2,936</u>	<u>\$ 1,325</u>	<u>\$ 17,758,986</u>	<u>\$ 20,380,779</u>	<u>\$ 6,471,594</u>	<u>\$ 27,080,359</u>	<u>\$ 53,932,732</u>	<u>\$ (409,849)</u>	<u>\$ 8,126,798</u>	<u>\$ (22,848,481)</u>	<u>\$ 3,014</u>	<u>\$ 192,990,659</u>
BALANCE AT JANUARY 1, 2024	\$ 136,427,459	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 4,143	\$ 17,761,804	\$ 22,273,772	\$ 18,503,358	\$ 23,117,999	\$ 63,895,129	\$ (619,865)	\$ 10,697,410	\$ (20,563,285)	\$ 211,430	\$ 207,810,082
Net profit for the three months ended March 31, 2024	-	-	-	-	-	-	-	-	5,628,913	5,628,913	-	-	-	-	5,628,913
Other comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	-	-	-	-	-	-	1,537,063	3,680,599	(1,449,796)	247,553	4,015,419
Total comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	-	-	-	-	5,628,913	5,628,913	1,537,063	3,680,599	(1,449,796)	247,553	9,644,332
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	78,587	78,587	-	(78,587)	-	-	-
BALANCE AT MARCH 31, 2024	<u>\$ 136,427,459</u>	<u>\$ 17,702,376</u>	<u>\$ 52,349</u>	<u>\$ 2,936</u>	<u>\$ 4,143</u>	<u>\$ 17,761,804</u>	<u>\$ 22,273,772</u>	<u>\$ 18,503,358</u>	<u>\$ 28,825,499</u>	<u>\$ 69,602,629</u>	<u>\$ 917,198</u>	<u>\$ 14,299,422</u>	<u>\$ (22,013,081)</u>	<u>\$ 458,983</u>	<u>\$ 217,454,414</u>

Hua Nan Financial Holdings Co., Ltd.

Statements of Cash Flows
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,628,913	\$ 4,850,330
Adjustments for:		
Depreciation expenses	14,966	14,919
Amortization expenses	441	465
Interest expenses	178,347	151,899
Interest income	(495)	(1,511)
Share of profit of subsidiaries and associates	(5,961,437)	(5,141,435)
Gain on change in leasing contracts	-	(68)
Changes in operating assets and liabilities		
(Increase) decrease in other assets	(69)	200
Decrease in receivables	3,587	10,128
(Decrease) increase in payables	(148,691)	50,527
Increase in provisions	1,009	963
Increase in other liabilities	1,710	1,617
Interest received	34	2,434
Interest paid	(220,763)	(253,577)
Income tax paid	<u>-</u>	<u>(240)</u>
Net cash used in operating activities	<u>(502,448)</u>	<u>(313,549)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(13)</u>	<u>(190)</u>
Net cash used in investing activities	<u>(13)</u>	<u>(190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payables	400,000	300,000
Repayment of corporate bonds	-	(7,000,000)
Repayments of the principal portion of lease liabilities	<u>(14,388)</u>	<u>(14,079)</u>
Net cash generated from (used in) financing activities	<u>385,612</u>	<u>(6,714,079)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(116,849)	(7,027,618)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>376,150</u>	<u>7,373,577</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 259,301</u>	<u>\$ 345,959</u>

59. SUBSIDIARIES' CONDENSED FINANCIAL STATEMENTS

a. Condensed balance sheets

Hua Nan Commercial Bank, Ltd.

Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

Assets	March 31, 2024	December 31, 2023	March 31, 2023	Liabilities	March 31, 2024	December 31, 2023	March 31, 2023
Cash and cash equivalents	\$ 50,496,296	\$ 36,799,731	\$ 27,595,521	Deposits from the Central Bank and other banks	\$ 191,027,725	\$ 190,550,622	\$ 206,267,197
Due from the Central Bank and call loans to other banks	255,815,808	245,757,463	245,147,663	Financial liabilities at fair value through profit or loss	4,726,459	8,578,517	4,482,397
Financial assets at fair value through profit or loss	141,336,967	107,107,128	92,279,360	Securities sold under repurchase agreements	73,116,410	89,005,442	62,797,033
Financial assets at fair value through other comprehensive income	375,542,994	351,840,499	336,756,516	Payables	29,612,945	25,822,391	25,235,355
Investments in debt instruments at amortized cost	840,957,247	685,304,417	723,456,917	Current tax liabilities	4,155,724	3,238,156	4,035,973
Securities purchased under resell agreements	2,850,000	2,000,000	1,900,000	Deposits and remittances	3,344,375,489	3,067,662,275	2,933,949,988
Receivables, net	32,767,944	32,067,373	25,933,755	Bank debentures payable	54,600,000	58,900,000	57,900,000
Current tax assets	285,478	308,193	139,268	Other financial liabilities	74,292,626	71,772,560	65,003,702
Discounts and loans, net	2,276,371,425	2,243,344,436	2,076,482,684	Provisions	6,860,109	7,087,072	6,866,966
Investments accounted for using equity method, net	1,549,489	1,518,821	1,555,800	Lease liabilities	2,050,663	2,081,672	1,900,648
Other financial assets, net	8,077,058	8,740,709	8,787,901	Deferred tax liabilities	6,020,724	6,020,553	6,011,414
Property and equipment, net	30,406,280	27,700,106	29,731,288	Other liabilities	6,508,390	3,495,090	4,122,405
Right-of-use assets, net	2,075,842	2,079,442	1,922,691	Total liabilities	<u>3,797,347,264</u>	<u>3,534,214,350</u>	<u>3,378,573,078</u>
Investment properties, net	9,091,630	11,665,462	8,987,005				
Intangible assets, net	524,632	531,146	639,941	Equity			
Deferred tax assets	3,423,798	3,374,792	3,372,002	Share capital	97,938,000	97,938,000	97,938,000
Other assets, net	<u>2,674,392</u>	<u>2,756,925</u>	<u>3,316,545</u>	Capital surplus	37,762,777	37,762,777	37,762,777
				Retained earnings	109,957,048	104,832,869	89,286,528
				Other equity	<u>(8,757,809)</u>	<u>(11,851,353)</u>	<u>(15,555,526)</u>
				Total equity	<u>236,900,016</u>	<u>228,682,293</u>	<u>209,431,779</u>
Total	<u>\$ 4,034,247,280</u>	<u>\$ 3,762,896,643</u>	<u>\$ 3,588,004,857</u>	Total	<u>\$ 4,034,247,280</u>	<u>\$ 3,762,896,643</u>	<u>\$ 3,588,004,857</u>

Hua Nan Securities Co., Ltd.

Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

Assets	March 31, 2024	December 31, 2023	March 31, 2023	Liabilities	March 31, 2024	December 31, 2023	March 31, 2023
Current assets	\$ 42,645,583	\$ 35,865,950	\$ 25,865,325	Current liabilities	\$ 58,960,001	\$ 49,547,607	\$ 37,301,181
Financial assets at fair value through profit or loss - current	4,094,446	2,503,444	1,919,010	Lease liabilities - current	50,800	53,551	45,930
Financial assets at fair value through other comprehensive income - current	24,774,403	22,723,943	19,946,387	Corporate bonds payable	2,500,000	2,500,000	2,500,000
Financial assets at fair value through other comprehensive income - non-current	395,208	385,983	369,848	Lease liabilities - non-current	84,094	87,968	70,188
Investments accounted for using equity method	1,223,183	1,198,721	1,187,694	Other non-current liabilities	<u>437,258</u>	<u>448,303</u>	<u>363,574</u>
Property and equipment	1,547,478	1,563,826	1,436,355	Total liabilities	<u>62,032,153</u>	<u>52,637,429</u>	<u>40,280,873</u>
Right-of-use assets	133,552	139,719	114,346				
Investment properties	99,839	99,939	100,238	Equity			
Intangible assets	233,047	242,190	242,186	Share capital	6,547,743	6,547,743	6,547,743
Deferred tax assets	38,572	34,803	31,999	Capital surplus	503,998	503,998	503,998
Other non-current assets	<u>1,066,705</u>	<u>1,083,904</u>	<u>1,045,980</u>	Retained earnings	5,719,900	5,231,310	4,745,604
				Other equity	<u>1,448,222</u>	<u>921,942</u>	<u>181,150</u>
				Total equity	<u>14,219,863</u>	<u>13,204,993</u>	<u>11,978,495</u>
Total	<u>\$ 76,252,016</u>	<u>\$ 65,842,422</u>	<u>\$ 52,259,368</u>	Total	<u>\$ 76,252,016</u>	<u>\$ 65,842,422</u>	<u>\$ 52,259,368</u>

South China Insurance Co., Ltd.

Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

Assets	March 31, 2024	December 31, 2023	March 31, 2023	Liabilities	March 31, 2024	December 31, 2023	March 31, 2023
Cash and cash equivalents	\$ 3,242,380	\$ 3,473,048	\$ 2,916,145	Payables	\$ 1,648,347	\$ 2,381,887	\$ 1,404,356
Receivables	1,073,483	432,345	912,018	Current tax liabilities	138,947	93,801	46,513
Current tax assets	-	-	3,022	Financial liabilities at fair value through profit or loss	123,656	36,165	29,797
Financial assets at fair value through profit or loss	8,410,287	8,106,879	7,318,728	Reserves of insurance industry	16,874,293	16,173,244	17,158,374
Financial assets at fair value through other comprehensive income	3,565,248	3,005,194	3,022,190	Provisions	191,197	193,913	197,595
Investments in debt instruments at amortized cost	1,542,237	1,586,719	1,467,774	Lease liabilities	76,695	69,286	60,738
Other financial assets	1,545,008	1,624,908	1,529,908	Deferred tax liabilities	149,309	118,904	106,307
Right-of-use assets	75,424	67,969	59,903	Other liabilities	<u>390,792</u>	<u>488,146</u>	<u>465,746</u>
Investment properties	61,671	61,749	62,001	Total liabilities	<u>19,593,236</u>	<u>19,555,346</u>	<u>19,469,426</u>
Discounts and loans	93,105	107,254	155,044				
Reinsurance contracts assets	6,402,262	6,917,297	6,837,322	Equity			
Property and equipment	929,032	912,395	881,704	Share capital	2,001,386	2,001,386	2,001,386
Intangible assets	90,201	93,893	67,928	Capital surplus	5,278	5,278	5,278
Deferred tax assets	182,482	159,299	187,670	Retained earnings	5,921,099	5,521,981	4,787,826
Other assets	<u>474,007</u>	<u>467,681</u>	<u>471,440</u>	Other equity	<u>165,828</u>	<u>(67,361)</u>	<u>(371,119)</u>
				Total equity	<u>8,093,591</u>	<u>7,461,284</u>	<u>6,423,371</u>
Total	<u>\$ 27,686,827</u>	<u>\$ 27,016,630</u>	<u>\$ 25,892,797</u>	Total	<u>\$ 27,686,827</u>	<u>\$ 27,016,630</u>	<u>\$ 25,892,797</u>

Hua Nan Investment Trust Corp.

Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

Assets	March 31, 2024	December 31, 2023	March 31, 2023	Liabilities	March 31, 2024	December 31, 2023	March 31, 2023
Current assets	\$ 96,793	\$ 63,903	\$ 31,943	Current liabilities	\$ 471,772	\$ 505,941	\$ 514,692
Financial assets at fair value through profit or loss - non-current	93,611	91,414	87,743	Deferred tax liabilities	110	109	75
Property and equipment	115,102	115,287	113,802	Lease liabilities - current	723	741	83
Right-of-use assets	1,609	1,795	145	Lease liabilities - non-current	<u>867</u>	<u>1,033</u>	<u>63</u>
Intangible assets	1,800	1,994	1,709	Total liabilities	<u>473,472</u>	<u>507,824</u>	<u>514,913</u>
Deferred tax assets	222,492	226,016	228,834	Equity			
Other non-current assets	<u>334,640</u>	<u>383,298</u>	<u>426,666</u>	Share capital	308,399	308,399	308,399
				Capital surplus	3,113	3,113	3,113
				Accumulated losses	(3,113)	(17,609)	(13,892)
				Other equity	<u>84,176</u>	<u>81,980</u>	<u>78,309</u>
				Total equity	<u>392,575</u>	<u>375,883</u>	<u>375,929</u>
Total	<u>\$ 866,047</u>	<u>\$ 883,707</u>	<u>\$ 890,842</u>	Total	<u>\$ 866,047</u>	<u>\$ 883,707</u>	<u>\$ 890,842</u>

Hua Nan Venture Capital Co., Ltd.

Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

Assets	March 31, 2024	December 31, 2023	March 31, 2023	Liabilities	March 31, 2024	December 31, 2023	March 31, 2023
Current assets	\$ 566,461	\$ 501,074	\$ 413,490	Current liabilities	\$ 7,795	\$ 4,794	\$ 9,756
Financial assets at fair value through profit or loss - current	310,861	140,867	158,318	Lease liabilities - current	1,736	1,721	142
Financial assets at fair value through profit or loss - non-current	744,162	930,490	995,487	Deferred tax liabilities	31	1	-
Investments accounted for using equity method	274,319	274,157	273,316	Lease liabilities - non-current	187	627	333
Property and equipment	259	298	282	Other non-current liabilities	<u>1,608</u>	<u>1,604</u>	<u>1,583</u>
Right-of-use assets	1,890	2,317	473	Total liabilities	<u>11,357</u>	<u>8,747</u>	<u>11,814</u>
Intangible assets	44	53	79	Equity			
Deferred tax assets	73	73	71	Share capital	2,000,000	2,000,000	2,000,000
Other non-current assets	<u>417</u>	<u>520</u>	<u>490</u>	Capital surplus	2,818	2,818	-
				Accumulated losses	<u>(115,689)</u>	<u>(161,716)</u>	<u>(169,808)</u>
				Total equity	<u>1,887,129</u>	<u>1,841,102</u>	<u>1,830,192</u>
Total	<u>\$ 1,898,486</u>	<u>\$ 1,849,849</u>	<u>\$ 1,842,006</u>	Total	<u>\$ 1,898,486</u>	<u>\$ 1,849,849</u>	<u>\$ 1,842,006</u>

Hua Nan Assets Management Co., Ltd.

Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

Assets	March 31, 2024	December 31, 2023	March 31, 2023	Liabilities	March 31, 2024	December 31, 2023	March 31, 2023
Current assets	\$ 182,700	\$ 142,340	\$ 91,698	Current liabilities	\$ 4,090,690	\$ 3,777,096	\$ 3,069,773
Financial assets at fair value through other comprehensive income - non-current	8,530	8,823	9,060	Lease liabilities - current	7,627	7,669	3,367
Property and equipment	42,662	124,190	99,021	Long-term borrowings	779,000	755,000	580,000
Right-of-use assets	16,854	18,806	4,833	Deferred tax liabilities	70	70	1,522
Investment properties	5,689,992	5,318,275	4,652,615	Lease liabilities - non-current	59,716	61,507	51,512
Intangible assets	2,152	2,335	2,463	Other non-current liabilities	<u>51,964</u>	<u>51,984</u>	<u>52,513</u>
Deferred tax assets	6,182	6,168	6,323	Total liabilities	<u>4,989,067</u>	<u>4,653,326</u>	<u>3,758,687</u>
Other non-current assets	<u>143,781</u>	<u>169,489</u>	<u>150,083</u>	Equity			
				Share capital	1,000,000	1,000,000	1,000,000
				Capital surplus	892	892	892
				Retained earnings	119,365	152,385	272,457
				Other equity	<u>(16,471)</u>	<u>(16,177)</u>	<u>(15,940)</u>
				Total equity	<u>1,103,786</u>	<u>1,137,100</u>	<u>1,257,409</u>
Total	<u>\$ 6,092,853</u>	<u>\$ 5,790,426</u>	<u>\$ 5,016,096</u>	Total	<u>\$ 6,092,853</u>	<u>\$ 5,790,426</u>	<u>\$ 5,016,096</u>

b. Condensed statements of comprehensive income

Hua Nan Commercial Bank, Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Interest revenue	\$ 23,612,611	\$ 19,471,766
Interest expenses	<u>(17,491,928)</u>	<u>(11,997,837)</u>
Net interest revenue	6,120,683	7,473,929
Net non-interest income	7,436,830	4,800,162
Allowance for doubtful accounts, commitments and guarantees	(704,325)	(401,591)
Operating expenses	<u>(6,532,234)</u>	<u>(6,094,159)</u>
Net profit before income tax	6,320,854	5,778,341
Income tax expenses	<u>(1,276,278)</u>	<u>(1,114,822)</u>
Net profit for the period	5,044,576	4,663,519
Other comprehensive income (loss)	<u>3,173,147</u>	<u>2,386,829</u>
Total comprehensive income (loss) for the period	<u>\$ 8,217,723</u>	<u>\$ 7,050,348</u>
Earnings per share	<u>\$0.52</u>	<u>\$0.48</u>

Hua Nan Securities Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Revenue	\$ 1,665,398	\$ 1,044,381
Service fee expenses	(312,631)	(165,197)
Employee benefits expenses	(483,067)	(366,488)
Share of profit of associates and joint ventures	14,048	5,015
Operating expenses	<u>(312,606)</u>	<u>(250,029)</u>
Net profit before income tax	571,142	267,682
Income tax expenses	<u>(81,536)</u>	<u>(47,897)</u>
Net profit for the period	489,606	219,785
Other comprehensive income (loss)	<u>525,264</u>	<u>249,082</u>
Total comprehensive income for the period	<u>\$ 1,014,870</u>	<u>\$ 468,867</u>
Earnings per share	<u>\$0.75</u>	<u>\$0.34</u>

South China Insurance Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 2,837,474	\$ 2,492,395
Operating costs	(1,817,615)	(1,791,261)
Operating expenses	<u>(579,956)</u>	<u>(486,306)</u>
Operating income	439,903	214,828
Non-operating revenue and expenses	<u>122</u>	<u>211</u>
Net profit before income tax	440,025	215,039
Income tax expenses	<u>(40,907)</u>	<u>(36,508)</u>
Net profit or the period	399,118	178,531
Other comprehensive income (loss)	<u>233,189</u>	<u>357,346</u>
Total comprehensive income (loss) for the period	<u>\$ 632,307</u>	<u>\$ 535,877</u>
Earnings per share	<u>\$1.99</u>	<u>\$0.89</u>

Hua Nan Investment Trust Corp.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 39,116	\$ 26,515
Operating expenses	<u>(36,975)</u>	<u>(31,693)</u>
Net operating loss	2,141	(5,178)
Non-operating revenue and expenses	<u>15,979</u>	<u>(904)</u>
Net profit (loss) before income tax	18,120	(6,082)
Income tax (expense) benefit	<u>(3,624)</u>	<u>154</u>
Net profit (loss) for the period	14,496	(5,928)
Other comprehensive income	<u>2,196</u>	<u>1,684</u>
Total comprehensive (loss) income for the period	<u>\$ 16,692</u>	<u>\$ (4,244)</u>
Earnings (loss) per share	<u>\$0.47</u>	<u>\$(0.19)</u>

Hua Nan Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 92,585	\$ 118,824
Operating costs	(38,849)	(43,258)
Operating expenses	<u>(5,509)</u>	<u>(5,367)</u>
Operating income	48,227	70,199
Non-operating revenue and expenses	<u>1,744</u>	<u>937</u>
Net profit before income tax	49,971	71,136
Income tax expense	<u>(3,944)</u>	<u>(1,539)</u>
Net profit for the period	46,027	69,597
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ 46,027</u>	<u>\$ 69,597</u>
Earnings per share	<u>\$0.23</u>	<u>\$0.35</u>

Hua Nan Assets Management Co., Ltd.

Condensed Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2024	2023
Operating revenue	\$ 18,783	\$ 77,804
Operating expenses	<u>(36,871)</u>	<u>(40,200)</u>
Operating (loss) income	(18,088)	37,604
Non-operating revenue and expenses	<u>(13,728)</u>	<u>(10,447)</u>
Net (loss) profit before income tax	(31,816)	27,157
Income tax expense	<u>(1,205)</u>	<u>(11,652)</u>
Net (loss) profit for the period	(33,021)	15,505
Other comprehensive loss	<u>(293)</u>	<u>(715)</u>
Total comprehensive (loss) income for the period	<u>\$ (33,314)</u>	<u>\$ 14,790</u>
(Loss) earnings per share	<u>\$(0.12)</u>	<u>\$0.16</u>

60. SUBSIDIARIES' PROFITABILITY, ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, ANALYSIS OF DUE DATES OF ASSETS AND LIABILITIES AND INTEREST RATE SENSITIVITY INFORMATION

a. Profitability

1) Hua Nan Financial Holdings Corp.

Unit: %

Item		For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Return on total assets	Before income tax	2.15	2.06
	After income tax	2.15	2.13
Return on equity	Before income tax	2.65	2.57
	After income tax	2.65	2.65
Profit margin		97.38	100.23

2) Hua Nan Financial Holdings Corp. and its subsidiaries

Unit: %

Item		For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Return on total assets	Before income tax	0.18	0.17
	After income tax	0.14	0.14
Return on equity	Before income tax	3.31	3.21
	After income tax	2.65	2.65
Profit margin		34.47	35.04

3) Hua Nan Commercial Bank, Ltd.

Unit: %

Item		For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Return on total assets	Before income tax	0.16	0.16
	After income tax	0.13	0.13
Return on equity	Before income tax	2.72	2.81
	After income tax	2.17	2.26
Profit margin		37.21	37.99

4) Hua Nan Securities Co., Ltd.

Unit: %

Item		For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Return on total assets	Before income tax	0.80	0.54
	After income tax	0.69	0.45
Return on equity	Before income tax	4.17	2.28
	After income tax	3.57	1.87
Profit margin		30.82	22.26

5) South China Insurance Co., Ltd.

Unit: %

Item		For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Return on total assets	Before income tax	1.61	0.86
	After income tax	1.46	0.71
Return on equity	Before income tax	5.66	3.49
	After income tax	5.13	2.90
Profit margin		14.07	7.16

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

Note 2: Return on equity = Income before (after) income tax/Average equity.

Note 3: Profit margin = Income after income tax/Total net revenues.

Note 4: Income before (after) income tax represented income for the three months ended March 31, 2024 and 2023.

b. Asset quality

Hua Nan Commercial Bank, Ltd.

Items			March 31, 2024				
			Overdue Amounts (Note 1)	Total Loans	Overdue Ratio (Note 2)	Allowance Amounts	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 1,973,595	\$ 636,534,168	0.31%	\$ 8,313,814	421.25%
	Unsecured		646,334	794,679,197	0.08%	10,084,484	1,560.26%
Consumer banking	Mortgage (Note 4)		482,806	718,172,621	0.07%	9,165,597	1,898.40%
	Cash card		10	4,851	0.21%	3,694	36,940.00%
	Small amount of credit loans (Note 5)		154,847	20,593,178	0.75%	282,030	182.13%
	Others (Note 6)	Secured	303,431	114,548,205	0.26%	1,473,718	485.68%
		Unsecured	27,212	21,611,885	0.13%	290,647	1,068.08%
Total			3,588,235	2,306,144,105	0.16%	29,613,984	825.31%
Items			Overdue Amounts	Receivables Balance	Overdue Ratio	Allowance Amounts	Coverage Ratio
Credit card			8,177	9,924,011,835	0.00%	38,135	466.37%
Receivable factoring-without recourse (Notes 7 and 8)			-	310,378	-	8,056	-

Items			December 31, 2023				
			Overdue Amounts (Note 1)		Total Loans	Overdue Ratio (Note 2)	Allowance Amounts
Corporate banking	Secured		\$ 1,904,990	\$ 641,705,961	0.30%	\$ 8,303,214	435.87%
	Unsecured		477,623	776,847,695	0.06%	9,721,940	2,035.48%
Consumer banking	Mortgage (Note 4)		509,696	696,570,823	0.07%	8,797,639	1,726.06%
	Cash card		-	5,343	-	4,006	-
	Small amount of credit loans (Note 5)		176,379	20,525,145	0.86%	279,288	158.35%
	Others (Note 6)	Secured	315,486	116,423,257	0.27%	1,486,326	471.12%
		Unsecured	26,035	20,239,696	0.13%	269,167	1,033.87%
	Total			3,410,209	2,272,317,920	0.15%	28,861,580
Items			Overdue Amounts	Receivables Balance	Overdue Ratio	Allowance Amounts	Coverage Ratio
Credit card			6,654	10,381,020	0.06%	41,221	619.49%
Receivable factoring-without recourse (Notes 7 and 8)			-	361,152	-	8,623	-

Items			March 31, 2023				
			Overdue Amounts (Note 1)	Total Loans	Overdue Ratio (Note 2)	Allowance Amounts	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 1,039,763	\$ 594,973,352	0.17%	\$ 7,799,773	750.15%
	Unsecured		1,215,293	710,514,597	0.17%	9,345,541	758.99%
Consumer banking	Mortgage (Note 4)		308,597	643,573,663	0.05%	8,406,810	2,724.20%
	Cash card		4	7,008	0.06%	5,317	132,925.00%
	Small amount of credit loans (Note 5)		204,623	20,549,755	1.00%	289,562	141.51%
	Others (Note 6)	Secured	379,461	116,944,568	0.32%	1,545,538	407.30%
		Unsecured	25,532	17,461,921	0.15%	235,403	921.99%
Total			3,173,273	2,104,024,864	0.15%	27,627,944	870.65%
Items			Overdue Amounts	Receivables Balance	Overdue Ratio	Allowance Amounts	Coverage Ratio
Credit card			4,775	9,055,637	0.05%	43,054	901.65%
Receivable factoring-without recourse (Notes 7 and 8)			-	695,012	-	8,608	-

Note 1: The amounts recognized as overdue amounts are in compliance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The amounts included in overdue amounts for credit cards are in compliance with the Banking Bureau (4) Letter No. 0944000378 dated July 6, 2005.

Note 2: Overdue ratio = Overdue amounts/Total loans. Overdue ratio of credit cards = Overdue amounts of credit cards/Balance of accounts receivable.

Note 3: Coverage ratio for loans = Allowance amounts of loans/Overdue loans. Coverage ratio for accounts receivable of credit cards = Allowance amounts for accounts receivable of credit cards/Overdue amounts of credit cards.

Note 4: For mortgage loans, the borrower provides his/her (or spouse's or minor child's) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to own house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer loan is specified as secured or unsecured consumer loans other than mortgage loans, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to the Banking Bureau (5) Letter No. 094000494 dated July 19, 2005, the amount of receivable factoring-without recourse will be recognized as overdue amounts within three months after the factor or insurance company resolves not to compensate the loss.

Note 8: Included nonperforming loans transferred from other than loans.

c. Overdue loans and accounts receivable that are exempted from being reported as past-due items

Hua Nan Commercial Bank, Ltd.

Items	March 31, 2024		December 31, 2023		March 31, 2023	
	Overdue Loans That Are Exempted from Being Reported as Past-due Items	Accounts Receivable That Are Exempted from Being Reported as Past-due Items	Overdue Loans That Are Exempted from Being Reported as Past-due Items	Accounts Receivable That Are Exempted from Being Reported as Past-due Items	Overdue Loans That Are Exempted from Being Reported as Past-due Items	Accounts Receivable That Are Exempted from Being Reported as Past-due Items
Amount that are exempted from being reported after negotiations (Note 1)	\$ 1,297	\$ 1,201	\$ 1,396	\$ 1,306	\$ 1,884	\$ 1,905
Amount that are exempted from being reported according to the law of consumer liquidate (Note 2)	63,226	111,672	72,966	113,029	76,852	114,857
Total	\$ 64,523	\$ 112,873	\$ 74,362	\$ 114,335	\$ 78,736	\$ 116,762

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

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

d. Concentration of credit extensions

Hua Nan Commercial Bank, Ltd.

Year	March 31, 2024		
Rank (Note 1)	Industry of the Corporation or Group (Note 2)	Total Amount of Credit, Endorsement or Other Transactions (Note 3)	Percentage of the Company's Equity (%)
1	A Group plastic raw material manufacturing industry	\$ 40,009,917	16.89
2	B Group of retail sale in general merchandise stores	28,789,325	12.15
3	C Group of motor vehicles manufacturing	17,301,751	7.30
4	D Group of wholesaling computers personnel equipment and software	15,632,216	6.60
5	E Group of real estate sale and rental	14,530,000	6.13
6	F Group of railway transportation	14,431,468	6.09
7	G Group of financial leasing	13,623,981	5.75
8	H Group panel and component manufacturing industry	11,451,463	4.83
9	I Group of unclassified other financial service	11,326,470	4.78
10	J Group of aviation transportation	11,312,958	4.78

Year	December 31, 2023		
Rank (Note 1)	Industry of the Corporation or Group (Note 2)	Total Amount of Credit, Endorsement or Other Transactions (Note 3)	Percentage of the Company's Equity (%)
1	A Group chemical machinery and equipment manufacturing industry	\$ 39,499,818	17.27
2	B Group of retail sale in general merchandise stores	30,771,313	13.46
3	C Group of real estate development	17,456,898	7.63
4	D Group of wholesaling computers personnel equipment and software	16,315,849	7.13
5	E Group of financial leasing	14,937,670	6.53
6	F Group of real estate sale and rental	14,540,000	6.36
7	G Group of railway transportation	14,427,477	6.31
8	H Group panel and component manufacturing industry	12,528,949	5.48
9	I Group of financial leasing	11,365,507	4.97
10	J Group of unclassified other financial service	11,177,514	4.89

Year	March 31, 2023		
Rank (Note 1)	Industry of the Corporation or Group (Note 2)	Total Amount of Credit, Endorsement or Other Transactions (Note 3)	Percentage of the Company's Equity (%)
1	A Group of smelting and refining of iron and steel	\$ 34,836,049	16.63
2	B Group of retail sale in general merchandise stores	28,082,274	13.41
3	C Group of motor vehicles manufacturing	16,117,186	7.70
4	D Group of railway transportation	15,265,455	7.29
5	E Group of real estate sale and rental	14,570,000	6.96
6	F Group of wholesaling computers personnel equipment and software	14,099,311	6.73
7	G Group of real estate development	13,914,827	6.64
8	H Group of unclassified other financial service	13,274,938	6.34
9	I Group of financial leasing	12,551,698	5.99
10	J Group of aviation transportation	12,348,483	5.90

Note 1: The list shows rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: The Group is referred to as "The Group" in accordance with the Bankers Association letter No. 2911 on November 27, 2001.

Note 3: Total loans balances are the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, unsecured short-term loans, secured short-term loans, margin loans receivable, medium-term unsecured loans, secured medium-term loans, unsecured long-term loans, secured long-term loans and delinquent loans), remittance purchased, receivables factoring-without recourse, acceptance receivable and guarantees.

e. Maturity analysis of assets and liabilities

Hua Nan Commercial Bank, Ltd.

Maturity Analysis of Assets and Liabilities

(In Thousands of New Taiwan Dollars)

	March 31, 2024						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,322,474,611	\$ 522,681,992	\$ 442,038,909	\$ 256,688,121	\$ 211,985,589	\$ 251,754,810	\$ 1,637,325,190
Main capital outflow on maturity	4,296,173,664	96,173,337	223,377,487	455,862,159	622,407,456	788,994,971	2,109,358,254
Gap	\$ (973,699,053)	\$ 426,508,655	\$ 218,661,422	\$ (199,174,038)	\$ (410,421,867)	\$ (537,240,161)	\$ (472,033,064)

	December 31, 2023						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,077,928,987	\$ 390,089,160	\$ 394,009,270	\$ 224,197,689	\$ 232,248,816	\$ 262,953,870	\$ 1,574,430,182
Main capital outflow on maturity	4,031,192,900	102,380,315	203,667,025	437,058,135	517,839,607	743,871,126	2,026,376,692
Gap	\$ (953,263,913)	\$ 287,708,845	\$ 190,342,245	\$ (212,860,446)	\$ (285,590,791)	\$ (480,917,256)	\$ (451,946,510)

	March 31, 2023						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,987,710,412	\$ 351,993,546	\$ 471,371,012	\$ 287,148,820	\$ 210,602,105	\$ 237,775,718	\$ 1,428,819,211
Main capital outflow on maturity	3,830,383,346	112,129,432	174,719,944	347,466,144	547,130,589	723,273,178	1,925,664,059
Gap	\$ (842,672,934)	\$ 239,864,114	\$ 296,651,068	\$ (60,317,324)	\$ (336,528,484)	\$ (485,497,460)	\$ (496,844,848)

Note: The amounts listed above represent the funds denominated in New Taiwan dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Maturity Analysis of Assets and Liabilities

(In Thousands of U.S. Dollars)

	March 31, 2024					
	Total	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 40,804,749	\$ 13,962,928	\$ 5,542,769	\$ 4,104,456	\$ 3,615,610	\$ 13,578,986
Main capital outflow on maturity	45,061,664	21,250,160	7,137,060	5,714,332	4,707,607	6,252,505
Gap	\$ (4,256,915)	\$ (7,287,232)	\$ (1,594,291)	\$ (1,609,876)	\$ (1,091,997)	\$ 7,326,481

	December 31, 2023					
	Total	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 38,574,676	\$ 12,525,570	\$ 4,935,820	\$ 5,759,005	\$ 2,546,516	\$ 12,807,765
Main capital outflow on maturity	42,873,365	20,423,528	7,171,492	3,682,701	5,201,623	6,394,021
Gap	\$ (4,298,689)	\$ (7,897,958)	\$ (2,235,672)	\$ 2,076,304	\$ (2,655,107)	\$ 6,413,744

	March 31, 2023					
	Total	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 36,165,963	\$ 10,757,591	\$ 3,619,290	\$ 5,409,540	\$ 4,912,463	\$ 11,467,079
Main capital outflow on maturity	39,614,107	16,183,209	7,296,004	4,320,752	4,384,326	7,429,816
Gap	\$ (3,448,144)	\$ (5,425,618)	\$ (3,676,714)	\$ 1,088,788	\$ 528,137	\$ 4,037,263

f. Interest rate sensitivity information

Hua Nan Commercial Bank, Ltd.

Interest Rate Sensitivity (New Taiwan Dollars) March 31, 2024

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	\$ 2,554,399,775	\$ 75,473,536	\$ 171,886,630	\$ 322,151,405	\$ 3,123,911,346
Interest-sensitive liabilities	2,327,988,513	331,129,098	221,772,968	105,084,516	2,985,975,095
Interest-sensitive gap	226,411,262	(255,655,562)	(49,886,338)	217,066,889	137,936,251
Net assets					207,290,768
Ratio of interest-sensitive assets to liabilities (%)					104.62%
Ratio of interest-sensitive gap to net assets (%)					66.54%

December 31, 2023

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	\$ 2,336,322,266	\$ 54,765,574	\$ 170,721,598	\$ 299,750,731	\$ 2,861,560,169
Interest-sensitive liabilities	2,226,609,630	233,622,210	185,251,818	103,872,828	2,749,356,486
Interest-sensitive gap	109,712,636	(178,856,636)	(14,530,220)	195,877,903	112,203,683
Net assets					200,248,133
Ratio of interest-sensitive assets to liabilities (%)					104.08%
Ratio of interest-sensitive gap to net assets (%)					56.03%

March 31, 2023

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	\$ 2,272,341,671	\$ 67,704,197	\$ 171,784,933	\$ 280,755,403	\$ 2,792,586,204
Interest-sensitive liabilities	2,168,955,058	210,703,315	200,861,165	107,470,999	2,687,990,537
Interest-sensitive gap	103,386,613	(142,999,118)	(29,076,232)	173,284,404	104,595,667
Net assets					185,230,484
Ratio of interest-sensitive assets to liabilities (%)					103.89%
Ratio of interest-sensitive gap to net assets (%)					56.47%

Note 1: The above amounts include only New Taiwan dollars held by head office and domestic branches of the Company and exclude contingent assets and contingent liabilities.

Note 2: Interest sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities whose revenues or costs are affected by interest rate changes.

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

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

Interest Rate Sensitivity (USD)

March 31, 2024

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	\$ 26,979,056	\$ 3,716,665	\$ 3,086,896	\$ 5,645,917	\$ 39,428,534
Interest-sensitive liabilities	31,636,023	4,415,758	2,157,239	13,560	38,222,580
Interest-sensitive gap	(4,656,967)	(699,093)	929,657	5,632,357	1,205,954
Net assets					1,048,519
Ratio of interest-sensitive assets to liabilities (%)					103.16%
Ratio of interest-sensitive gap to net assets (%)					115.01%

December 31, 2023

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	\$ 24,682,448	\$ 5,169,275	\$ 1,859,863	\$ 5,682,132	\$ 37,393,718
Interest-sensitive liabilities	31,071,907	2,284,340	2,689,304	9,060	36,054,611
Interest-sensitive gap	(6,389,459)	2,884,935	(829,441)	5,673,072	1,339,107
Net assets					1,051,220
Ratio of interest-sensitive assets to liabilities (%)					103.71%
Ratio of interest-sensitive gap to net assets (%)					127.39%

March 31, 2023

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	\$ 20,303,306	\$ 5,181,571	\$ 4,349,086	\$ 5,376,629	\$ 35,210,592
Interest-sensitive liabilities	28,482,243	3,305,917	2,586,384	39,684	34,414,228
Interest-sensitive gap	(8,178,937)	1,875,654	1,762,702	5,336,945	796,364
Net assets					935,076
Ratio of interest-sensitive assets to liabilities (%)					102.31%
Ratio of interest-sensitive gap to net assets (%)					85.17%

Note 1: The above amounts include only USD held by head office, domestic branches, OBU and overseas branches of the Company and exclude contingent assets and contingent liabilities.

Note 2: Interest sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities whose revenues or costs are affected by interest rate changes.

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

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

61. OTHERS

As of the date the consolidated financial statements were authorized for issue, the Group evaluated the economic impact caused by COVID-19, and conclude that it was affected to a considerable extent but still under the Group's sustainable range. The Group will continuously observe the situation of COVID-19, and evaluate its impact.

62. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Significant transactions

- 1) Accumulated acquisition and disposal of same investee's marketable security over NT\$300 million or 10% of the issued capital: None.
- 2) Acquisition of individual real estate at costs of over NT\$300 million or 10% of the issued capital: Table 1.
- 3) Disposal of individual real estate at prices of over NT\$300 million or 10% of the issued capital: None.
- 4) Allowance for service fee to related parties over NT\$5 million: None.
- 5) Receivables from related parties amounting to over NT\$300 million or 10% of the issued capital: Table 2.
- 6) Sale of nonperforming loans by subsidiaries: None.
- 7) Securitized instruments and related information which are approved in accordance with the Statute for financial assets securitization and the statute for real estate securitization of subsidiaries: None.
- 8) Other significant transactions which may affect decisions of the users of the financial statements: None.

b. Information on the Company's investees

- 1) Financing provided: Table 3 (Note 1).
- 2) Endorsement/guarantee provided: Table 4 (Note 1).
- 3) Financing provided, endorsements/guarantees provided and acquisition and disposal of marketable securities over NT\$300 million or 10% of the issued capital: None.

4) Marketable securities held by investees: Table 5 (Note 1).

5) Information on subsidiaries derivative instruments transactions: Notes 51 and 52.

Note: Subsidiaries belong in finance, insurance and securities industries are exempted from disclosures.

c. The related information and proportionate share in investees: None.

d. Information on investment in Mainland: Table 6.

e. Business relationships and significant transactions between the Group: Table 7.

f. The Company's shares held by subsidiaries: None.

g. Information of major shareholders: Table 8.

63. DEPARTMENT INFORMATION

The Group's main business is to invest and administer their investee's business; therefore, adopts the information provided by subsidiaries as the references to allocate resources and evaluates performances. Each operating department's accounting policies are identical to the Note 4 "Summary of Significant Accounting Policies." The group should report the departments as follows:

Bank department: The commercial bank business operated by HNCB.

Other operating departments: Other investments such as HNILC and its subsidiaries, HNSC and its subsidiaries, SCIC, HNIT, HNVC and HNAMEC, etc.

Department Income and Operation Results

The following was information of the Group's revenue and results of reportable segments:

	For the Three Months Ended March 31, 2024		
	Bank	Other Operating Departments	Total
Net interest income	\$ 6,120,683	\$ 84,655	\$ 6,205,338
Net non-interest income, net	<u>7,436,830</u>	<u>2,686,580</u>	<u>10,123,410</u>
Total net income	13,557,513	2,771,235	16,328,748
(Allowance for) reversal of doubtful accounts, commitments and guarantees	(704,325)	(35,124)	(739,449)
Change in provisions for insurance liabilities, net	-	(496,398)	(496,398)
Operating expenses	<u>(6,532,334)</u>	<u>(1,515,726)</u>	<u>(8,048,060)</u>
Net profit before income tax	6,320,854	723,987	7,044,841
Income tax expenses	<u>(1,276,278)</u>	<u>(139,615)</u>	<u>(1,415,893)</u>
Net profit for the period	<u>\$ 5,044,576</u>	<u>\$ 584,372</u>	<u>\$ 5,628,948</u>

For the Three Months Ended March 31, 2023

	Bank	Other Operating Departments	Total
Net interest income	\$ 7,473,929	\$ 24,607	\$ 7,498,536
Net non-interest income, net	<u>4,800,162</u>	<u>1,971,280</u>	<u>6,771,442</u>
Total net income	12,274,091	1,995,887	14,269,978
(Allowance for) reversal of doubtful accounts, commitments and guarantees	(401,591)	4,636	(396,955)
Change in provisions for insurance liabilities, net	-	(451,034)	(451,034)
Operating expenses	<u>(6,094,159)</u>	<u>(1,261,116)</u>	<u>(7,355,275)</u>
Net profit before income tax	5,778,341	288,373	6,066,714
Income tax (expense) benefit	<u>(1,114,822)</u>	<u>48,179</u>	<u>(1,066,643)</u>
Net profit for the period	<u>\$ 4,663,519</u>	<u>\$ 336,552</u>	<u>\$ 5,000,071</u>

TABLE 1

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Hua Nan Commercial Bank, Ltd.	Hua Nan Bank Information Building, Tucheng District, New Taipei City (Civil Engineering)	August 1, 2018	\$ 640,000	Paid \$617,879 same as contract	BES Engineering Co.	-	-	-	-	\$ -	Not applicable	Operating activities	-
	Hua Nan Bank Information Building, Tucheng District, New Taipei City (Mechanical and Electrical Engineering)	October 15, 2019	559,800	Paid \$545,199 same as contract	BES Engineering Co.	-	-	-	-	-	Not applicable	Operating activities	-
	Land: No. 61-1, Economic and Trade Section, Nangang District, Taipei City Building: 10 on the 2nd floor, No. 3 Park Street, Nangang District, Taipei City, 6 parking spaces on the 1st basement floor, and 2 parking spaces on the 3rd basement floor	April 27, 2023	320,886	Paid in one lump sum	Ministry of Economic Affairs	-	-	-	-	-	Determined by the Ministry of Economic Affairs	Operating activities	-

TABLE 2

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

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

The Company	Transaction Opponent	Relationship	Receivable Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
Hua Nan Financial Holdings Co., Ltd.	Hua Nan Commercial Bank, Ltd.	Subsidiaries	\$ 3,327,156 (Note)	-	\$ -	-	\$ -	\$ -
	Hua Nan Securities Co., Ltd.	Subsidiaries	317,399 (Note)	-	-	-	-	-

Note: The amounts of linked tax receivables from related parties had been eliminated in the consolidated financial statements.

TABLE 3

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company (Note)	Financing Company's Financing Amount Limit (Note)
													Item	Value		
1	Hua Nan International Leasing Corporation Ltd.	Flagship Square Enterprise	Other receivable	No	\$ 101,450	\$ 100,475	\$ 100,475	1-10	Short-term financing	\$ -	Operating use	\$ 1,005	Real estate	\$ 112,082	\$ 216,242	\$ 1,441,615
		Xi Quan Co., Ltd.	Other receivable	No	8,267	-	-	1-10	Short-term financing	-	Operating use	-	Real estate	82,471	216,242	1,441,615
		Megaful Co., Ltd.	Other receivable	No	97,260	97,260	97,260	1-10	Short-term financing	-	Operating use	973	Real estate	61,123	216,242	1,441,615
		Hsin Chuan Construction Co., Ltd.	Other receivable	No	58,671	33,643	33,643	1-10	Short-term financing	-	Operating use	336	Stocks	57,528	216,242	1,441,615
		Yu Ding Investments Co., Ltd.	Other receivable	No	100,000	97,227	97,227	1-10	Short-term financing	-	Operating use	972	-	-	216,242	1,441,615
		Xiang Ximg Trading Ltd.	Other receivable	No	43,594	40,801	40,801	1-10	Short-term financing	-	Operating use	408	Stocks	15,000	216,242	1,441,615
		Fu Bao Yi Hao Energy Co., Ltd.	Other receivable	No	100,433	100,000	100,000	1-10	Short-term financing	-	Operating use	1,000	-	-	216,242	1,441,615
2	Hua Nan Assets Management Co., Ltd.	KINGLAND PROPERTY CORPORATION, LTD.	Other receivable	No	80,000	80,000	54,000	4-10	Business dealings	54,000	-	1,560	-	-	170,565	3,441,300
		Anzhong Construction Co., Ltd.	Other receivable	No	35,000	35,000	-	4-10	Business dealings	-	-	-	-	-	170,565	3,441,300
		Has Limited company														

Note 1: According to Hua Nan International Leasing Corporation Ltd.’s “Operating Procedures of Fund Lending”, the credit limits of the lending which arises from business dealings cannot surpass 15% of the lender’s recent audited net worth. The credit limits of the lending because of operating use without business dealings cannot surpass 15% of the lender’s recent audited net worth. If operating use is of necessity, the credit limits cannot surpass 40% of the lender’s recent audited net worth. If the borrowers is Hua Nan International Leasing Corporation Ltd.’s subsidiary, the credit limits cannot surpass 15% of the lender’s recent audited net worth. Additionally, the lending amounts under preceding two circumstances cannot surpass 100% of the lenders’ recent audited net worth.

Note 2: According to Hua Nan Assets Management Co., Ltd.’s “Operating Procedures of Fund Lending”, the credit limits of the lending cannot surpass the lender’s recent audited net worth. The credit limits of the lending to the same legal person cannot surpass 15% of the lender’s recent audited net worth. The credit limits of the lending to the same related party cannot surpass 20% of the lender’s recent audited net worth. Hua Nan Assets Management Co., Ltd.’s.

TABLE 4

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Endorsement/Guarantee Provider	Counterparty		Limits on Individual Endorsement/ Guarantee Amounts (Note)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Endorsement/ Guarantee Amount Collateralized by Properties	Ratio of Accumulated Amount of Endorsement/ Guarantee to Net Asset Value of the Latest Financial Statement	Maximum Endorsement/ Guarantee Amounts Allowable (Note)
		Name	Nature of Relationship							
1	Hua Nan International Leasing Corporation Ltd.	Hua Nan International Leasing Corporation	Subsidiary	\$ 7,208,075	\$ -	\$ -	\$ -	\$ -	-	\$ 12,974,535

Note: According to Hua Nan International Leasing Corporation Ltd.’s “Operating Procedures to Fund Endorsement and Guarantee”, Hua Nan International Leasing Corporation Ltd. can only endorse or guarantee its subsidiaries. The so called subsidiaries refer to the direct investment Hua Nan International Leasing Corporation Ltd.’s or indirect investment which it holds more than 50% voting rights of the invested company. The endorsement limit to single company cannot surpass 5 times Hua Nan International Leasing Corporation Ltd.’s audited net worth. The endorsement limits to all subsidiaries cannot surpass 9 times Hua Nan International Leasing Corporation Ltd.’s audited net worth.

TABLE 5

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD BY INVESTEES

MARCH 31, 2024

(In Thousands of New Taiwan Dollars/U.S. Dollars)

Holding Company Name	Type and Name of Marketable Security	Relationship with Holding Company	Accounts Recorded	March 31, 2024				Note
				Shares (Units)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Equity	
Hua Nan Investment Trust Corp.	<u>Stocks</u>							
	Taiwan Futures Exchange	Investee company evaluated by fair value method	FVTOCI - equity instruments	1,909,785	\$ 91,230	0.35	\$ 91,230	Note 2
	FundRich Securities Co., Ltd.	Investee company evaluated by fair value method	FVTOCI - equity instruments	171,428	2,381	0.29	2,381	Note 2
Hua Nan Venture Capital Co., Ltd.	<u>Stocks</u>							
	Formosa Advanced Technologies Co., Ltd.	-	Financial assets at FVTPL - current	141,000	5,175	0.10	5,175	Note 2
	Msscorks Co., Ltd.	-	Financial assets at FVTPL - current	897,500	127,894	1.92	127,894	Note 2
	Groundhog Technologies Inc.	-	Financial assets at FVTPL - current	1,006,000	169,008	3.00	169,008	Note 2
	Prenetics Global Limited	-	Financial assets at FVTPL - current	37,335	4,831	0.32	4,831	Note 2
	Pyxis Oncology	-	Financial assets at FVTPL - current	29,046	3,953	0.05	3,953	Note 2
	AGON-Tech Corp.	-	Financial assets at FVTPL - non-current	429,584	400	4.17	400	Note 2
	Applied Wireless Identification Group Inc.	-	Financial assets at FVTPL - non-current	450,682	4,845	0.95	4,845	Note 2
	ProbeLeader Co., Ltd.	-	Financial assets at FVTPL - non-current	513,000	16,550	1.73	16,550	Note 2
	Ultra-PAK Industries Co., Ltd.	-	Financial assets at FVTPL - non-current	1,164,887	27,957	3.18	27,957	Note 2
	Chin-Shi Electronic Materials Ltd.	-	Financial assets at FVTPL - non-current	2,772,000	45,902	8.87	45,902	Note 2
	StemCyte International, Ltd.	-	Financial assets at FVTPL - non-current	1,500,000	61,350	0.93	61,350	Note 2
	Voltafield Technology Corp.	-	Financial assets at FVTPL - non-current	1,445,111	6,915	4.01	6,915	Note 2
	OTO Photonics Inc.	-	Financial assets at FVTPL - non-current	1,578,000	11,058	5.27	11,058	Note 2
	Wellhead Biological Technology Corp.	-	Financial assets at FVTPL - non-current	900,000	-	2.50	-	Note 2
	Minima technology Corp.	-	Financial assets at FVTPL - non-current	2,548,309	41,380	6.47	41,380	Note 2
	Sunny Pharmetech Inc.	-	Financial assets at FVTPL - non-current	151,080	1,530	0.10	1,530	Note 2
	Apollo Medical Optics Inc.	-	Financial assets at FVTPL - non-current	1,666,667	6,130	3.48	6,130	Note 2
	SFI Electronics Technology Inc.	-	Financial assets at FVTPL - non-current	2,730,000	45,321	6.20	45,321	Note 2
	Innopharmax Inc.	-	Financial assets at FVTPL - non-current	646,000	5,802	0.68	5,802	Note 2
	Li Ling Film Co., Ltd.	-	Financial assets at FVTPL - non-current	833,000	-	1.39	-	Note 2
	SmartDisplayer Technology Co., Ltd.	-	Financial assets at FVTPL - non-current	600,000	8,805	2.41	8,805	Note 2
	TMY Technology Inc.	-	Financial assets at FVTPL - non-current	836,929	22,801	1.83	22,801	Note 2
	United Biopharma Holdings Co., Ltd.	-	Financial assets at FVTPL - non-current	867,251	-	0.46	-	Note 2
	Clearmind Biomedical Inc.	-	Financial assets at FVTPL - non-current	834,285	33,438	5.16	33,438	Note 2
	ADAT Technology Co., Ltd.	-	Financial assets at FVTPL - non-current	1,502,121	5,956	6.97	5,956	Note 2
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets at FVTPL - non-current	879,000	30,765	3.03	30,765	Note 2
	Ina Energy Corporation	-	Financial assets at FVTPL - non-current	2,000,000	34,963	1.00	34,963	Note 2
	Lianyou Metals Co., Ltd.	-	Financial assets at FVTPL - non-current	553,800	19,452	2.05	19,452	Note 2
	ACEPODIA Inc.	-	Financial assets at FVTPL - non-current	631,900	12,960	0.11	12,960	Note 2
	Walrus Pump Co., Ltd.	-	Financial assets at FVTPL - non-current	1,000,000	38,033	2.83	38,033	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Security	Relationship with Holding Company	Accounts Recorded	March 31, 2024				Note
				Shares (Units)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Equity	
	Taiwan Pressplay Inc.	-	Financial assets at FVTPL - non-current	605,612	\$ 29,247	5.10	\$ 29,247	Note 2
	WIN COAT CO.	-	Financial assets at FVTPL - non-current	1,000,000	28,000	2.77	28,000	Note 2
	FREE BIONICS INC	-	Financial assets at FVTPL - non-current	533,334	10,515	2.06	10,515	Note 2
	Tera Xtal Technology Corp.	-	Financial assets at FVTPL - non-current	1,276,250	-	0.67	-	Note 2
	EarthGen Materials Corp.	-	Financial assets at FVTPL - non-current	1,500,000	-	8.33	-	Note 2
	Fitilink Integrated Technology Inc.	-	Financial assets at FVTPL - non-current	1,596,500	-	5.47	-	Note 2
	Essence Technology Solution, Inc.	-	Financial assets at FVTPL - non-current	85,357	-	3.16	-	Note 2
	Crystal Applied Technology Inc.	-	Financial assets at FVTPL - non-current	547,662	-	0.51	-	Note 2
	Groundhog Technologies	-	Financial assets at FVTPL - non-current	1,666,667	-	-	-	Note 2
	Rheonix, Inc.	-	Financial assets at FVTPL - non-current	1,031,177	-	2.04	-	Note 2
	Dong-Wang Nano Industrial Co., Ltd.	-	Financial assets at FVTPL - non-current	107,556	-	1.08	-	Note 2
	Quan-Ai Electronics Co., Ltd.	-	Financial assets at FVTPL - non-current	1,300,000	-	2.13	-	Note 2
	Apexcera Material Tech Corp.	-	Financial assets at FVTPL - non-current	700,000	-	3.53	-	Note 2
	Supertech Optoelectronics Co., Ltd.	-	Financial assets at FVTPL - non-current	1,640,000	-	7.45	-	Note 2
	Top Green Energy Technologies Inc.	-	Financial assets at FVTPL - non-current	1,833,333	-	1.47	-	Note 2
	eTurbotouch Technology Inc.	-	Financial assets at FVTPL - non-current	999,600	-	3.33	-	Note 2
	Altea Therapeutics Corporation	-	Financial assets at FVTPL - non-current	344,827	-	1.07	-	Note 2
	Digital Economy Limited Partnership	-	Financial assets at FVTPL - non-current	-	45,735	11.95	45,735	Note 2
	Taiwania Capital Buffalo II Bioventures, LP	-	Financial assets at FVTPL - non-current	-	59,318	1.53	59,318	Note 2
	Forward Asset Management Ltd.	-	Financial assets at FVTPL - non-current	-	1,303	8.00	1,303	Note 2
	Outstanding Capital Limited Partnership	-	Financial assets at FVTPL - non-current	-	20,390	4.86	20,390	Note 2
	Fuyao Biomedical Ventures Limited Partnership	-	Financial assets at FVTPL - non-current	-	67,341	11.02	67,341	Note 2
	Fertasia International Development Corporation	-	Investments accounted for using equity method	8,820,800	100,097	29.80	100,097	Note 2
	Chia-Ta International Development Co., Ltd.	-	Investments accounted for using equity method	8,758,134	90,924	25.56	90,924	Note 2
	Zhi Kang Venture Capital Investment Company Ltd.	-	Investments accounted for using equity method	9,800,000	83,298	29.10	83,298	Note 2
Hua Nan Futures Co., Ltd.	<u>Stocks</u> Taiwan Futures Exchange	-	FVTOCI - equity instrument	7,843,791	374,698	0.01	374,698	Note 2
Hua Nan Asset Management Corp.	<u>Stocks</u> Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	FVTOCI - equity instrument	2,500,000	8,530	5.00	8,530	Note 2
Hua Nan Holdings Corp.	<u>Stocks</u> Hua Nan Securities (HK) Limited	Held indirect	Investments accounted for using equity method	79,975,000	5,837	100.00	5,837	Note 1

Note 1: Net equity was based on the latest reviewed financial statements.

Note 2: The market value of mutual funds was based on the net asset value as of March 31, 2024. Market value of the listed stocks was based on the closing price as of March 31, 2024. Market value of the unlisted stocks was based on valuation techniques.

(Concluded)

TABLE 6

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2024	Investee's Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Amount as of March 31, 2024	Accumulated Inward Remittance of Earnings as of March 31, 2024
					Outflow	Inflow						
Hua Nan Commercial Bank Shenzhen Branch (Including Boan Branch)	Deposits, loans, foreign exchange	\$ 4,799,651 (US\$ 76,990) (CNY 500,000)	Direct investments	\$ 4,799,651 (Notes 1 and 6) (US\$ 76,990) (CNY 500,000)	\$ -	\$ -	\$ 4,799,651 (Notes 1 and 6) (US\$ 76,990) (CNY 500,000)	\$ 50,465 (CNY 11,513)	100	\$ 50,465 (CNY 11,513)	\$ 6,357,049 (CNY 1,441,835)	\$ -
Hua Nan Commercial Bank Shanghai Branch	Deposits, loans, foreign exchange	2,442,748 (US\$ 78,500)	Direct investments	2,442,748 (Note 2) (US\$ 78,500)	-	-	2,442,748 (Note 2) (US\$ 78,500)	27,488 (CNY 6,271)	100	27,488 (CNY 6,271)	2,807,635 (CNY 636,796)	-
Hua Nan Commercial Bank Fuzhou Branch	Deposits, loans, foreign exchange	2,561,433 (US\$ 83,000)	Direct investments	2,561,433 (Note 5) (US\$ 83,000)	-	-	2,561,433 (Note 5) (US\$ 83,000)	22,521 (CNY 5,138)	100	22,521 (CNY 5,138)	2,860,478 (CNY 648,782)	-
Hua Nan International Leasing Corporation	Leasing	879,840 (US\$ 29,700)	Direct investments	879,840 (Notes 3 and 4) (US\$ 29,700)	-	-	879,840 (Notes 3 and 4) (US\$ 29,700)	9,642	100	9,642	1,052,523	-

Accumulated Investment in Mainland China as of March 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 10,683,672 (US\$ 268,190) (CNY 500,000)	\$ 10,683,672 (US\$ 268,190) (CNY 500,000)	\$ 142,140,010

Note 1: According to the Investment Commission of the Ministry of Economic Affairs October 11, 2010 audited (Ref. No. 09900349890) approved investment amount (CNY300 million) and the Investment Commission of the Ministry of Economic Affairs March 30, 2012 audited (Ref. No. 10100014380) approved investment amount (CNY200 million), by the remittance date of announcement of the Peoples Bank of China reference exchange rates, the working capital for the establishment of registration branch is US\$76,990 thousand.

Note 2: According to the Investment Commission of the Ministry of Economic Affairs February 5, 2014 audited (Ref. No. 10300024640) approved investment amount (US\$78.50 million).

Note 3: According to the Investment Commission of the Ministry of Economic Affairs August 13, 2012 audited (Ref. No. 10100314860) approved investment amount (US\$20 million).

Note 4: According to the Investment Commission of the Ministry of Economic Affairs March 26, 2012 audited (Ref. No. 10300067600) approved investment amount (US\$9.7 million).

Note 5: Accounting to Investment Commission of Ministry of Economic Affairs April 22, 2014 audited (Ref. No. 10300056440) approved investment amount (US\$83 million).

Note 6: Accounting to Investment Commission of Ministry of Economic Affairs April 23, 2015 audited (Ref. No. 10400038880) approved investment amount (CNY500 million).

TABLE 7

HUA NAN FINANCIAL HOLDINGS CO., LTD.

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS BETWEEN THE COMPANY AND ITS SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenues or Total Consolidated Assets (Note 3)
0	Hua Nan Financial Holdings Co., Ltd.						
1	Hua Nan Commercial Bank, Ltd. and subsidiaries	Hua Nan Financial Holdings Co., Ltd.	b	Payables	3,327,156	Note 4	0.08%
		Hua Nan Financial Holdings Co., Ltd.	b	Deposits and remittances	259,281	Note 4	0.01%
		Hua Nan Securities Co., Ltd. and subsidiaries	c	Discount and loans	120,000	Note 4	-
		Hua Nan Securities Co., Ltd. and subsidiaries	c	Deposits and remittances	1,027,010	Note 4	0.02%
		South China Insurance Co., Ltd.	c	Deposits and remittances	857,762	Note 4	0.02%
		Hua Nan Venture Capital Corp.	c	Deposits and remittances	517,338	Note 4	0.01%
2	Hua Nan Securities Co., Ltd. and subsidiaries	Hua Nan Financial Holdings Co., Ltd.	b	Payables	317,399	Note 4	0.01%
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other assets	966,264	Note 4	0.02%
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Cash and cash equivalents	28,046	Note 4	-
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other financial assets	32,700	Note 4	-
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other borrowings	120,000	Note 4	-
3	South China Insurance Co., Ltd.	Hua Nan Financial Holdings Co., Ltd.	b	Payables	138,947	Note 4	-
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Cash and cash equivalents	780,634	Note 4	0.02%
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other financial assets	77,128	Note 4	-
4	Hua Nan Venture Capital Corp.	Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other financial assets	334,500	Note 4	0.01%
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Cash and cash equivalents	182,838	Note 4	-
5	Hua Nan Investment Trust Corp.	Hua Nan Financial Holdings Co., Ltd.	b	Payables	105,439	Note 4	-

(Continued)

Note 1: Transactions between parent company and subsidiaries are numbered as follows:

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

Note 2: Three types of transactions with related parties are classified as follows:

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

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and revenue or expense account is divided by the total consolidated net revenues of the same period.

Note 4: The terms for the transactions between the Company and related parties are similar to those with third parties.

Note 5: The significant transactions among the parent company and subsidiaries have been eliminated in the consolidated financial statements.

(Concluded)

TABLE 8**HUA NAN FINANCIAL HOLDINGS CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2024**

Name of Major Shareholder	Shares	
	Number of Thousands Shares	Percentage of Ownership (%)
Bank of Taiwan Co., Ltd. (BOT)	2,896,525,649	21.23

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

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

TABLE 9

HUA NAN FINANCIAL HOLDINGS CO., LTD.

CONSOLIDATED ENTITIES
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Main Business and Products	Percentage of Ownership (%)			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
Hua Nan Financial Holdings Co., Ltd.	Hua Nan Commercial Bank, Ltd.	Banking	100.00	100.00	100.00	
	Hua Nan Securities Co., Ltd.	Security	100.00	100.00	100.00	
	South China Insurance Co., Ltd.	Insurance	100.00	100.00	100.00	
	Hua Nan Investment Trust Corp.	Securities issuance and investment	100.00	100.00	100.00	
	Hua Nan Venture Capital Co., Ltd.	Venture capital investments	100.00	100.00	100.00	
	Hua Nan Assets Management Co., Ltd.	Acquisition of delinquent loans, evaluation, auction, and management	100.00	100.00	100.00	
Hua Nan Commercial Bank, Ltd.	Hua Nan International Leasing Co., Ltd.	Leasing and financing	100.00	100.00	100.00	
Hua Nan International Leasing Co., Ltd.	Hua Nan International Leasing Corp.	Leasing and financing	100.00	100.00	100.00	
Hua Nan Securities Co., Ltd.	Hua Nan Investment Management Co., Ltd.	Investment consulting	99.95	99.95	99.95	
	Hua Nan Futures Co., Ltd.	Futures brokering, management and consulting	99.80	99.80	99.80	
	Hua Nan Holdings Corp.	Investment holding	100.00	100.00	100.00	
Hua Nan Holdings Corp.						
	Hua Nan Securities (HK) Limited	Security	100.00	100.00	100.00	