

2809

**KING'S TOWN BANK CO., LTD.,
AND ITS SUBSIDIARIES**

Consolidated Financial Statements and Auditors' Report
January 1 to September 30, 2024 and January 1 to September 30, 2023

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Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The figures are not yet audited by CPA. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version independent auditors' report and consolidated financial statements shall prevail.

Consolidated Financial Statements
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Independent Auditors' Report

To King's Town Bank Co., Ltd.

Preface

We have reviewed the accompanying consolidated balance sheets of King's Town Bank Co., Ltd. and Subsidiaries as of September 30, 2024 and 2023, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, the consolidated statements of changes in equity and consolidated statements of cash flows for the nine months ended September 30, 2024 and 2023, and notes to the consolidated financial statements (including a summary of significant accounting policies). The preparation of consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission and in effect, is the responsibility of the management. Our responsibility is to express an opinion on the consolidated financial statements based on our review.

Scope

We conducted our audit in accordance with No.2410 Auditing Standard, "Audit of Financial Statements." The procedures performed in auditing the consolidated financial statements include making inquiries (primarily of persons responsible for financial and accounting matters), analytical procedures and other review procedures. Since the scope of a review is substantially less than that of an audit, we may not be fully aware of all material matters that may be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review results, we are not aware of any material respects in which the consolidated financial statements referred to above do not comply with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 "Interim Financial Reporting" as endorsed and implemented by the Financial Supervisory Commission, to the extent that compromised fair presentation of the consolidated financial position of King's Town Bank Co., Ltd. and Subsidiaries as of September 30, 2024 and 2023, or the consolidated financial performance for the three months and nine months ended September 30, 2024 and 2023, or the consolidated cash flow for the nine months ended September 30, 2024 and 2023.

Ernst & Young Global Limited

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

Auditing and Certification No.:Jin-Guan-Cheng-Shen-Zi No. 1100352201

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

Kuo-Sen Hung

CPA

Sheng-An Hsieh

October 28, 2024

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

Consolidated Balance Sheets

September 30, 2024, December 31, 2023, and September 30, 2023

Unit: NTD thousand

Assets			September 30, 2024		December 31, 2023		September 30, 2023	
Code	Account Item	Note	Amount	%	Amount	%	Amount	%
10000	Assets							
11000	Cash and cash equivalents	IV/VI.1	\$2,583,060	1	\$4,171,981	1	\$3,872,144	1
11500	Due from Central Bank and call loans to other banks	IV/VI.2/VIII	26,282,577	7	25,614,640	7	21,131,861	6
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	44,728,389	11	43,326,946	11	41,621,987	11
12100	Financial assets measured at FVOCI	IV/VI.4, 26/VIII	45,846,383	12	39,930,790	11	39,435,296	10
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 26	20,177,697	5	19,397,863	5	17,698,064	5
13000	Receivables, net	IV/VI.6, 26/VIII	15,694,653	4	12,979,400	3	12,732,247	3
13500	Discounts and loans, net	IV/V/VI.7, 26	226,140,159	58	230,086,122	60	237,056,758	62
15500	Other financial assets, net	IV/VI.8	1,204	-	369	-	817	-
18500	Property and equipment, net	IV/VI.9, 26	5,018,247	1	4,973,435	1	4,976,350	1
18600	Right-of-use assets	III/IV/VI.27	259,673	-	310,546	-	315,621	-
18700	Investment properties	VI.10	556,999	-	991,524	-	731,445	-
19300	Deferred tax assets	IV/VI.30	325,610	-	438,546	-	424,154	-
19500	Other assets, net	VI.11/VIII	2,453,316	1	2,125,897	1	2,234,384	1
	Total assets		<u>\$390,067,967</u>	<u>100</u>	<u>\$384,348,059</u>	<u>100</u>	<u>\$382,231,128</u>	<u>100</u>

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd., and its subsidiaries
Consolidated Balance Sheets (continued)
September 30, 2024, December 31, 2023, and September 30, 2023

Unit: NTD thousand

Liabilities and Equity			September 30, 2024		December 31, 2023		September 30, 2023	
Code	Account Item	Note	Amount	%	Amount	%	Amount	%
20000	Liabilities							
21000	Deposits from Central Bank and other banks	IV/VI.12	\$10,801,145	3	\$13,308,286	4	\$16,613,257	5
21500	Funds borrowed from Central Bank and other banks	VI.13	6,069,000	2	5,399,000	1	5,149,000	1
22000	Financial liabilities measured at FVTPL	IV/VI.14	13,450	-	35,936	-	17,165	-
22500	Securities and bonds sold under agreement to repurchase	IV/VI.15	9,537,798	2	7,098,943	2	10,149,261	3
23000	Payables	VI.16	3,626,435	1	3,487,260	1	3,776,379	1
23200	Current income tax liabilities	IV/VI.30	436,926	-	551,676	-	247,167	-
23500	Deposits and remittances	VI.17	296,772,142	76	297,684,898	78	293,679,348	77
25500	Other financial liabilities	VI.18	6,819,927	2	5,535,065	1	5,180,563	1
25600	Provisions	IV/VI.19, 20, 26	208,447	-	268,912	-	270,616	-
26000	Lease liabilities	III/IV/VI.27	267,151	-	317,098	-	321,679	-
29300	Deferred income tax liabilities	IV/VI.30	60,477	-	54,940	-	51,054	-
29500	Other liabilities	VI.21	1,422,580	-	491,479	-	367,342	-
	Total liabilities		<u>336,035,478</u>	<u>86</u>	<u>334,233,493</u>	<u>87</u>	<u>335,822,831</u>	<u>88</u>
31000	Equity attributable to shareholders of the parent	VI.22						
31100	Share capital		11,112,343	3	11,112,343	3	11,112,343	3
31500	Capital surplus		55,192	-	55,192	-	55,192	-
32000	Retained earnings							
32001	Legal reserve		16,686,722	4	14,831,519	4	14,831,519	4
32003	Special reserve		120,039	-	1,540,617	-	1,540,617	-
32011	Unappropriated retained earnings		21,403,572	6	21,304,844	6	19,603,262	5
32500	Other equity interest	IV	4,654,621	1	1,270,051	-	(734,636)	-
	Total equity		<u>54,032,489</u>	<u>14</u>	<u>50,114,566</u>	<u>13</u>	<u>46,408,297</u>	<u>12</u>
	Total liabilities and equity		<u>\$390,067,967</u>	<u>100</u>	<u>\$384,348,059</u>	<u>100</u>	<u>\$382,231,128</u>	<u>100</u>

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd., and its subsidiaries
Consolidated Statements of Comprehensive Income
From July 1 to September 30, 2024 and 2023 and January 1 to September 30, 2024 and 2023

Unit: NTD thousand

Code	Account Item	Note	July 1 to September 30, 2024		July 1 to September 30, 2023		January 1 to September 30, 2024		January 1 to September 30, 2023	
			Amount	%	Amount	%	Amount	%	Amount	%
41000	Interest revenue	IV	\$2,768,464	171	\$2,695,285	110	\$8,197,963	114	\$7,884,900	106
51000	Less: Interest expenses	IV	(1,269,757)	(78)	(1,250,378)	(51)	(3,747,060)	(52)	(3,588,181)	(48)
	Net interest income	VI.23	1,498,707	93	1,444,907	59	4,450,903	62	4,296,719	58
	Non-interest net income									
49100	Net service fee income	IV/VI.24	714,784	44	602,187	25	1,975,140	27	1,684,415	23
49200	Gain (loss) on financial assets and liabilities at FVTPL	IV/VI.25	(611,742)	(38)	429,997	18	617,161	9	2,441,792	33
49310	Realized gain (loss) on financial assets at FVOCI	IV	134,280	8	(45,102)	(2)	137,619	2	(175,755)	(2)
49600	Net exchange gain (loss)	IV	(138,162)	(9)	58,196	2	3,377	-	8,256	-
49700	Impairment loss of assets	IV/VI.26	(1,570)	-	(70,579)	(3)	(80,269)	(1)	(969,129)	(13)
49800	Other non-interest net income	IV	26,774	2	23,096	1	95,487	1	128,978	1
	Net income		1,623,071	100	2,442,702	100	7,199,418	100	7,415,276	100
58200	(Provision for) bad debt expense, commitments, and reserve for guarantee liability	IV/VI.6, 7, 19, 26	133,107	8	664,340	27	(242,145)	(3)	(165,984)	(2)
58400	Operating expenses									
58500	Employee benefits expenses	VI.20, 28	(265,321)	(16)	(377,978)	(15)	(1,026,918)	(14)	(1,069,925)	(14)
59000	Depreciation and amortization expenses	IV/VI.9, 10, 27, 28	(37,426)	(2)	(39,214)	(2)	(108,858)	(2)	(113,816)	(2)
59500	Other business and administrative expenses	IV	(258,871)	(16)	(241,147)	(10)	(748,763)	(10)	(724,291)	(10)
61000	Net income before taxes from continuing operations		1,194,560	74	2,448,703	100	5,072,734	71	5,341,260	72
61003	Income tax (expenses)	IV/VI.30	(566,260)	(35)	(302,484)	(12)	(1,205,678)	(17)	(842,713)	(11)
64000	Net income after tax		628,300	39	2,146,219	88	3,867,056	54	4,498,547	61
65000	Other comprehensive income (loss)									
65200	Items not reclassified to income:	IV/VI.29, 30								
65204	Evaluation gain on equity investments at FVOCI		1,466,014	90	(37,437)	(2)	2,284,218	32	410,738	6
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		-	-	-	-	-	-	-	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.29, 30								
65301	Exchange differences from the translation of financial statements of foreign operations		39,211	2	(13,332)	-	18,222	-	(18,975)	-
65308	Gains or loss from debt instrument investment measured at FVOCI		1,248,076	77	(867,991)	(36)	1,085,774	15	319,814	4
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		(7,842)	-	2,667	-	(3,644)	-	3,795	-
	Other comprehensive income (after tax)		2,745,459	169	(916,093)	(38)	3,384,570	47	715,372	10
66000	Total comprehensive income (after tax)		\$3,373,759	208	\$1,230,126	50	\$7,251,626	101	\$5,213,919	71
67100	Current period after tax net profit and loss attributable to									
67101	Owners of the parent company		\$628,300		\$2,146,219		\$3,867,056		\$4,498,547	
67111	Non-controlling interest		\$-		\$-		\$-		\$-	
67300	Current period after tax comprehensive profit and loss attributable to									
67301	Owners of the parent company		\$3,373,759		\$1,230,126		\$7,251,626		\$5,213,919	
67311	Non-controlling interest		\$-		\$-		\$-		\$-	
	Earnings per share (NTD)	VI.31								
67500	Basic Earnings Per Share		\$0.57		\$1.93		\$3.48		\$4.05	
67700	Diluted earnings per share		\$0.57		\$1.93		\$3.48		\$4.05	

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd., and its subsidiaries
Consolidated Statements of Changes in Equity
January 1 to September 30, 2024 and January 1 to September 30, 2023

Unit: NTD thousand

Item	Share capital	Capital surplus	Retained earnings			Other equity items		Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized (loss) profit of financial assets measured at FVOCI	
Balance on January 1, 2023	\$11,112,343	\$55,192	\$14,831,519	\$120,039	\$17,763,770	\$6,025	\$(1,472,152)	\$42,416,736
Appropriation and distribution of 2022 earnings								
Provision for special reserve	-	-	-	1,420,578	(1,420,578)	-	-	-
Common stock cash dividends	-	-	-	-	(1,222,358)	-	-	(1,222,358)
Net income from January 1 to September 30, 2023	-	-	-	-	4,498,547	-	-	4,498,547
Other comprehensive income from January 1 to September 30, 2023	-	-	-	-	-	(15,180)	730,552	715,372
Total comprehensive income from January 1 to September 30, 2023	-	-	-	-	4,498,547	(15,180)	730,552	5,213,919
Disposal of equity investments at FVOCI	-	-	-	-	(16,119)	-	16,119	-
Balance on September 30, 2023	<u>\$11,112,343</u>	<u>\$55,192</u>	<u>\$14,831,519</u>	<u>\$1,540,617</u>	<u>\$19,603,262</u>	<u>\$(9,155)</u>	<u>\$(725,481)</u>	<u>\$46,408,297</u>
Balance on January 1, 2024	\$11,112,343	\$55,192	\$14,831,519	\$1,540,617	\$21,304,844	\$2,011	\$1,268,040	\$50,114,566
Appropriation and distribution of 2023 earnings								
Provision for legal reserve	-	-	1,855,203	-	(1,855,203)	-	-	-
(Reversal of) special reserve	-	-	-	(1,420,578)	1,420,578	-	-	-
Common stock cash dividends	-	-	-	-	(3,333,703)	-	-	(3,333,703)
Net income from January 1 to September 30, 2024	-	-	-	-	3,867,056	-	-	3,867,056
Other comprehensive income from January 1 to September 30, 2024	-	-	-	-	-	14,578	3,369,992	3,384,570
Total comprehensive income from January 1 to September 30, 2024	-	-	-	-	3,867,056	14,578	3,369,992	7,251,626
Balance on September 30, 2024	<u>\$11,112,343</u>	<u>\$55,192</u>	<u>\$16,686,722</u>	<u>\$120,039</u>	<u>\$21,403,572</u>	<u>\$16,589</u>	<u>\$4,638,032</u>	<u>\$54,032,489</u>

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd., and its subsidiaries
Consolidated Statements of Cash Flows
January 1 to September 30, 2024 and January 1 to September 30, 2023

Unit: NTD thousand

Item	January 1 to September 30, 2024	January 1 to September 30, 2023	Item	January 1 to September 30, 2024	January 1 to September 30, 2023
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax for the period	\$5,072,734	\$5,341,260	Acquisition of property, plant, and equipment	(97,767)	(397,303)
Adjustments:			Proceeds from disposal of property and equipment	-	333
Non-cash income and expense items			Acquisition of investment properties	(401,041)	(570,000)
Expected credit impairment/Provision for bad debt expense	242,145	165,984	Disposal proceeds from investment properties and equipment	863,466	116,622
Impairment loss of assets	80,269	969,129	Net cash flows from (outflow) investing activities	364,658	(850,348)
Depreciation and amortization expenses	108,858	113,816			
Net interest income	(4,450,903)	(4,296,719)	Cash flows from financing activities:		
Loss (gain) on disposal and scrapping of property and equipment	18	(185)	Increase in financing from Central Bank and interbank	670,000	100,000
Disposal of investment properties (benefit)	(11,229)	(13,622)	Increase (decrease) in securities and bonds sold under repurchase agreements	2,438,855	(5,677,868)
Changes in operating assets and liabilities			Payment of cash dividends	(3,333,703)	(1,222,358)
Due from Central Bank and call loans to other banks (increase)	(201,117)	(427,744)	Repayment of the principal amount of lease liabilities	(72,116)	(71,525)
Financial assets measured at FVTPL (increase)	(1,401,443)	(4,375,212)	Net cash (outflow) from financing activities	(296,964)	(6,871,751)
Receivables (increase)	(2,837,292)	(1,019,706)			
Decrease in discounts and loans	3,746,696	5,216,374	Effect of exchange rate changes on cash and cash equivalents	18,222	(18,975)
Financial assets measured at FVOCI decrease (increase)	(2,625,704)	3,184,741			
Debt instrument investments measured at amortized cost (increase)	(780,000)	(100,000)	(Decrease) increase in cash and cash equivalents	(1,122,101)	4,262,011
(Increase in) other financial assets	(835)	(775)	Cash and cash equivalents at beginning of the period	20,630,267	11,743,214
Other assets (increase)	(329,819)	(126,880)	Cash and cash equivalents at the ending of period	\$19,508,166	\$16,005,225
Decrease of deposits from Central Bank and other banks (Decrease in) financial liabilities at fair value through profit or loss	(2,507,141)	(7,479,002)			
Payables increase (decrease)	(52,261)	1,057,833	Composition of cash and cash equivalents		
Deposits and remittances (decrease) increase	(912,756)	10,169,314	Cash and cash equivalents recorded on the consolidated balance sheets	\$2,583,060	\$3,872,144
Increase in other financial liabilities	1,284,862	551,870	Cash and cash equivalents defined by FSC-approved IAS 7	16,925,106	12,133,081
Liability provisions decrease (increase)	(25,492)	(27,801)	Deposits with Central Bank and interbank call loans meeting the definition as defined in IAS No. 7		
Other liabilities increase (decrease)	931,101	(104,182)	Cash and cash equivalents defined by FSC-approved IAS 7	-	-
Interest received	8,242,151	7,961,451	Defined repurchase agreements and bond investments		
Interest paid	(3,552,774)	(3,393,429)	Cash and cash equivalents at the ending of period	\$19,508,166	\$16,005,225
Income tax paid	(1,205,599)	(1,345,392)			
Net cash inflow (outflow) from operating activities	(1,208,017)	12,003,085			

(Please refer to Notes to the Consolidated Financial Statements)

Chairman: Chen-Chih Tai

Manager: Hung-Liang Chiang

Accounting Director: Yu-Hsuan Chen

King's Town Bank Co., Ltd., and its subsidiaries
Notes to the Consolidated Financial Statements
January 1 to September 30, 2024 and January 1 to September 30, 2023
(Unless otherwise provided, Unit: NTD Thousand)

I. Company History

1. King's Town Bank Co., Ltd. (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter referred to as “the Group”) was restructured from Tainan District Joint Saving Co., Ltd, on January 1, 1978. The Group had applied for restructuring into a commercial bank according to the resolution reached in the extraordinary Shareholders' Meeting on November 29, 2005 and was renamed as “King's Town Bank Co., Ltd.” The Company started trading on the Taiwan Stock Exchange Corporation in July 1983. The place of registration and the general management office are both located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches have been setup nationwide.
2. The Group’s main business services are: (1) accepting check deposits, (2) accepting other deposits, (3) issuing financial bonds, (4) handling loans, (5) handling bill discounts, (6) handling various investment businesses, (7) handling domestic and foreign exchange, (8) handling draft acceptance, (9) issuing domestic and foreign letters of credit, (10) handling domestic and foreign guarantees, (11) handling collections and advances, (12) handling the depository and agency services related to the various businesses listed above, and (13) other business chartered by the government.
3. The Company is also the ultimate controller of the Group to which it belongs.
4. Employee count as of September 30, 2024 and 2023, was 1,099 and 1,087, respectively.

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements of the Group from January 1 to September 30, 2024 and 2023, were approved for publication by the Board of Directors on October 28, 2024.

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

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

The Group has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Notices that have been approved by the Financial Supervisory Commission (hereinafter referred to as the “FSC”) for application after January 1, 2024. The first-time application has no significant impact on the Group.

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

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025

- (1) Lack of Exchangeability (Amendments to IAS 21)

These amendments explain the exchangeability and lack of exchangeability between currencies, and how the exchange rate is determined when a currency lacks exchangeability, and additional disclosure requirements when a currency lacks exchangeability.

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

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 10 Consolidated Financial Statements, and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by International Accounting Standards Board
2	IFRS 17 “Insurance Contracts”	January 1, 2023
3	IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
4	Disclosure initiative - Subsidiaries without Public Accountability: Disclosures (IFRS 19)	January 1, 2027
5	Amendments to the Classification and Measurement of Financial Instruments (amendments to IFRS 9 and IFRS 7)	January 1, 2026
6	Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026

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

The amendments addressed the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures,” in dealing with the loss of control of a subsidiary that has contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture shall be offset through downstream sale. IFRS 10 requires full profit or loss recognition other loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets as defined in IFRS 3 shall be recognized in full.

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

(2) IFRS 17 “Insurance Contracts”

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

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

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

(3) IFRS 18 “Presentation and Disclosure in Financial Statements”

This standard will supersede IAS 1 - “Presentation of Financial Statements” and introduces the following major changes:

A. Enhanced comparability of the income statement

Income, expenses, and losses in a statement of comprehensive income will have to be classified into one of five categories: operating, investing, financing, income taxes, and discontinued operations. The first three are new categories introduced to improve the structure of the statement of comprehensive income, and the standard requires all businesses to present subtotals with new definitions (including operating profits/losses). By enhancing the structure of the income statement and introducing new defined subtotals, investors can have a consistent starting point when analyzing financial performance across entities and make comparisons more easily.

B. Improved transparency of management performance measures

Entities are required to disclose explanations related to enterprise-specific indicators (referred to as management performance measures) relevant to the income statement.

C. Useful aggregation of financial statement information

Guidance is provided on where to present financial information in the primary financial statements or notes, expected to provide more detailed and useful information. Entities are required to provide more transparent information on operating expenses to assist investors in identifying and understanding the information used.

(4) Disclosure initiative - Subsidiaries without Public Accountability: Disclosures (IFRS 19)

The standard simplifies disclosure for subsidiaries without accountability, and allows subsidiaries that meet the definition to adopt this standard at their sole discretion.

(5) Amendments to the Classification and Measurement of Financial Instruments (amendments to IFRS 9 and IFRS 7)

This amendment includes:

A. A clarification that financial liabilities are to be removed from balance sheet on the settlement date, and the proper accounting treatment for financial liabilities that are settled using electronic payment before the settlement date.

B. A clarification on how to assess the cash flow characteristics of financial assets that are linked to environment, social, and governance (ESG) issues or other financial assets of similar contingent characteristics.

C. A clarification on accounting treatments for assets with non-recourse features and contractually linked instruments.

- D. IFRS 7 requires additional disclosures for financial assets or liabilities that carry special conditions or characteristics (including ESG linkage) and equity investments at fair value through other comprehensive income.
- (6) Annual Improvements to IFRS Accounting Standards - Volume 11
- A. Amendments to IFRS 1
 - B. Amendments to IFRS 7
 - C. Amendments to IFRS 7 Implementation Guidance
 - D. Amendments to IFRS 9
 - E. Amendments to IFRS 10
 - F. Amendments to IAS 7

All above standards and interpretations announced by IASB but not yet approved by FSC shall become effective on dates announced by FSC. The Group is currently evaluating the potential impacts of item (3), and aside from the above, other standards and interpretations have no material impact on the Group.

IV. Summary of Significant Accounting Policies

1. Compliance Statement

The Group's consolidated financial reports for the period of January 1 to September 30, 2024 and 2023 are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and IAS 34 Interim Financial Reporting as endorsed and announced by the FSC.

2. Basis of Preparation

Besides the consolidated financial instruments measured at fair value, the Individual Financial Statements are prepared on the basis of historical costs. Unless otherwise specified, the consolidated financial statements are denoted in thousands of New Taiwan Dollars (NTD 1,000).

3. Consolidation

The basis of preparation for consolidated financial statements

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

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

- (3) The ability to influence the amount of returns of the invested company by exercising power over the invested company

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

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

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

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

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

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

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

- (1) Subsidiary's assets (including goodwill) and liabilities will be derecognized;
- (2) Carrying amount of any non-controlling interests will be derecognized;
- (3) Fair value of the considerations acquired will be recognized;
- (4) Fair value of any retained investments will be recognized;
- (5) Amounts recognized in other comprehensive income by the parent company will be reclassified as gains or losses in the period or transferred directly to retained earnings in accordance with other International Financial Reporting Standards;
- (6) Any resulting differences will be recognized as gains or losses in the period.

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

Name of investors	Name of subsidiaries	Principal business operation	Percentage of ownership		
			2024.09.30	2023.12.31	2023.09.30
The Company	Kings Town Bank International Lease Corporation	Leasing	100.00%	100.00%	100.00%
The Company	King's Town Securities Co., Ltd.	Securities brokerage	100.00%	100.00%	100.00%
King's Town Bank International Lease Corporation	Kings Town Intl. Construction Management Corporation	Construction Management	100.00%	100.00%	100.00%

Share of profit (loss) from subsidiaries for the period from January 1 to September 30, 2024 and 2023, amounted to NTD 637,982 thousand and NTD 400,513 thousand, respectively.

4. Foreign currency transactions

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

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

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

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

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

5. Translation of financial statements in foreign currency

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

6. Cash and cash equivalents

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

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

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

8. Financial instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

Financial assets measured at cost after amortization

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

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

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

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

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

Financial assets measured at FVOCI

Financial assets that meet both of the following two criteria are measured at fair value through other comprehensive income, and presented in the balance sheet as the financial assets measured at fair value through other comprehensive income:

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

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

- A. Before de-recognition or reclassification, except for the impairment profit or loss and foreign currency exchange gains and losses recognized in profit or loss, the profit or loss is recognized in other comprehensive income.
- B. At the time of de-recognition, the cumulative profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- C. Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:
 - a. For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
 - b. Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of financial assets.

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

Financial assets measured at FVTPL

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

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

(2) Impairments of financial assets

For the debt instrument investments measured at fair value through other comprehensive income, debt instrument investments measured at amortized cost, and off-balance sheet debt instrument, the Group has them recognized as expected credit loss and with the allowance for loss measured. For the debt instrument investment measured at fair value through other comprehensive income, allowance for loss is recognized in the other comprehensive income (loss), and the book value of the investment will not be reduced. Loans and receivables and off-balance sheet credit assets are recognized and measured in accordance with the expected credit losses. Also, adequate allowances, reserve for guarantee liability, and financing commitment reserves are appropriated according to whichever is higher according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans."

The Group measures expected credit losses to reflect the following:

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

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

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

In addition to the aforementioned assessments, the Group also has the credit assets assessed and classified according to the following classification methods by referring to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." Regarding the classification methods, except for the normal credit assets classified in Category I, non-performing credit assets are evaluated according to the status of the loan collateral and the length of time overdue, which are classified as Category II "Special Mention," Category III "Expected to be Recovered," Category IV "Doubtful," and Category V "Losses."

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

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

(3) Derecognizing financial assets

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

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

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

(4) Financial liabilities and equity instruments

Classification of liability or equity

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

Equity instruments

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

Hybrid instruments

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

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

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

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

Financial liabilities

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

Financial liabilities measured at FVTPL

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

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

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

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

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

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

Financial liabilities measured at the amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial assets and financial liabilities

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

9. Derivatives

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

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in fair value of derivatives are recognized directly in profit or loss. In the case of effective cash flow hedging and foreign operating institutions net investment hedging, it is recognized in profit or loss or equity based on the type of hedging.

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

10. Fair value measurement

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

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

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

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

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

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

11. Impairment of non-financial assets

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

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

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

12. Collateral accepted

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

13. Property, plant, and equipment

Property, plant, and equipment are recognized at the acquisition net cost of accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing, and restoring the location of the property, plant, and equipment and the necessary interest expense arising from the construction in progress. Depreciation is provided separately for the significant parts of the property, plant, and equipment. When major parts of property, plant, and equipment

are subject to periodic replacement, the Group treats the parts as an individual asset and recognizes it separately with specific periods of durability and depreciation method. The book value of these replaced parts is derecognized in accordance with the provision of IAS 16 "Property, Plant, and Equipment." If the major repair and maintenance costs are in compliance with the recognition conditions, they are recognized as replacement costs and are recognized as part of the plant and equipment book value. Other repair and maintenance expenses are recognized in profit or loss.

Depreciation of the parent company is calculated and provided using the declining balance method and the estimated useful life of the following assets:

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

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

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

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

14. Investment properties

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

Depreciation of the parent company is calculated and provided using the declining balance method and the estimated useful life of the following assets:

Buildings and structures	3 to 60 years
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Depreciation of the subsidiaries is calculated and appropriated in accordance with the straight-line method and the estimated useful life of the following assets:

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

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

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

15. Leases

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

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

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

The Group is the lessee

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

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

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

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

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

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

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

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

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

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

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

16. Employee benefits

(1) Retirement benefits plan

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

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

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

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

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

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

Pension cost for the interim period is calculated using the actuarially determined pension cost rate as of the prior year-end date, on a year-to-date basis, which is adjusted and disclosed for significant market fluctuations, and significant curtailments, liquidations, or other significant one-time events after that end date.

(2) Employees preferential deposit benefit

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

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

17. Treasury stock

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

18. Recognition of revenue

(1) Interest income from loans is estimated on an accrual basis. The overdue payment transferred to the collection account will cease to bear interest from the date of transfer and will be recognized as income upon collection. The interest income agreed to be posted as receivable due to the bail-out and the extension agreement is recognized as income upon collection.

(2) Service charge income is a fee charged for the various services provided to customers. The accounting treatment is as follows:

The service charge income of the Group is derived from the services provided at a specific point of time or for a certain period of time, or through the transaction services and it is recognized as income. When there is a transfer of services to the customer but without unconditional rights for collecting considerations, it is

recognized as a contract asset. However, for some contracts, partial considerations are collected from the customers at the time of signing the contract, the Group must assume the obligation of providing services subsequently. Therefore, it is recognized as a contract liability.

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

19. Share-based payment transaction

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

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

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

20. Income tax

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

Current income tax

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

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

Deferred income tax

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

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

- (1) The original recognition of goodwill, or the original recognition of an asset or liability that does not arise from a business consolidation transaction and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
- (2) The taxable temporary difference arising from the investment in subsidiaries, associates, and joint equity. Also, the timing of reversal is controllable, and it is not likely to be reversed in the foreseeable future.

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

- (1) The original recognition of, or and of an asset or liability that does not arise from a business consolidation transaction and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
- (2) Deductible temporary difference arising from investment in subsidiaries, associates, and joint equity, which is recognized only to the extent that the difference is very likely to be reversed in the foreseeable future and that sufficient taxable income can be earned to realize the temporary difference.

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

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

In accordance with the temporary exceptions of "International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)," deferred tax assets and liabilities for Pillar Two income taxes shall not be recognized, and relevant information shall not be disclosed.

The interim income tax expense is accrued and disclosed at the tax rate applicable to the expected total income for the current year, meaning that the estimated annual average effective tax rate will be applied to pre-tax income of the interim period. The estimate of the annual average effective tax rate only includes current income tax expense, while deferred income tax is consistent with the annual financial report and is recognized and measured in accordance with the requirements of IAS 12 "Income Tax." When a tax rate change occurs in the interim period, the impact of the tax rate change on deferred income tax is recognized altogether in profit or loss, other comprehensive profit or loss, or directly in equity.

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

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

Estimation and assumption

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

(1) Loan impairment loss

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

(2) The fair value of financial instruments

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

(3) Retirement benefits plan

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

(4) Income tax

The uncertainty of income tax exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the

differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income tax benefits and expenses to be adjusted in the future. The appropriation of income tax is a reasonable estimation made according to the possible audit results of the local tax authorities of the countries in which the Group operates. The amount appropriated is based on different factors, such as: previous tax audit experience and the difference in tax law interpretation between the tax entity and the tax authority. The difference in interpretation may result in a variety of issues due to the local situation of the country where an individual enterprise of the Group operates.

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

VI. Descriptions of Material Accounting Items

1. Cash and cash equivalents

	<u>2024.09.30</u>	<u>2023.12.31</u>	<u>2023.09.30</u>
Cash on Hand	\$1,283,714	\$1,498,618	\$1,398,240
Foreign currency on hand	22,591	47,493	27,286
Notes and checks for clearing	252,363	1,261,593	1,300,336
Due from Central Bank and other banks	1,024,392	1,364,277	1,146,282
Total	<u>\$2,583,060</u>	<u>\$4,171,981</u>	<u>\$3,872,144</u>

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

	<u>2024.09.30</u>	<u>2023.12.31</u>	<u>2023.09.30</u>
Cash and cash equivalents recorded on the consolidated balance sheets	\$2,583,060	\$4,171,981	\$3,872,144
Due from Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7	16,925,106	16,458,286	12,133,081
Investments in securities and bonds purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7	-	-	-
Cash and cash equivalents on the Consolidated Statement of Cash Flows	<u>\$19,508,166</u>	<u>\$20,630,267</u>	<u>\$16,005,225</u>

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

	<u>2024.09.30</u>	<u>2023.12.31</u>	<u>2023.09.30</u>
Reserve for deposits - Type A	\$6,796,795	\$6,155,331	\$4,839,133
Reserve for deposits - Type B	9,357,471	9,156,354	8,998,780
Reserve for deposits - Foreign currency	44,311	39,955	41,948
Call loans to other banks	10,084,000	10,263,000	7,252,000
Total	<u>\$26,282,577</u>	<u>\$25,614,640</u>	<u>\$21,131,861</u>

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

3. Financial assets measured at FVTPL

	<u>2024.09.30</u>	<u>2023.12.31</u>	<u>2023.09.30</u>
Mandatorily measured at fair value through profit or loss:			
Stock	\$4,573,933	\$3,111,325	\$1,356,857
Beneficiary certificate	228,950	-	-
Domestic and foreign bonds	39,586,625	39,934,846	40,027,817
Derivatives	39,831	52,849	15,994
Convertible corporate bonds	10,115	-	-
Limited partnership	288,935	227,926	221,319
Total	<u>\$44,728,389</u>	<u>\$43,326,946</u>	<u>\$41,621,987</u>

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

4. Financial assets measured at FVOCI

	<u>2024.09.30</u>	<u>2023.12.31</u>	<u>2023.09.30</u>
Debt instrument investments measured at FVOCI:			
Government bonds	\$6,147,238	\$5,051,665	\$5,051,992
Corporate bonds	31,368,353	29,887,655	31,309,052
Financial bonds	2,170,584	2,107,793	2,212,937
Subtotal (total book value)	<u>39,686,175</u>	<u>37,047,113</u>	<u>38,573,981</u>
Valuation adjustment	<u>(604,871)</u>	<u>(1,596,210)</u>	<u>(3,628,473)</u>
Subtotal	<u>39,081,304</u>	<u>35,450,903</u>	<u>34,945,508</u>
Equity instrument investments measured at FVOCI:			
Non-TWSE/TPEX-listed stocks	6,377,482	4,069,575	4,058,453
Real estate investment trust fund	<u>387,597</u>	<u>410,312</u>	<u>431,335</u>
Subtotal	<u>6,765,079</u>	<u>4,479,887</u>	<u>4,489,788</u>
Total	<u>\$45,846,383</u>	<u>\$39,930,790</u>	<u>\$39,435,296</u>

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

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

The Group held equity investments that were presented as financial assets at fair value through other comprehensive income; for the period from January 1 to September 30, 2024 and 2023, the Group recognized dividend income totaling NTD 136,387 thousand and NTD 123,841 thousand from these investments, respectively. NTD 136,387 thousand and NTD 116,333 thousand of the above income pertained to investments held as of the respective balance sheet dates, whereas the remaining income was from investments that had been derecognized as of September 30, 2024 and 2023.

For the period from January 1 to September 30, 2024 and 2023, the Group disposed of equity investments presented as financial assets at fair value through other comprehensive income that carried a fair value of NTD 0 and NTD 109,543 thousand, and reclassified NTD 0 and NTD (16,119) thousands of cumulative unrealized loss on valuation from other equity to retained earnings, respectively.

5. Financial assets measured at cost after amortization

	<u>2024.09.30</u>	<u>2023.12.31</u>	<u>2023.09.30</u>
Convertible certificate of deposit	\$20,180,000	\$19,400,000	\$17,700,000
Less: loss allowance	<u>(2,303)</u>	<u>(2,137)</u>	<u>(1,936)</u>
Total	<u>\$20,177,697</u>	<u>\$19,397,863</u>	<u>\$17,698,064</u>

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

6. Receivables, net

	<u>2024.09.30</u>	<u>2023.12.31</u>	<u>2023.09.30</u>
Accounts receivable and notes	\$14,421,384	\$12,046,689	\$11,388,754
Interests receivable	1,042,542	1,086,730	1,053,043
Settlement proceeds receivable	65,872	-	164,129
Other receivables	<u>414,710</u>	<u>21,067</u>	<u>276,596</u>
Subtotal (total book value)	15,944,508	13,154,486	12,882,522
Less: loss allowance	<u>(249,855)</u>	<u>(175,086)</u>	<u>(150,275)</u>
Net	<u>\$15,694,653</u>	<u>\$12,979,400</u>	<u>\$12,732,247</u>

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

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

7. Discounts and loans, net

	<u>2024.09.30</u>	<u>2023.12.31</u>	<u>2023.09.30</u>
Export Negotiations	\$-	\$-	\$-
Overdrafts	22,265	5,000	20,038
Loans	229,064,013	233,667,114	240,629,821
Collections of overdue loans	<u>42,879</u>	<u>35,877</u>	<u>38,670</u>
Total amount	229,129,157	233,707,991	240,688,529
Less: allowance for bad debt	<u>(2,988,998)</u>	<u>(3,621,869)</u>	<u>(3,631,771)</u>
Net	<u>\$226,140,159</u>	<u>\$230,086,122</u>	<u>\$237,056,758</u>

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

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

8. Other financial assets, net

	2024.09.30	2023.12.31	2023.09.30
Short-term advance	\$1,204	\$369	\$817
Subtotal (total book value)	1,204	369	817
Less: allowance for bad debt	-	-	-
Total	\$1,204	\$369	\$817

9. Property, plant, and equipment

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

	Land	Buildings and structures	Transport equipment	Other equipment	Construction in progress and prepayments	Total
Cost:						
2024.01.01	\$4,422,949	\$1,226,196	\$17,164	\$297,144	\$87,267	\$6,050,720
Acquisition	-	-	3,151	13,047	81,569	97,767
Disposal	-	-	-	(1,430)	-	(1,430)
Reclassified to investment properties	(15,775)	(9,376)	-	-	-	(25,151)
2024.09.30	\$4,407,174	\$1,216,820	\$20,315	\$308,761	\$168,836	\$6,121,906
2023.01.01	\$4,126,476	\$1,191,735	\$16,742	\$271,228	\$60,767	\$5,666,948
Acquisition	-	6,649	1,705	35,652	353,297	397,303
Disposal	-	(11,471)	(1,282)	(9,789)	-	(22,542)
Other Changes	296,473	39,283	-	-	(335,756)	-
2023.09.30	\$4,422,949	\$1,226,196	\$17,165	\$297,091	\$78,308	\$6,041,709
Depreciation and impairment:						
2024.01.01	\$-	\$830,413	\$12,509	\$234,363	\$-	\$1,077,285
Depreciation	-	14,128	1,373	19,683	-	35,184
Disposal	-	-	-	(1,412)	-	(1,412)
Reclassified to investment properties	-	(7,398)	-	-	-	(7,398)
2024.09.30	\$-	\$837,143	\$13,882	\$252,634	\$-	\$1,103,659
2023.01.01	\$-	\$818,191	\$11,647	\$213,517	\$-	\$1,043,355
Depreciation	-	14,873	1,580	24,153	-	40,606
Disposal	-	(11,471)	(1,248)	(9,675)	-	(22,394)
Impairment	-	3,792	-	-	-	3,792
2023.09.30	\$-	\$825,385	\$11,979	\$227,995	\$-	\$1,065,359
Net book value:						
2024.09.30	\$4,407,174	\$379,677	\$6,433	\$56,127	\$168,836	\$5,018,247
2023.12.31	\$4,422,949	\$395,783	\$4,655	\$62,781	\$87,267	\$4,973,435
2023.09.30	\$4,422,949	\$400,811	\$5,186	\$69,096	\$78,308	\$4,976,350

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

10. Investment properties

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

	Land	Buildings	Construction in progress	Total
Cost:				
2024.01.01	\$938,125	\$23,278	\$32,211	\$993,614
Acquisition - from purchase	311,951	89,090	-	401,041
Disposal	(801,179)	(21,186)	(32,211)	(854,576)
Reclassified property, plant, and equipment	15,775	9,376	-	25,151
2024.09.30	<u>\$464,672</u>	<u>\$100,558</u>	<u>\$-</u>	<u>\$565,230</u>
2023.01.01	\$176,389	\$59,624	\$32,211	\$268,224
Acquisition - from purchase	570,000	-	-	570,000
Disposal	(69,106)	(34,794)	-	(103,900)
2023.09.30	<u>\$677,283</u>	<u>\$24,830</u>	<u>\$32,211</u>	<u>\$734,324</u>
Depreciation and impairment:				
2024.01.01	\$-	\$ 2,090	\$-	\$2,090
Current depreciation	-	1,082	-	1,082
Disposal	-	(2,339)	-	(2,339)
Reclassified property, plant, and equipment	-	7,398	-	7,398
2024.09.30	<u>\$-</u>	<u>\$8,231</u>	<u>\$-</u>	<u>\$8,231</u>
2023.01.01	\$-	\$2,622	\$-	\$2,622
Current depreciation	-	1,157	-	1,157
Disposal	-	(900)	-	(900)
2023.09.30	<u>\$-</u>	<u>\$2,879</u>	<u>\$-</u>	<u>\$2,879</u>
Net book value:				
2024.09.30	<u>\$464,672</u>	<u>\$92,327</u>	<u>\$-</u>	<u>\$556,999</u>
2023.12.31	<u>\$938,125</u>	<u>\$21,188</u>	<u>\$32,211</u>	<u>\$991,524</u>
2023.09.30	<u>\$677,283</u>	<u>\$21,951</u>	<u>\$32,211</u>	<u>\$731,445</u>

The Group did not provide investment property as collateral.

The investment property held by the Group is not measured at fair value, but its fair value information (Level III) is disclosed. The fair value of investment property held by the Group as of September 30, 2024, December 31, 2023, and September 30, 2023, was NTD 590,384 thousand, NTD 997,382 thousand, and NTD 737,222 thousand, respectively. The said fair value has not been evaluated by an independent appraiser, but was determined by the Group with reference to transaction prices of similar properties in the market.

11. Other assets, net

	2024.09.30	2023.12.31	2023.09.30
Prepayments	\$40,560	\$6,773	\$35,607
Inter-bank clearing fund	1,713,237	1,503,993	1,700,355
Collateral accepted	262,138	262,138	-
Refundable deposits	256,904	250,404	383,081
Others	180,477	102,589	115,341
Net	<u>\$2,453,316</u>	<u>\$2,125,897</u>	<u>\$ 2,234,384</u>

Cumulative impairment of other assets - others was NTD 3,280 thousand as of September 30, 2024, December 31, 2023, and September 30, 2023, respectively.

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

12. Deposits from Central Bank and other banks

	2024.09.30	2023.12.31	2023.09.30
Deposits of other banks	\$1,227	\$2,041	\$897
Call loans to other banks	10,799,918	13,306,245	16,612,360
Total	<u>\$10,801,145</u>	<u>\$13,308,286</u>	<u>\$16,613,257</u>

13. Funds borrowed from Central Bank and other banks

	2024.09.30	2023.12.31	2023.09.30
Funds borrowed from other banks	<u>\$6,069,000</u>	<u>\$5,399,000</u>	<u>\$5,149,000</u>

14. Financial liabilities measured at FVTPL

	2024.09.30	2023.12.31	2023.09.30
Available-for-sale financial liabilities:			
Derivatives	<u>\$13,450</u>	<u>\$35,936</u>	<u>\$17,165</u>

15. Securities and bonds sold under agreement to repurchase

	2024.09.30	2023.12.31	2023.09.30
Government bonds	\$2,946,497	\$2,350,887	\$3,139,127
Corporate bonds	6,278,594	4,375,306	6,225,994
Financial bonds	312,707	372,750	784,140
Total	<u>\$9,537,798</u>	<u>\$7,098,943</u>	<u>\$10,149,261</u>

The Group had repurchased securities and bonds liabilities; according to the repurchase agreement, the proceeds to be paid for repurchase of securities after September 30, 2024, December 31, 2023, and September 30, 2023 were NTD 9,572,250 thousand, NTD 7,125,894 thousand, and NTD 10,187,307 thousand, respectively.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

16. Payables

	2024.09.30	2023.12.31	2023.09.30
Accrued expenses	\$368,959	\$471,973	\$384,663
Interest payable	524,018	332,582	487,848
Notes and checks in clearing	252,363	1,261,593	1,300,336
Clearing amount payable	447,616	569,353	65,204
Other payables - taxation	905,512	14,298	624,886
Others	1,127,967	837,461	913,442
Total	<u>\$3,626,435</u>	<u>\$3,487,260</u>	<u>\$3,776,379</u>

17. Deposits and remittances

	2024.09.30	2023.12.31	2023.09.30
Check deposits	\$2,347,141	\$3,179,905	\$2,553,645
Demand deposits	56,297,909	55,641,121	53,017,721
Time deposits	64,784,630	74,141,529	77,387,181
Savings deposit	173,325,888	164,716,669	160,720,746
Remittances	16,574	5,674	55
Total	<u>\$296,772,142</u>	<u>\$297,684,898</u>	<u>\$293,679,348</u>

18. Other financial liabilities

	2024.09.30	2023.12.31	2023.09.30
China Bills Finance	\$1,650,000	\$1,300,000	1,250,000
Taiwan Finance Corporation	1,400,000	1,600,000	1,450,000
Mega Bills	1,100,000	1,100,000	1,100,000
Grand Bills Finance	1,050,000	850,000	850,000
Dah Chung Bills Finance Corporation	650,000	150,000	150,000
Ta Ching Bills Finance Corporation	600,000	250,000	150,000
International Bills Finance	270,000	180,000	120,000
Taiwan Cooperative Bills Finance	120,000	120,000	120,000
Subtotal	<u>6,840,000</u>	<u>5,550,000</u>	<u>5,190,000</u>
Less: discount on commercial paper payable	(20,073)	(14,935)	(9,437)
Total	<u>\$6,819,927</u>	<u>\$5,535,065</u>	<u>\$5,180,563</u>

The annual interest rates for the aforementioned commercial papers payable are as follows:

	2024.09.30	2023.12.31	2023.09.30
Interest rate collars	1.86%~2.20%	1.06%~2.05%	0.86%~2.09%

19. Provisions

	2024.09.30	2023.12.31	2023.09.30
Retirement benefits plan	\$37,389	\$62,880	\$62,567
Reserve for guarantee liability	141,240	161,214	161,231
Provision for commitment of financing	29,818	44,818	46,818
Total	<u>\$208,447</u>	<u>\$268,912</u>	<u>\$270,616</u>

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

	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Beginning balance	\$161,214	\$152,313
Amount appropriated for the period	(19,973)	8,916
Foreign exchange impact amount	(1)	2
Ending balance	<u>\$141,240</u>	<u>\$161,231</u>

Changes in financing commitment reserve are as follows:

	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Beginning balance	\$44,818	\$25,818
Amount appropriated for the period	(15,000)	21,000
Foreign exchange impact amount	-	-
Ending balance	<u>\$29,818</u>	<u>\$46,818</u>

20. Retirement benefits plan

Defined contribution pension plan

The Group recognized NTD 10,740 thousand and NTD 10,100 thousand of defined contribution plan expense for the period from July 1 to September 30, 2024 and 2023, and NTD 31,429 thousand and NTD 30,337 thousand of defined contribution plan expense for the period from January 1 to September 30, 2024 and 2023, respectively.

Defined benefit plan

The Group recognized NTD 172 thousand and NTD 270 thousand of defined benefit plan expense for the period from July 1 to September 30, 2024 and 2023, and NTD 514 thousand and NTD 810 thousand of defined benefit plan expense for the period from January 1 to September 30, 2024 and 2023, respectively.

21. Other liabilities

	2024.09.30	2023.12.31	2023.09.30
Deposits received	\$98,626	\$103,368	\$102,284
Advance income	55,292	60,904	77,672
Others	1,268,662	327,207	187,386
Total	<u>\$1,422,580</u>	<u>\$491,479</u>	<u>\$367,342</u>

22. Equity

(1) Common stock

The Company had authorized capital of NTD 18,000,000 thousand and paid-in capital of NTD 11,112,343 thousand as of September 30, 2024, December 31, 2023, and September 30, 2023. Each share has a face value of NTD 10 and the number of outstanding shares was 1,111,234 thousand on all balance sheet dates. Each share is entitled to one voting right and the right to receive dividends.

(2) Capital surplus

	2024.09.30	2023.12.31	2023.09.30
Common stock premium	\$52,563	\$52,563	\$52,563
Others	2,629	2,629	2,629
Total	<u>\$55,192</u>	<u>\$55,192</u>	<u>\$55,192</u>

Reconciliation of capital surplus from January 1 to September 30, 2024 and 2023 is explained below:

	Common stock premium	Others	Total
Balance on January 1, 2024	\$52,563	\$2,629	\$55,192
Share-based payment transaction	-	-	-
Retirement of treasury stock	-	-	-
Adjustment based on percentage of ownership	-	-	-
Balance on September 30, 2024	<u>\$52,563</u>	<u>\$2,629</u>	<u>\$55,192</u>
Balance on January 1, 2023	\$52,563	\$2,629	\$55,192
Share-based payment transaction	-	-	-
Retirement of treasury stock	-	-	-
Adjustment based on percentage of ownership	-	-	-
Balance on September 30, 2023	<u>\$52,563</u>	<u>\$2,629</u>	<u>\$55,192</u>

According to the law, additional paid-in capital shall not be used for any purpose except for making up for Company losses. When the Company has no losses, a

certain percentage of the additional paid-in capital from the stock premium and gifts can be applied to replenish capital every year. The aforementioned additional paid-in capital can be allocated in cash to shareholders proportionally to their original shareholding ratio.

(3) Earnings allocation and dividend policy

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

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

The principle of dividend distribution of the Company is based on the business operation needs of the Company and the revision of major laws and regulations. The Board of Directors presents the proposal in the Shareholders' Meeting for resolutions with the ratio of the cash dividend moderately adjusted, which shall not be less than 1% of the total dividends. If the cash dividend per share is less than NTD 0.1, it will not be distributed.

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

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

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

The Company complies with FSC Explanation Order No. 1090150022 issued on March 31, 2021: upon the first-time adoption of IFRS, on the transition date, for the booked unrealized revaluation increase and aggregated adjustment interest, since the exemption of IFRS 1 “First-time Adoption of IFRS” is transferred into retained earnings, the special reserve shall be recognized. Where relevant assets are subsequently used, disposed of, or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings. Where relevant assets are subsequently used, disposed of or reclassified, the original proportion of special reserve may be reversed for the distribution of earnings.

The amounts of special reserve from first-time adoption as of January 1, 2024 and 2023, were both NTD 45,549 thousand. For the period from January 1 to September 30, 2024 and 2023, there was no use, disposal, or reclassification of assets that resulted in the reversal of special reserve to undistributed earnings. As of September 30, 2024 and 2023, the amounts of special reserve from first-time adoption were both NTD 45,549 thousand.

Appropriation and distribution of 2023 and 2022 earnings were resolved during the annual general meetings held on June 7, 2024 and May 23, 2023; details are as follows:

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

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

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

23. Net interest income

	2024.07.01~ 2024.09.30	2023.07.01~ 2023.09.30	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
<u>Interest revenue</u>				
Discount and loan interest income	\$1,908,542	\$1,962,894	\$5,743,991	\$5,746,009
Due from bank and interbank offered interest income	65,179	41,495	182,684	100,368
Security investment interest income	529,197	508,239	1,556,104	1,482,512
Other interest incomes	265,546	182,657	715,184	556,011
Subtotal	<u>2,768,464</u>	<u>2,695,285</u>	<u>8,197,963</u>	<u>7,884,900</u>
<u>Interest expenses</u>				
Deposits Interest expenses	(991,106)	(918,617)	(2,963,958)	(2,557,063)
Interest expense of funds borrowed from Central Bank and other banks	(137,202)	(178,103)	(394,973)	(559,105)
Interest expense of the RP bonds	(77,706)	(108,794)	(214,456)	(347,916)
Others	(63,743)	(44,864)	(173,673)	(124,097)
Subtotal	<u>(1,269,757)</u>	<u>(1,250,378)</u>	<u>(3,747,060)</u>	<u>(3,588,181)</u>
Total	<u>\$1,498,707</u>	<u>\$1,444,907</u>	<u>\$4,450,903</u>	<u>\$4,296,719</u>

24. Net service fee income

	2024.07.01~ 2024.09.30	2023.07.01~ 2023.09.30	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Service fee income	\$733,766	\$620,806	\$2,040,618	\$1,732,444
Service fee expenses	(18,982)	(18,619)	(65,478)	(48,029)
Total	<u>\$714,784</u>	<u>\$602,187</u>	<u>\$1,975,140</u>	<u>\$1,684,415</u>

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

	2024.07.01~ 2024.09.30	2023.07.01~ 2023.09.30	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Stock investment	\$(952,971)	\$392,465	\$337,698	\$1,816,999
Bond investment	226,476	36,267	233,912	498,459
Derivatives	127,831	(1,299)	54,128	123,079
Others	(13,078)	2,564	(8,577)	3,255
Total	<u>\$(611,742)</u>	<u>\$429,997</u>	<u>\$617,161</u>	<u>\$2,441,792</u>

26. Asset impairment (loss) reversal gain and bad debt, commitment, and guarantee liability (provision)

	2024.07.01~ 2024.09.30	2023.07.01~ 2023.09.30	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Financial assets measured at FVOCI	\$(1,502)	\$(70,979)	\$(80,103)	\$(964,946)
Financial assets measured at cost after amortization	(68)	400	(166)	(391)
Fixed assets	-	-	-	(3,792)
Subtotal	<u>(1,570)</u>	<u>(70,579)</u>	<u>(80,269)</u>	<u>(969,129)</u>
Loan and receivables bad debt reversal (appropriation)	128,107	664,340	(277,118)	(136,068)
Reversal of (provision for) reserve for guarantee liability	5,000	-	19,973	(8,916)
Reversal of (provision for) financing commitment	-	-	15,000	(21,000)
Subtotal	<u>133,107</u>	<u>664,340</u>	<u>(242,145)</u>	<u>(165,984)</u>
Total	<u>\$131,537</u>	<u>\$593,761</u>	<u>\$(322,414)</u>	<u>\$(1,135,113)</u>

Please refer to Note XIV for credit risk related information.

27. Leases

(1) The Group is a lessee

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

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

A. Amount recognized on the balance sheet

(a) Right-of-use assets

Book value of the right-of-use assets

	2024.09.30	2023.12.31	2023.09.30
Buildings and structures	\$255,779	\$305,650	\$310,392
Other equipment	3,894	4,896	5,229
Total	<u>\$259,673</u>	<u>\$310,546</u>	<u>\$315,621</u>

The Group acquired additional NTD 931 and NTD 19,143 thousand of right-of-use assets for the period from July 1 to September 30, 2024 and 2023, and acquired additional NTD 19,319 thousand and NTD 56,437 thousand of right-of-use assets for the period from January 1 to September 30, 2024 and 2023, respectively.

(b) Lease liabilities

	<u>2024.09.30</u>	<u>2023.12.31</u>	<u>2023.09.30</u>
Lease liabilities	<u>\$267,151</u>	<u>\$317,098</u>	<u>\$321,679</u>
Current	<u>\$267,151</u>	<u>\$317,098</u>	<u>\$321,679</u>

The Group recognized NTD 907 thousand and NTD 930 thousand of interest expense on lease liabilities for the period from July 1 to September 30, 2024 and 2023, and NTD 2,850 thousand and NTD 2,832 thousand of interest expense on lease liabilities for the period from January 1 to September 30, 2024 and 2023, respectively. Maturity analysis on lease liabilities as of September 30, 2024 and 2023 is explained in detail in Note XIV.4 - Liquidity Risk Management.

B. Amount recognized in the statements of comprehensive income

Depreciation of the right-of-use assets

	<u>2024.07.01~ 2024.09.30</u>	<u>2023.07.01~ 2023.09.30</u>	<u>2024.01.01~ 2024.09.30</u>	<u>2023.01.01~ 2023.09.30</u>
Buildings and structures	\$23,107	\$22,926	\$69,191	\$68,530
Other equipment	334	335	1,001	1,002
Total	<u>\$23,441</u>	<u>\$23,261</u>	<u>\$70,192</u>	<u>\$69,532</u>

C. The lessee and the lease activity related income, expense, and loss

	<u>2024.07.01~ 2024.09.30</u>	<u>2023.07.01~ 2023.09.30</u>	<u>2024.01.01~ 2024.09.30</u>	<u>2023.01.01~ 2023.09.30</u>
Short-term lease expense	\$807	\$926	\$2,586	\$2,639
Low-value asset lease expense (excluding the low-value assets lease expense of the short-term leases)	777	707	2,209	2,067
Income from subleasing of right-of-use assets	174	174	522	522

D. The lessee and the lease activity related cash outflow

The Group incurred NTD 25,778 thousand and NTD 25,531 thousand of cash outflow on leases for the period from July 1 to September 30, 2024 and 2023, and NTD 76,911 thousand and NTD 76,231 thousand of cash outflow for the period from January 1 to September 30, 2024 and 2023, respectively.

28. Operating expenses

The employee benefits, depreciation, and amortization expenses are summarized by function as follows:

	2024.07.01~ 2024.09.30	2023.07.01~ 2023.09.30	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Employee benefits expenses				
Salaries and wages	\$219,421	\$334,711	\$873,694	\$934,018
Labor insurance and national health insurance	21,293	20,643	70,900	67,331
Pension expenses	10,912	10,370	31,943	31,147
Other employee benefits expenses	13,695	12,254	50,381	37,429
Depreciation	36,626	38,148	106,458	111,295
Amortization expenses	800	1,066	2,400	2,521
Total	<u>\$302,747</u>	<u>\$417,192</u>	<u>\$1,135,776</u>	<u>\$1,183,741</u>

According to the Articles of Incorporation, if the Company has earnings for the year, no less than 0.01% of the earnings should be appropriated to pay employees' remuneration and no more than 2% of the earnings should be appropriated as remuneration to directors. However, when there are accumulated losses, an equivalent amount should be appropriated to make up for losses. The aforementioned remuneration to employees is to be paid in the form of shares or cash. Approval for such benefits should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of all Board members. The results should be reported during Shareholders' Meeting. Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange Corporation for information on employee remuneration and remuneration to directors resolved by the Board of Directors.

For the period from July 1 to September 30, 2024 and 2023, the Company had estimated employee remuneration at 0.01% of profits made, which amounted to NTD 120 thousand and NTD 236 thousand, respectively; these amounts were presented as salary expense. For the period from January 1 to September 30, 2024 and 2023, the Company had estimated employee remuneration at 0.01% of profits made, which amounted to NTD 501 thousand and NTD 526 thousand, respectively; these amounts were presented as salary expense.

The Company's Board of Directors resolved on February 26, 2024 to distribute the 2023 remuneration to employees and the remuneration to directors and supervisors at the amount of NTD 730 thousand and NTD 0, respectively, which was not significantly different from the expenses booked in the 2023 financial report.

There is no significant difference between the actual employees' remuneration and remuneration to directors and supervisors distributed in 2023 and the expenses booked in the 2022 financial report.

29. Other comprehensive income

Component of other comprehensive income for the period from July 1 to September 30, 2024 is explained below:

	Accrued in the current year	Current reclassification adjustment	Other comprehensive income (loss)	Income tax (expenses)	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	\$1,466,014	\$-	\$1,466,014	\$-	\$1,466,014
Items may be reclassified subsequently to income:					
Exchange differences from the translation of financial statements of foreign operations	39,211	-	39,211	(7,842)	31,369
Gains or loss from debt instrument investment measured at FVOCI	1,248,076	-	1,248,076	-	1,248,076
Total	<u>\$2,753,301</u>	<u>\$-</u>	<u>\$2,753,301</u>	<u>\$(7,842)</u>	<u>\$2,745,459</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Component of other comprehensive income for the period from July 1 to September 30, 2023 is explained below:

	Accrued in the current year	Current reclassification adjustment	Other comprehensive income (loss)	Income tax benefit	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	\$(37,437)	\$-	\$(37,437)	\$-	\$(37,437)
Items may be reclassified subsequently to income:					
Exchange differences from the translation of financial statements of foreign operations	(13,332)	-	(13,332)	2,667	(10,665)
Gains or loss from debt instrument investment measured at FVOCI	(1,023,753)	155,762	(867,991)	-	(867,991)
Total	<u>\$(1,074,522)</u>	<u>\$155,762</u>	<u>\$(918,760)</u>	<u>\$2,667</u>	<u>\$(916,093)</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Component of other comprehensive income for the period from January 1 to September 30, 2024 is explained below:

	Accrued in the current year	Current reclassification adjustment	Other comprehensive income (loss)	Income tax (expenses)	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	\$2,284,218	\$-	\$2,284,218	\$-	\$2,284,218
Items may be reclassified subsequently to income:					
Exchange differences from the translation of financial statements of foreign operations	18,222	-	18,222	(3,644)	14,578
Gains or loss from debt instrument investment measured at FVOCI	1,087,006	(1,232)	1,085,774	-	1,085,774
Total	<u>\$3,389,446</u>	<u>\$(1,232)</u>	<u>\$3,388,214</u>	<u>\$(3,644)</u>	<u>\$3,384,570</u>

Component of other comprehensive income for the period from January 1 to September 30, 2023 is explained below:

	Accrued in the current year	Current reclassification adjustment	Other comprehensive income (loss)	Income tax benefit	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	\$410,738	\$-	\$410,738	\$-	\$410,738
Items may be reclassified subsequently to income:					
Exchange differences from the translation of financial statements of foreign operations	(18,975)	-	(18,975)	3,795	(15,180)
Gains or loss from debt instrument investment measured at FVOCI	20,218	299,596	319,814	-	319,814
Total	<u>\$411,981</u>	<u>\$299,596</u>	<u>\$711,577</u>	<u>\$3,795</u>	<u>\$715,372</u>

For the period from January 1 to September 30, 2024 and 2023, the Company had derecognized some of the debt instrument investments measured at fair value through other comprehensive income and reclassified NTD 1,232 thousand and NTD (299,596) thousand of gains (losses) previously accumulated under other comprehensive income into profit or loss, respectively.

30. Income tax

The main composition of income tax expenses is as follows:

Income tax recognized in the profit or loss

	2024.07.01~ 2024.09.30	2023.07.01~ 2023.09.30	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Current income tax expenses:				
Income tax payable for the current period	\$393,033	\$417,401	\$1,092,786	\$832,847
Previous income taxes adjusted in the current year	-	1	(1,937)	(14,884)
Deferred income tax (benefit) expense:				
Deferred income tax expense (benefit) related to the original generation of the temporary difference and its reversal	173,227	(114,918)	114,829	24,750
Income tax expenses	<u>\$566,260</u>	<u>\$302,484</u>	<u>\$1,205,678</u>	<u>\$842,713</u>

Income tax recognized in the other comprehensive income

	2024.07.01~ 2024.09.30	2023.07.01~ 2023.09.30	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Deferred income tax expense (benefit):				
Exchange differences from the translation of financial statements of foreign operations	\$7,842	\$(2,667)	\$3,644	\$(3,795)
Actuarial (loss) on defined benefit plan	-	-	-	-
The other comprehensive income related income tax	<u>\$7,842</u>	<u>\$(2,667)</u>	<u>\$3,644</u>	<u>\$(3,795)</u>

Income tax declaration and audit

Income tax filing and certification as of September 30, 2024 are as follows:

	<u>Income tax declaration and audit</u>
The Company	Audited up to the year of 2022
Subsidiary - King's Town Bank International Lease Corporation	Audited up to the year of 2021
Subsidiary - King's Town Securities	Audited up to the year of 2022
Sub-subsidiary - King's Town Intl. Construction Management Corporation	Audited up to the year of 2022

31. Earnings per share

The basic earnings per share is calculated by having the net profit attributable to the holder of the common stock shares of the parent company divided by the weighted average number of common stock shares outstanding in the current period.

The diluted earnings per share is calculated by dividing the net profit of parent company ordinary shares by weighted average number of ordinary shares outstanding during the period, plus the weighted average number of common stock shares to be issued when all dilutive potential common stock shares were converted into common stock shares.

	2024.07.01~ 2024.09.30	2023.07.01~ 2023.09.30	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
(1) Basic Earnings Per Share				
Net income attributable to the holders of common stock of the parent company (NTD thousands)	<u>\$628,300</u>	<u>\$2,146,219</u>	<u>\$3,867,056</u>	<u>\$4,498,547</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	<u>1,111,234</u>	<u>1,111,234</u>	<u>1,111,234</u>	<u>1,111,234</u>
Base earnings per share (NTD)	<u>\$0.57</u>	<u>\$1.93</u>	<u>\$3.48</u>	<u>\$4.05</u>
(2) Diluted earnings per share				
Net income attributable to the holders of common stock of the parent company (NTD thousands)	<u>\$628,300</u>	<u>\$2,146,219</u>	<u>\$3,867,056</u>	<u>\$4,498,547</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,111,234	1,111,234	1,111,234	1,111,234
Dilutive effect	-	-	-	-
Weighted average number of common stock shares after adjusting the dilutive effect(thousand shares)	<u>1,111,234</u>	<u>1,111,234</u>	<u>1,111,234</u>	<u>1,111,234</u>
Diluted earnings per share (NTD)	<u>\$0.57</u>	<u>\$1.93</u>	<u>\$3.48</u>	<u>\$4.05</u>

There was no other transaction performed to cause significant changes to the outstanding common stock shares or the potential common stock shares after the reporting period and before the release of the financial statements.

VII. Related Party Transactions

1. Names of related parties and their relationship with the Group

Name	Relationship with the Group
Chen-Chih Tai	Chairman of the Group
Chiung-Ting Tsai	Vice Chairman of the Group
Hung-Liang Chiang	President of the Group
Tiangang Investment Co., Ltd	Director of the Group
Fu Chiang Investment Co., Ltd.	Director of the Group
Chao-Long Chen	Independent Director of the Group
Bing-Sung Wu	Independent Director of the Group
Chuan-Fu Hou	Independent Director of the Group
Others	Representatives of the Group's managers, incorporated directors, and supervisors, and second degree of kinship and substantive stakeholders

2. Significant transactions with related parties

(1) Deposits

Account Item	Amount	% of the account
<u>2024.09.30</u>		
Deposits	\$434,579	0.15%
<u>2023.12.31</u>		
Deposits	\$500,784	0.17%
<u>2023.09.30</u>		
Deposits	\$458,823	0.16%

For the deposit interest rate between the Group and its related parties, except for when the bank clerk's savings deposit amount within the prescribed limit with interest calculated according to a preferential deposit interest rate, the amount exceeding the threshold and the deposit interest rate of the other related party are same as the interest rate of the general customers.

(2) Loans

Account Item	Amount	% of the account
<u>2024.09.30</u>		
Loans	\$25,362	0.01%
<u>2023.12.31</u>		
Loans	\$31,325	0.01%
<u>2023.09.30</u>		
Loans	\$31,867	0.01%

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

September 30, 2024

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	5	\$2,983	\$2,880	\$2,880	\$ -	None	None
Residential mortgage Loan	3	6,901	6,815	6,815	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	11,002	11,002	11,002	-	Real estate	None
Other loans	Other (Note)	1,990	1,990	1,990	-	Real estate/Certificate of Deposit	None

Note: Individual amounts do not exceed 1% of the total disclosed amount.

December 31, 2023

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	8	\$3,810	\$3,645	\$3,645	\$ -	None	None
Residential mortgage Loan	3	5,527	5,406	5,406	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	10,299	10,299	10,299	-	Real estate	None
Other loans	Huang, OO	300	300	300	-	Real estate	None

September 30, 2023

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	7	\$3,582	\$3,423	\$3,423	\$ -	None	None
Residential mortgage Loan	4	5,844	5,689	5,689	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Ou, OO	9,000	9,000	9,000	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	11,080	11,080	11,080	-	Real estate	None

(3) Leases

The Group incurred NTD 1,633 thousand and NTD 1,644 thousand of rental expense on office premises leased from related parties for the period from July 1 to September 30, 2024 and 2023, and NTD 4,899 thousand and NTD 4,835 thousand of rental expense on office premises leased from related parties for the period from January 1 to September 30, 2024 and 2023.

(4) Guarantees: None.

(5) Derivative financial instrument transactions: None.

(6) Sales of non-performing loan: None.

(7) Remuneration of directors and key management personnel of the Group

	2024.07.01~ 2024.09.30	2023.07.01~ 2023.09.30	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Short-term employee benefits	\$4,463	\$4,402	\$27,769	\$29,246
Retirement benefits	209	206	624	988
Total	<u>\$4,672</u>	<u>\$4,608</u>	<u>\$28,393</u>	<u>\$30,234</u>

VIII. Pledged Assets

The Group has the following assets provided as collateral:

Item	Book value			Guaranteed debt
	2024.09.30	2023.12.31	2023.09.30	
Financial assets measured at FVTPL	\$2,867,199	\$2,579,477	\$3,678,009	RP transaction Various business reserves and collaterals Funds borrowed from other banks
Financial assets measured at FVTPL	700,116	703,500	701,703	
Financial assets measured at FVTPL	-	30,400	26,850	
Financial assets measured at FVOCI	7,272,043	5,095,535	6,985,413	
Financial assets measured at FVOCI	1,900,784	1,757,058	1,765,270	
Accounts Receivable	2,709,700	2,740,000	2,310,000	
Other assets	60,000	60,000	60,000	Funds borrowed from other banks Settlement money remittance guarantee
Total	<u>\$15,509,842</u>	<u>\$12,965,970</u>	<u>\$15,527,245</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) The Group has the following or various trust agents and guarantees:

	2024.09.30	2023.12.31	2023.09.30
Receivable and collection	\$8,485,035	\$10,119,190	\$9,423,564
Receivable guarantees	7,367,079	9,040,598	8,776,289
Receivables from L/C	1,652	-	2,342
Trust and custody	45,615,503	46,105,616	43,181,057
Agreed financing amount	36,710,847	42,145,938	42,565,413

(2)

Major contents	Contract amount	Amount paid	Amount yet to be paid
Land in Guang Pu Phase II	\$423,500-\$653,400	\$21,175	\$402,325-\$632,225

X. Contents and Amount of Trust Business Handled in Accordance with the Provisions of the Trust Enterprise Act

The Group provides the trust balance sheet, income statement, and property list to the Trust Department in accordance with Article 17 of the Enforcement Rules of the Trust Enterprise Act as follows:

Balance Sheet of Trust Accounts

Trust assets	2024.09.30	2023.09.30	Trust liabilities	2024.09.30	2023.09.30
Bank deposits	\$1,810,156	\$1,809,585	Mid-term borrowings	\$8,968,674	\$4,799,995
Stock	2,503,678	2,535,368	Long-term borrowings	-	833,571
Funds	11,163,070	10,493,908	Payables	357,292	380,025
Real estate	29,645,935	26,213,613	Other liabilities	97,577	98,698
Other assets	323,666	1,963,165	Trust capital	36,805,606	37,941,766
			Reserves	(782,644)	(1,038,416)
			Cumulative earnings		
Total trust assets	<u>\$45,446,505</u>	<u>\$43,015,639</u>	Total trust liabilities	<u>\$45,446,505</u>	<u>\$43,015,639</u>

Income Statement of Trust Accounts

Item	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Trust revenue		
Interest revenue	\$5,274	\$3,477
Rent revenue	671,886	516,252
Dividend income	95,619	144,120
Unrealized exchange gains	354,237	334,406
Unrealized capital gains	76	-
Other profits	17,146	18,187
Subtotal	<u>1,144,238</u>	<u>1,016,442</u>
Trust expenses		
Administrative expenses	61,935	(52,637)
Tax expenses	50,944	(32,752)
Interest expenses	141,860	(83,139)
Unrealized capital loss	1,308,528	(1,451,005)
Other Expenses	26,183	(51,472)
Subtotal	<u>1,589,450</u>	<u>(1,671,005)</u>
Net (loss) before tax	(445,212)	(654,563)
Income tax expenses	-	-
Net (loss) after tax	<u>\$(445,212)</u>	<u>\$(654,563)</u>

Property Catalog of Trust Accounts

Investment	2024.09.30	2023.09.30
Bank deposits	\$1,810,156	\$1,809,585
Stock	2,503,678	2,535,368
Funds	11,163,070	10,493,908
Real estate		
Land	20,571,115	18,435,554
Buildings and structures	9,045,720	7,771,579
Construction in progress	29,100	6,480
Others	323,666	1,963,165
Total	\$45,446,505	\$43,015,639

As of September 30, 2024 and 2023, the size of funds involved in “foreign securities investment through foreign currency special-purpose money trust” presented under Offshore Banking Unit was NTD 0 on both dates

XI. Significant Disaster Loss

No such event.

XII. Significant Subsequent Events

No such event.

XIII. Fair Value and Grade Information of Financial Instruments

1. Information on the fair value of financial instruments

Financial assets:

	2024.09.30		2023.12.31	
	Book value	Fair value	Book value	Fair value
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	\$44,728,389	\$44,728,389	\$43,326,946	\$43,326,946
Financial assets measured at FVOCI	45,846,383	45,846,383	39,930,790	39,930,790
Financial assets measured at cost after amortization:				
Debt instrument investments measured at amortized cost	20,177,697	20,177,697	19,397,863	19,397,863
Cash and cash equivalents (excluding cash on hand)	1,276,755	1,276,755	2,625,870	2,625,870
Due from Central Bank and call loans to other banks	26,282,577	26,282,577	25,614,640	25,614,640
Receivables	15,694,653	15,694,653	12,979,400	12,979,400
Discounts and loans	226,140,159	226,140,159	230,086,122	230,086,122
Other financial assets	1,204	1,204	369	369

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

	2023.09.30			
	Book value	Fair value		
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	\$41,621,987	\$41,621,987		
Financial assets measured at FVOCI	39,435,296	39,435,296		
Financial assets measured at cost after amortization:				
Debt instrument investments measured at amortized cost	17,698,064	17,698,064		
Cash and cash equivalents (excluding cash on hand)	2,446,618	2,446,618		
Due from Central Bank and call loans to other banks	21,131,861	21,131,861		
Receivables	12,732,247	12,732,247		
Discounts and loans	237,056,758	237,056,758		
Other financial assets	817	817		
Financial liabilities:				
			2024.09.30	2023.12.31
	Book value	Fair value	Book value	Fair value
Financial liabilities measured at cost after amortization:				
Deposits from Central Bank and other banks	\$10,801,145	\$10,801,145	\$13,308,286	\$13,308,286
Funds borrowed from Central Bank and other banks	6,069,000	6,069,000	5,399,000	5,399,000
Securities and bonds sold under agreement to repurchase	9,537,798	9,537,798	7,098,943	7,098,943
Payables	3,626,435	3,626,435	3,487,260	3,487,260
Deposits and remittances	296,772,142	296,772,142	297,684,898	297,684,898
Lease liabilities	267,151	267,151	317,098	317,098
Financial liabilities measured at FVTPL:				
Held for transaction purposes	13,450	13,450	35,936	35,936
			2023.09.30	
	Book value	Fair value		
Financial liabilities measured at cost after amortization:				
Deposits from Central Bank and other banks	\$16,613,257	\$16,613,257		
Funds borrowed from Central Bank and other banks	5,149,000	5,149,000		
Securities and bonds sold under agreement to repurchase	10,149,261	10,149,261		
Payables	3,776,379	3,776,379		
Deposits and remittances	293,679,348	293,679,348		
Lease liabilities	321,679	321,679		
Financial liabilities measured at FVTPL:				
Held for transaction purposes	17,165	17,165		

The derivative financial instrument transactions are detailed as follows:

Item	Contract amount	Fair value
2024.09.30		
Foreign exchange contracts	\$2,763,092	\$26,381
2023.12.31		
Foreign exchange contracts	\$2,772,210	\$16,913
2023.09.30		
Foreign exchange contracts	\$3,813,719	\$(1,171)

2. Methods and assumptions used in the fair value of financial instruments

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. The methods and assumptions used by the Company to measure or disclose the fair value of financial assets and financial liabilities are as follows:

- (1) The fair value of short-term financial products is estimated based on the book value on the balance sheet. As the maturity date of such products is very close or the current collection price is equivalent to the book value, the book value is a reasonable basis for estimating the fair value. This method is applied to cash and cash equivalents, deposits at the Central Bank and inter-bank loans, RS bills and bond investments, receivables, deposits of the Central Bank and other banks, funds borrowed from Central Bank and other banks, RP bills and bond liabilities, payables, deposits and remittances, and other financial liabilities.
- (2) For financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, available-for-sale financial assets, and held-to-maturity financial assets, if there is a public market price available, such market price is the fair value, which refers to the closing price on the balance sheet date for the listed (OTC) equity security with a market price available, the net asset value on the balance sheet date for the fund, the closing price or reference price on the balance sheet date for the bond, and the settlement price or the counterparty's quote for the derivative financial products. If no market price is available for reference, the evaluation method is used for estimation. When the Group adopts the market price including the purchase price and the selling price, the Group will evaluate the selling (purchasing) position at the market buying (selling) price. If there is no market price available at the time of evaluation but there is the most recent market transaction price available, then the said transaction price is the fair value of such financial asset.
- (3) Discounts, loans, and deposits are all interest-bearing financial assets and liabilities, so their book value is similar to the current fair value. The book value of the collection is the estimated recovery amount net of the allowance for bad debt. Therefore, the book value is the fair value.
- (4) For debt-based instruments that are without an active market price, the fair value is determined by the counterparty's quotation or valuation method. The valuation

method is based on the discounted cash flow analysis. The assumptions of interest rate and discount rate are mainly based on information related to similar instruments (for example, Taipei Exchange reference yield curve, the Reuters commercial promissory interest rate average quotation, and credit risk information).

- (5) The fair value of derivatives (including forward foreign exchange and foreign exchange transactions) is the amount that the Group is expected to obtain or pay if it wishes to terminate the contract at the agreed reporting date. The Group calculates the fair value of the position held based on the parameters or quotation information disclosed by the Reuters Information System.
- (6) The fair value of the equity instruments (e.g., private company's stock shares) that do not have a market price available is estimated with the market approach, which is with the fair value estimated with the price generated in market transactions of the same or comparable company's equity instruments and other relevant information (e.g., lack of liquidity discount factor, the profit ratio of the similar company's stock, and the input value of the similar company's stock price book ratio).

Please refer to Note XIII.3 for the information on the fair value bracket of the Group's financial instruments.

3. Fair value hierarchy

(1) The definition of the Group's three-level fair value

① Level I

It refers to the public offer (unadjusted) of the same financial instrument available on the active market on the measurement date. The fair value of the listed (OTC) stocks, beneficiary certificates, corporate bonds, financial bonds, convertible corporate bonds, and derivatives with a market price available invested in by the Group is classified as Level I.

② Level II

It refers to the observable prices other than the quote in an active market, including the observable input parameters directly (as prices) or indirectly (e.g., derived from prices) acquired from an active market. This includes the convertible corporate bonds, Taiwan Central Government bonds, and general derivatives invested in by the Group.

③ Level III

It means that the input parameters for measuring fair value are not based on information available from the market or by the quotations provided by the counterparty. This includes the unlisted stocks in which the Group invests.

For assets and liabilities that are recognized in the financial statements on

a repetitive basis, the classification is re-evaluated at the end of each reporting period to determine whether there is a transfer between the fair value levels.

(2) Information on fair value hierarchy:

The Group does not have non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is shown below.

2024.09.30

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>Assets measured at fair value</u>				
Financial assets				
measured at FVTPL				
Stock investment	\$4,573,933	\$4,573,933	\$-	\$-
Bond investment	39,596,740	2,012,959	37,583,781	-
Derivatives	39,831	-	39,831	-
Others	517,885	228,950	-	288,935
Financial assets				
measured at FVOCI				
Stock investment	6,377,482	-	-	6,377,482
Bond investment	39,081,304	31,707,013	7,374,291	-
Others	387,597	387,597	-	-
<u>Liabilities measured at fair value</u>				
Financial liabilities				
measured at FVTPL				
Derivatives	13,450	-	13,450	-

2023.12.31

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>Assets measured at fair value</u>				
Financial assets				
measured at FVTPL				
Stock investment	\$3,111,325	\$3,111,325	\$-	\$-
Bond investment	39,934,846	1,901,171	38,033,675	-
Derivatives	52,849	-	52,849	-
Others	227,926	-	-	227,926
Financial assets				
measured at FVOCI				
Stock investment	4,069,575	-	-	4,069,575
Bond investment	35,450,903	30,183,537	5,267,366	-
Others	410,312	410,312	-	-

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>Liabilities measured at fair value</u>				
Financial liabilities measured at FVTPL				
Derivatives	35,936	-	35,936	-
<u>2023.09.30</u>				
	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>Assets measured at fair value</u>				
Financial assets measured at FVTPL				
Stock investment	\$1,356,857	\$1,356,857	\$-	\$-
Bond investment	40,027,817	3,021,776	37,006,041	-
Derivatives	15,994	-	15,994	-
Others	221,319	-	-	221,319
Financial assets measured at FVOCI				
Stock investment	4,058,453	-	-	4,058,453
Bond investment	34,945,508	29,972,022	4,973,486	-
Others	431,335	431,335	-	-
<u>Liabilities measured at fair value</u>				
Financial liabilities measured at FVTPL				
Derivatives	17,165	-	17,165	-

(3) Transfer between Level I and Level II fair value

For the period from January 1 to September 30, 2024 and 2023, there had been no transfer of fair value input between Level I and Level II for assets or liabilities where the fair value is measured on a recurring basis.

(4) Changes in Repetitive Fair Value Level III Statement

For the Group's liabilities measured at repetitive fair value that are categorized as Level III, adjustments from beginning to ending balance is as follows:

	Financial assets at FVTPL - Others	Financial assets measured at FVOCI - Stock
2024.01.01	\$227,926	\$4,069,575
Total gains recognized in Q3, 2024:		
Recognized in profit or loss (presented as “Other gains and losses”)	61,776	-
Recognized in other comprehensive income (presented as “Unrealized gain (loss) on valuation of equity instrument investments measured at FVOCI”)	-	2,306,933
(Decrease in) acquired in the period	(767)	974
2024.09.30	<u>\$288,935</u>	<u>\$6,377,482</u>
	Financial assets at FVTPL - Others	Financial assets measured at FVOCI - Stock
2023.01.01	\$196,539	\$ 3,652,025
Total gains recognized in Q3, 2023:		
Recognized in profit or loss (presented as “Other gains and losses”)	24,780	-
Recognized in other comprehensive income (presented as “Unrealized gain (loss) on valuation of equity instrument investments measured at FVOCI”)	-	396,399
Acquired in the period	-	10,029
2023.09.30	<u>\$221,319</u>	<u>\$4,058,453</u>

Significant unobservable input value information of Level III fair value

For the Group's assets measured at repetitive fair value and categorized in fair value Level III, the material unobservable input used toward fair value measurement is as follows:

	Valuation technique	Significant unobservable input value	Range	Relationship between input value and fair value
Financial assets measured at FVTPL				
Limited partnership	Market approach	Lack of liquidity discount rate	10%	The higher the lack of liquidity, the lower the estimated fair value
Financial assets measured at FVOCI				
Stock	Market approach	Lack of liquidity discount rate	20%~30%	The higher the lack of liquidity, the lower the estimated fair value

Evaluation process for Level III fair value

The financial instrument evaluation team of the Group's Risk Management Department is responsible for independent fair value verification. Data from an independent source is used to bring the evaluation results close to the market, to confirm that the data sources are independent, reliable, consistent with other resources, representing executable prices, and that the valuation model is regularly calibrated and evaluated, performing backtracking tests, updating input values and information required for the evaluation model, and any other necessary fair value adjustments to ensure that the valuation results are reasonable.

(5) Mandatory disclosure of fair value hierarchy for items not measured at fair value

Assets in which only fair value is disclosed:

2024.09.30

Debt instrument investments measured at amortized cost
Convertible certificate of deposit
Investment properties

	Level I	Level II	Level III	Total
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit		\$- \$20,177,697		\$- \$20,177,697
Investment properties		-	590,384	590,384

Assets in which only fair value is disclosed:	Level I	Level II	Level III	Total
<u>2023.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$-	\$19,397,863	\$-	\$19,397,863
Investment properties	-	-	997,382	997,382
<u>2023.09.30</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$-	\$17,698,064	\$-	\$17,698,064
Investment properties	-	-	737,222	737,222
4. <u>Transfer of financial assets</u>				

Transferred financial assets that are not fully derecognized

In the daily trading activities of the Group, for the transferred financial assets that did not meet the overall de-recognizing conditions, most of them are RP debt securities as collateral held by the counterparty of the transaction. Such transactions are essentially secured borrowings and reflect the Group's liabilities from repurchasing the obligation of the transferred financial assets at a fixed price in the future. For such transactions, the Group is unable to use, sell, or pledge the transferred financial assets during the effective period of the transaction, but the Group still bears the interest rate risk and credit risk. Therefore, it has not been derecognized entirely.

The table is an analysis of financial assets and related financial liabilities that do not qualify all conditions for derecognition:

2024.09.30					
Category of financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Financial assets measured at FVTPL: with R/P agreement	\$2,867,199	\$2,946,498	\$2,867,199	\$2,946,498	\$ (79,299)
Financial assets measured at FVOCI: with R/P agreement	7,272,043	6,591,300	7,272,043	6,591,300	680,743

XIV. Financial Risk Management

1. Overview

The Group uses its business growth scale to establish a capital adequacy assessment process that meets the risk profile in order to maintain adequate capital. Also, based on overall risk exposure, the Group implements appropriate overall capital allocation, and establishes management mechanisms for various business risks in order to strengthen business performance. The risks in the businesses on and off the balance sheet, such as credit risk, market risk, operational risk, liquidity risk, country risk, and interest rate risk in the banking book, are included in the Group' scope of risk management. The Group has established policies and rules such as "Credit Policy," "Credit Review and Authorization Policy," "Risk Management Policy" etc. to address different risks. Management guidelines have also been introduced to assist in the enforcement of policies and rules as needed, such as "Credit Risk Management Guidelines," "Market Risk Management Guidelines," and "Operational Risk Management Guidelines" for the enforcement of "Risk Management Policy." These policies, rules, and management guidelines have been reviewed and passed by the board of directors to effectively identify, measure, communicate, and monitor risk-related issues.

2. Risk management organizational structure

The risk management of the Group is carried out by the Risk Management Department in accordance with the risk management policy approved by the Board of Directors. The Risk Management Department works closely with business units to identify, assess, and prevent risks. The Board of Directors has a written policy for risk management that covers specific risk exposure, such as, interest rate risk, credit risk, etc. In addition, the Audit Office reviews the risk management and operating procedures of the Group regularly (at least once a year) and as necessary to ensure that the Group's risk management mechanism is operating effectively. Audit records related to various risks—such as transaction records, statements, and valuations—are kept for review by the Audit Office.

(1) Risk Management Committee

For the purpose of upgrading the risk management mechanism, improving various risks management, avoiding all possible adverse effects on the Group, and seeking maximized profits with limited risks, the Risk Management Committee is established with the President acting as the Chief Commissioner, and the department head of the Finance Department, Digital Service and Business Department, Risk Management Department, Credit Review Department, Administration Office, International Sales Department, Compliance Department, and the Business Management Department and other personnel designated by the President act as the Members of the Committee. The chief auditor may attend the Committee meeting, but is not entitled with voting rights. The Committee holds meetings once a month with the following missions to fulfill:

- ① Add and amend the Group's risk management policy.

- ② Coordinate the risk management issues of the Company, such as, credit risk, market risk, and operational risk.
- ③ Review the ratio of the Group's regulatory capital to risk assets (referred to as "capital adequacy ratio")
- ④ Handle and review the major risk exposure and unauthorized events which occur.
- ⑤ Major issues or discussions related to risk management proposed by each unit.
- ⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

The "Risk Management Department" is the execution unit of the Risk Management Committee and the risk management planning and management unit of the Bank. It independently monitors and manages the risks of the Bank. The department head of the Risk Management Department acts as the Executive Secretary who is appointed by the Board of Directors. The Risk Management Department is responsible for calculating and monitoring capital adequacy and comprehensively handles risk management and reports to the competent authorities in accordance with various risk management guidelines. It submits a risk control report to the Committee on a quarterly basis and forwards it to the Board of Directors, while the Committee sets rules to control various investment positions and transaction quotas, and handles transaction clearing and settlement, such as bank-wide fund scheduling and securities trading.

(2) Asset and Liability Management Committee

The President of the Group is the Chief Commissioner of the Company's Asset and Liability Management Committee. The members are composed of the personnel designated by the President and the department head of the Digital Service and Business Department, the Risk Management Department, the Finance Department, and the Administration Office. In response to the domestic and foreign financial situation, the committee is responsible for adjusting the business strategy in a timely manner, maintaining liquidity, safety, and profitability, and holding regular meetings at least once a month. The main tasks are as follows:

- ① Assess the impact of changes in domestic and foreign political and economic situations and the trend of government policies on financial business operations.
- ② Predict the impact of domestic and foreign funds, exchange rates, interest rate trends, and other relevant financial indicators on the Group's business operations.

- ③ Assess the Group's operating performance, capital position, asset and liability risk position, and interest rate sensitivity, as well as study and adjust the best ratio of various assets and liabilities.
- ④ Assess the Group's pricing strategy for deposit and loan interest rates.
- ⑤ Estimate the Group's future operating performance and moderately adjust the Group's business strategy.
- ⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

(3) Credit Review Committee

The Credit Review Committee is chaired by the President and consists of the head of the Credit Review Department, the Risk Management Department, and the Digital Service and Business Department, and the personnel designated by the President to strengthen the review and risk control of credit extensions and to ensure the Group's credits. In principle, a meeting will be held once a week to review the credit cases to be granted by the Board of Directors, and the results of the review will be presented to the Board of Directors for approval. The preparation and communication of meeting motions are handled by the Credit Review Department.

(4) Investment Management Committee

In order to respond to changes in domestic and foreign financial situations, the Group timely adjusts investment strategies and controls investment risks to maintain the safety and profitability of the Group's investment positions. The Investment Management Committee has been established as the highest management unit responsible for the Bank's investment business. The Committee is chaired by the President, and the members include the head of the Finance Department and other personnel appointed by the President. The Committee holds meetings once a month with the following missions to fulfill:

- ① Set the Bank's investment strategies and principles according to the changes in domestic and foreign political and economic situations and trends in government policy.
- ② Assess whether the performance of the investment portfolio meets the expected objectives, predict the impact of changes in domestic and foreign capital situation, exchange rate, interest rate, and other relevant financial indicators on the investment position of the Group, and study whether the investment strategy should be adjusted.
- ③ Review the proportion, allocation, and reinvestment-orientation of various financial investment projects.
- ④ Review the source of funds and cost structure of the investment.

(5) Information Security Management Committee

The Information Security Management Committee was formed to improve the information security management system, respond to all information security-related laws and regulations, and comply with the relevant government regulations in order to reduce the risk impact and influence on the Group due to information security. The Committee has one convener appointed who is the President or an individual appointed by the President. The members are the heads of the Risk Management Department, Information Office, Digital Service Department, and Compliance Department, and the department head or designated individual from the department designated by the convener. The Audit Department may attend the Committee meeting, but is not entitled with voting rights. The Committee will hold meetings from time to time as needed. The main tasks are as follows:

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

3. Credit Risk

(1) Source and definition of credit risk

Credit risk refers to the risk of default loss caused by the borrower or counterparty due to the poor business condition or other factors (such as, disputes between the company and its counterparty), resulting in the borrower or counterparty not fulfilling its contractual obligations. The sources of credit risk included on- and off-balance sheet items. Regarding the Group's credit risk exposure, in-balance sheet items mainly come from discounts and loans, deposits and interbank lending, debt instrument investments and derivatives, etc.; whereas off-balance sheet items are mainly guarantees, letters of credit, loan commitments, etc.

(2) Credit risk management policies

The Group's written credit risk management strategy is prepared as a guideline for the credit operating procedure. Also, the relevant policies and operational guidelines are set up to ensure that the strategy can be implemented continuously and effectively in order to maintain rigorous loan granting standards, monitor credit risk, assess possible business opportunities, and identify and manage non-performing loans. The scope of management includes: ① Various credit risks (including individual credit cases, overall credit check, credit extension, non-performing loans, etc.) and credit risk offset instruments, such as, collateral and guarantee, of the businesses on and off the balance sheet. ② A credit risk related

product or position of the banking book or transaction book.

In order to maintain a safe and sound credit extension business and control credit risk, the Regulations Governing Credit Risk were formulated to establish a credit risk control mechanism when planning various business to implement procedures of identification, measurement, communication, and monitoring. Under the hierarchical organization structure of credit management, each level shall, in accordance with the "Rules Governing Credit Review and Authorization," strictly execute case review within the authority to ensure the quality of credit assets. The Group also formulated the "Directions for Credit Review and Implementation," and the Credit Review Department is authorized by the Head Office in handling related matter to strengthen post-loan management, in aim to effectively control credit risk.

The credit risk management procedures and measurement methods for each major business of the Group are described below:

① Credit extension (including loan commitments and guarantees)

The classification of credit assets and credit quality rating are described as follows:

A. Credit asset classification

The Group's credit assets are classified into five categories. Except that the normal credit assets are classified as Category I, the non-performing credit assets are evaluated according to the loan guarantee status and the length of time overdue, which are classified as Category II "Special Mention," Category III "Expected to be Recovered," Category IV "Doubtful," and Category V "Losses." The Group has formulated the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" to establish the internal processing systems and procedures for asset quality assessment, appropriation of loss reserve, collection of overdue loans, and liquidation of bad debts. Also, it is handled in accordance with the requirements of the competent authorities and the Group. In order to speed up the liquidation of non-performing loans and reduce overdue loans, the Group has the "Rules Governing Non-Performing Loans" formulated to realize a sound financial structure and to enhance asset and liability management.

B. Credit quality rating

The Group has also formulated the Corporate Finance and Consumer Finance Business Classification according to business characteristics and scales. The directions for credit rating are formulated for corporate and individual account holders. The credit rating scores of the debtors are classified into 10 grades (C1-C10),

which is an internal credit rating and is used for risk management. The credit rating is used as reference for credit approval and as reference in determining credit conditions. Those with poor credit ratings are subject to more frequent credit review.

② Deposit and inter-bank lending

The Group evaluates the credit status of the counterparty before the transaction is initiated. Before the end of each year, the Group determines the NTD and foreign currency loan limits according to domestic and foreign financial interbank credit ratings. And such matters are submitted to the Credit Review Committee for review and reported to the Board of Directors for approval.

③ Debt instrument investment and derivative financial instruments

The Group's credit risk management of debt instrument is to identify credit risk through the credit rating of debt instrument by domestic and international credit rating agencies, bond guarantee institutions, country risks, and counterparty risk. For the financial institutions that initiate investments in the Group's derivative financial product transactions, set the ceiling of the financial transaction amount by the nature of the counterparty and the credit rating in accordance with the "Regulations Governing Derivatives Transactions Quota."

(3) Credit risk hedge or mitigation policy

① Collateral

The Group adopts the methods of stipulation of credit limit restrictions, collection of collateral, and the guarantor or the transfer of the credit guarantee fund to reduce the credit risk for credit business in order to strengthen the credit claim of the Group. The Group has formulated The Rules Governing Collateral Appraisal and related procedural guidelines and regulations for regulating acceptable types of collateral and the valuation, management, and disposal of collateral, in order to ensure the Group's credit claim. The Group has formulated the creditor's right security clauses, collateral clauses, and offset clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, or the debt may be offset by debtor's deposit at the Group to reduce the credit risk.

The Group carries out on-site appraisal of the collateral on a regular basis or at any time. The Group carries out credit check or revaluation of collaterals according to the status of credit granting accounts. The Group also evaluates the degree of guarantee provided by debtor and the legal effectiveness of the guarantor in order to ensure the security of credit.

② Credit risk limit and credit risk concentration control

The Group has formulated a Credit Policy to properly plan and control the credit of the same natural person, legal person, public enterprise, related party, associate, or group; control single credit risks and enhance the efficiency of capital utilization by setting a ceiling on their respective ratios to the net worth of the Company (where the same public enterprise shall not exceed the net value of the Company, and the ceiling of the same group enterprise shall be adjusted and approved according to its credit rating and outlook). For the ratio of total credit balance of the same industry to the net value of the Company, the ceiling will be approved according to the industry and the overall economy and with reference to the non-performing loan ratio of the industry and future economic outlook. To strengthen the credit risk control of each enterprise overseas and in mainland China, respective limits are stipulated accordingly. For the ratio of the total credit balance secured by residential real estate to the total credit balance of the Company, it is divided into the categories of housing repair and working capital limit control by the intended use of funds. Credit orientation is also dynamically adjusted to hedge the overall risk and avoid excessive credit risk concentration.

③ Master netting arrangement

The Group's transactions are usually cleared on a gross amount and the Company agrees with the counterparties upon the clearing method, or all transactions with the counterparty are terminated with a net amount clearing arranged in the event of default in order to further reduce the credit risk.

(4) Maximum credit risk exposure

The maximum credit risk exposure of the assets stated in the consolidated balance sheet without the consideration of collaterals or other reinforced credit instruments approximate their book value. The maximum credit risk exposure amount (excluding collateral or other credit enhancement instruments, and irrevocable maximum risk exposure amount) associated with off-balance sheet items is as follows:

Off-balance sheet items	Maximum credit risk exposure		
	2024.09.30	2023.12.31	2023.09.30
Customer's developed and irrevocable loan commitments	\$36,710,847	\$42,145,938	\$42,565,413
Customer's outstanding letters of credit amount	6,525	82,888	74,342
Guarantee payments	7,367,079	9,040,598	8,776,289
Total	\$44,084,451	\$51,269,424	\$51,416,044

- (5) Information on collaterals held as security, master netting arrangements, and other credit enhancements within and outside the consolidated balance sheet as well as their effects on the book value of maximum credit risk exposure are explained in the following chart.

2024.09.30	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$160,832,854	\$ -	\$160,832,854
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	15,638,621	-	15,638,621
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,223,272	-	2,223,272
Total	<u>\$178,694,747</u>	<u>\$ -</u>	<u>\$178,694,747</u>

2023.12.31	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$159,632,779	\$ -	\$159,632,779
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	15,093,075	-	15,093,075
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,690,840	-	2,690,840
Total	<u>\$177,416,694</u>	<u>\$ -</u>	<u>\$177,416,694</u>

2023.09.30	Collateral	Master netting arrangement	Total
<u>On-balance sheet items</u>			
Discounts and loans	\$161,881,469	\$ -	\$161,881,469
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	14,633,740	-	14,633,740
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	2,708,875	-	2,708,875
Total	<u>\$179,224,084</u>	<u>\$ -</u>	<u>\$179,224,084</u>

The Group's management assesses and believes that the credit risk exposure amount of the off-balance sheet items could be controlled and minimized continuously because the Company and its subsidiaries have adopted a more stringent selection process during the credit approval and subsequent periodic review.

(6) Status of credit risk concentration

When a financial instrument counterparty is significantly concentrated on one person, or a financial instrument has several counterparties who are mostly engaging in similar business activities and have similar economic characteristics, so that their ability to perform contracts is affected by economic or other conditions in a similar manner, there is a significant concentration of credit risk.

The Group's credit risk concentration is derived from assets, liabilities, or off-balance sheet items, which are generated through transactions (regardless of products or services) performance or implementation, or a combination of cross-category risk exposure, including credit, deposit and inter-bank lending, marketable securities investments, receivables, and derivatives. There are no significant signs showing that the Group has trading concentrated on a single customer or single transaction counterparties. The total amounts of transaction with single customers or single transaction counterparties does not account for a significant part in the Group's discounts and loans and collection amount. The Group has the credit risk of the discount, loans, and collections illustrated by the industry, region, and collateral as follows:

① By industry

Industry	2024.09.30		2023.12.31		2023.09.30	
	Amount	%	Amount	%	Amount	%
I. Private enterprises	\$168,694,322	74	\$174,092,453	75	\$181,096,209	75
II. Government agencies	-	-	-	-	-	-
III. Non-profit groups	200,843	-	209,985	-	213,746	-
IV. Private	60,233,992	26	59,405,553	25	59,378,574	25
V. Financial institutions	-	-	-	-	-	-
Total	\$229,129,157	100	\$233,707,991	100	\$240,688,529	100

② By region

The Group's main business is conducted in Taiwan and there is no significant concentration of credit risk by region.

③ By collateral

Collateral categories	2024.09.30		2023.12.31		2023.09.30	
	Amount	%	Amount	%	Amount	%
Unsecured	\$68,296,304	30	\$74,075,212	32	78,807,060	33
Secured						
- Financial collateral	31,304,921	14	31,859,429	14	31,572,220	13
- Real estate	114,191,910	50	113,556,738	48	115,450,891	48
- Guarantee	8,937,258	3	7,730,844	3	7,617,193	3
- Other collateral	6,398,764	3	6,485,768	3	7,241,165	3
Total	\$229,129,157	100	\$233,707,991	100	\$240,688,529	100

(7) Analysis of the Group's financial assets that is overdue but without impairment

The Group had no financial asset that was overdue but unimpaired as of September 30, 2024, December 31, 2023, and September 30, 2023.

(8) Judgment of the Group's credit risk that has increased significantly since the original recognition

Credit extension

The Group assesses the change in the risk of default in the expected duration of each type of credit asset on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Group considers the information that evidences the significant and reasonable increase of credit risk (including forward-looking information) since the original recognition. The main considerations include:

① Quantitative indicators:

If the contract is overdue for more than 30 days on the reporting date, it is concluded that the credit risk has increased significantly since the original recognition

② Qualitative indicators:

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that the credit risk has increased significantly since the original recognition.

- a. The records of bounced checks of the debtors reported by the Group.
- b. The dishonored accounts announced by Taiwan Clearing House.
- c. People whose collateral at the Bank is held by compulsory enforcement by other banks.
- d. Informed of the incident that the debtors have applied for reorganization of their debts at other financial institutions when handling post-loan management procedures such as review or follow-up assessment.

- e. Listed as a receivable on demand or written-off of bad debts.
- f. Informed of the incident that the public certified accountants had issued an opinion on the financial statements of the debtors with a concern over the continuing operation of the audited debtors when implementing the post-loan management procedures of review, tracking, and assessment.
- g. Informed of other non-performing loans of the debtors.

This assumption that “if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition” is not applicable to various credit assets of the Group.

Debt instruments

The Group assesses the change in the risk of default in the expected duration of each type of debt instrument on each reporting date to determine whether the credit risk has increased significantly since the original recognition. For the purpose of this assessment, the Group considers the changes in credit rating that indicates the main evaluation indicator is a quantitative indicator since the original recognition. When the credit rating on each reporting date is lower to an extent than the credit rating on the original recognition date, it is determined that the credit risk has increased significantly since the original recognition.

This assumption that “if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition” is not applicable to various debt instruments of the Group.

(9) Definition of the Group's default and credit impairment financial assets

Credit extension

The Group's definition of default on various types of credit assets is the same as the default and credit impairment of each type of credit assets. If one or more of the following conditions are met, the Group determines that the various types of credit assets have been defaulted with credit impairment resulted:

① Quantitative indicators

If the contract is overdue for more than 90 days on the reporting date, it is concluded that default and credit impairment have occurred.

② Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If the matter shows objective evidence of impairment (i.e., agreement, bail-out, rehabilitated, etc.), it is determined that default and credit impairment have occurred.

Debt instruments

The Group's definition of default on a debt instrument is the same as the credit impairment of a debt instrument. If one or more of the following conditions are met, the Group determines that the debt instrument has defaulted with credit impairment:

① Quantitative indicators

If the credit rating on each reporting date reaches the default level, it is determined as defaulted with credit impairment.

② Qualitative indicators

The Group evaluates based on the following criteria on the reporting date. If any of the following criteria are met, it is determined that default and credit impairment have occurred:

- a. An event of default occurred.
- b. The issuer's significant financial difficulties.
- c. The issuer is likely to apply for bankruptcy or other financial restructuring.

The foregoing definition of default and credit impairment is applicable to all financial assets held by the Group, is consistent with the definitions used for the purposes of internal credit risk management of financial assets, and is applied to the relevant impairment assessment model.

If the financial assets on the reporting date no longer meet the definition of default and credit impairment, they are concluded to be in the status of performance and are no longer regarded as financial assets that have defaulted with credit impairment.

(10) Write-off policy

When the Group cannot reasonably expect the financial assets to be recovered entirely or partially, it will write off the whole or part of the financial assets in a timely manner in accordance with the requirements of the competent authorities and in line with the Group's asset quality policy.

(11) Measurement of expected credit loss

For the purpose of assessing expected credit losses, the Group classifies financial assets into the following combinations according to the credit asset/debt instrument categories, credit ratings, and subject matter claim order:

Credit asset/debt instrument category	Definition
Corporate banking loan	Grouped by risk characteristics, company size, and credit category
Consumer banking loan	Grouped by product category, loan type, etc.
Corporate bonds and financial bonds	Classified by long-term issuer rating (mainly Moody's) and subject matter claim order
Government bonds and Central Bank's convertible certificate of deposit	Classified by sovereign rating (primarily Moody's) and subject matter claim order

For financial instruments that have not significantly increased in credit risk (Stage 1) after their original recognition, the Group measures allowance for loss of the financial instrument according to the expected credit loss amount within 12 months. For financial instruments with significant increases in credit risk after their original recognition (Stage 2) or with credit impairment (Stage 3), these are measured by the expected credit loss amount of the duration.

In order to measure the expected credit losses, the Group takes probability of default (PD) of the borrower/issuer in the next 12 months and over the loan duration as well as loss given default (LGD), and multiplies them with exposure at default (EAD), taking into account the impact of time value of money to calculate expected credit losses for the next 12 months and over the remaining duration. However, off-balance sheet credit assets must be multiplied by the credit conversion factor (CCF) that is regulated in the “standardized approach” of Basel II.

The probability of default (PD) and loss given default (LGD) used in the impairment assessment of the Group's credit business/investment business are adjusted and calculated based on internal and external information pertaining to the given portfolio, as well as current observable information and prospective macroeconomic information (e.g. global economic growth rate and inflation rate).

The Group assesses the amount of financial asset default risk on the reporting date. In addition, based on internal and external information, the Company considers the financial assets to be used within 12 months after the reporting date and the amount expected to be used in order to determine the default risk exposure amount for the calculation of the expected credit loss.

There was no material change in the techniques or major assumptions used in the estimation of expected credit loss in the third quarter of 2024.

(12) Consideration of prospective information

The Group uses archive data to analyze and identify the economic factors that affect the credit risk and expected credit losses of each asset portfolio, and estimates the impairment parameters after prospective adjustment based on the regression model or imputation adjustment method. The relevant economic factors and their impact on PD and LGD vary according to the type of financial instruments.

Economic growth rate was identified as the most relevant economic factor for the Group's credit assets in 2024; whereas global economic growth rate and inflation rate were identified as the most relevant economic factors for debt instruments in 2024.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

(13) Loss allowance

Changes in bad debt allowance for discounts and loans

Reconciliation of allowance for bad debts on discounts and loans for the period from January 1 to September 30, 2024 is as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$451,943	\$16,340	\$19,066	\$487,349	\$3,134,520	\$3,621,869
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses for the duration	(10,386)	108,616	(35)	98,195	-	98,195
- Converted to financial assets with credit impairment	(5)	(41)	8,371	8,325	-	8,325
- Converted to 12-month expected credit loss	68	(108)	-	(40)	-	(40)
- Financial assets derecognized in the current period	(273,560)	(13,406)	(10,390)	(297,356)	-	(297,356)
Purchased or originated new financial assets	99,508	74,420	1,365,041	1,538,969	-	1,538,969
Recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(623,120)	(623,120)
Write-off bad debts	-	-	(1,365,041)	(1,365,041)	-	(1,365,041)
Recovered amount after write-off bad debts	-	-	525,706	525,706	-	525,706
Other Changes (Note)	-	-	(525,706)	(525,706)	-	(525,706)
Changes in exchange rate	-	-	-	-	7,197	7,197
Ending balance	<u>\$267,568</u>	<u>\$185,821</u>	<u>\$17,012</u>	<u>\$470,401</u>	<u>\$2,518,597</u>	<u>\$2,988,998</u>

Note: Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Reconciliation of allowance for bad debts on discounts and loans for the period from January 1 to September 30, 2023 is as follows:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$293,702	\$3,218	\$20,532	\$317,452	\$3,258,679	\$3,576,131
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses for the duration	(4,085)	18,796	-	14,711	-	14,711
- Converted to financial assets with credit impairment	(6)	(6)	3,139	3,127	-	3,127
- Converted to 12-month expected credit loss	145	(399)	-	(254)	-	(254)
- Financial assets derecognized in the current period	(107,812)	(627)	(4,928)	(113,367)	-	(113,367)
Purchased or originated new financial assets	289,984	1,854	871,692	1,163,530	-	1,163,530
Recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(152,664)	(152,664)
Write-off bad debts	-	-	(870,224)	(870,224)	-	(870,224)
Recovered amount after write-off bad debts	-	-	853,304	853,304	-	853,304
Other Changes (Note)	-	-	(853,304)	(853,304)	-	(853,304)
Changes in exchange rate	-	-	-	-	10,781	10,781
Ending balance	<u>\$471,928</u>	<u>\$22,836</u>	<u>\$20,211</u>	<u>\$514,975</u>	<u>\$3,116,796</u>	<u>\$3,631,771</u>

Note: Due to the changes in allowance for bad debt are not affected by the recovered amount after write-off bad debts, which is fairly represented, the same amount is deducted from other changes.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Changes in the total book value of discount and loan

Book value changes for the period from January 1 to September 30, 2024 are explained below:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Total
Beginning balance	\$230,133,357	\$3,505,091	\$69,543	\$233,707,991
Converted to expected credit losses for the duration	(5,150,564)	4,402,063	(130)	(748,631)
Converted to financial assets with credit impairment	(3,963)	(30,543)	32,539	(1,967)
Transferred out from the financial assets with credit impairment	79,993	(80,000)	-	(7)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	84,444,361	2,247,854	-	86,692,215
Write-off bad debts	-	-	(1,365,041)	(1,365,041)
Derecognition	(88,160,914)	(2,319,762)	1,325,273	(89,155,403)
Ending balance	<u>\$221,342,270</u>	<u>\$7,724,703</u>	<u>\$62,184</u>	<u>\$229,129,157</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Book value changes for the period from January 1 to September 30, 2023 are explained below:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Total
Beginning balance	\$244,336,795	\$1,503,854	\$70,393	\$245,911,042
Converted to expected credit losses for the duration	(2,241,883)	2,180,750	-	(61,133)
Converted to financial assets with credit impairment	(6,922)	(6,989)	11,939	(1,972)
Transferred out from the financial assets with credit impairment	107,093	(191,276)	-	(84,183)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	92,400,764	381,191	5,601	92,787,556
Write-off bad debts	-	-	(870,224)	(870,224)
Derecognition	(97,118,805)	(728,200)	854,448	(96,992,557)
Ending balance	<u>\$237,477,042</u>	<u>\$3,139,330</u>	<u>\$72,157</u>	<u>\$240,688,529</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Changes in expected credit losses of the financial assets-debt instrument measured at fair value through other comprehensive income by the Group are as follows:

Financial assets at FVOCI—allowance for losses	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses on January 1, 2024	\$22,595	\$477,244	\$-	\$-	\$499,839
Changes arising from the recognition of financial instruments on January 1, 2024					
- Converted to expected credit losses for the duration	-	-	-	-	-
- Converted to financial assets with credit impairment	-	-	-	-	-
- Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(242)	(658)	-	-	(900)
Financial assets written off in the current period	-	-	-	-	-
Purchased or originated new financial assets	361	-	-	-	361
Changes in model/risk parameters	(498)	80,629	-	-	80,131
Other changes and exchange rate changes	639	14,204	-	-	14,843
Expected credit losses on September 30, 2024	<u>\$22,855</u>	<u>\$571,419</u>	<u>\$-</u>	<u>\$-</u>	<u>\$594,274</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Financial assets at FVOCI—allowance for losses	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses as of January 1, 2023	\$24,998	\$329,440	\$-	\$1,106,527	\$1,460,965
Changes arising from the recognition of financial instruments on January 1, 2023					
- Converted to expected credit losses for the duration	(3,208)	118,337	-	-	115,129
- Converted to financial assets with credit impairment	-	-	-	-	-
- Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(4,956)	-	-	-	(4,956)
Financial assets written off in the current period	-	-	-	(1,106,527)	(1,106,527)
Purchased or originated new financial assets	2,447	-	-	-	2,447
Changes in model/risk parameters	3,823	40,200	-	-	44,023
Other changes and exchange rate changes	837	16,737	-	-	17,574
Expected credit losses as of September 30, 2023	\$23,941	\$504,714	\$-	\$-	\$528,655

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Changes in the total book value of the Group's financial assets - debt instruments measured at FVOCI are further explained as follows:

Financial assets measured at FVOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2024 (Note)	\$30,681,104	\$6,366,009	\$-	\$-	\$37,047,113
Converted to expected credit losses for the duration	-	-	-	-	-
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Purchased or originated new financial assets	2,096,533	-	-	-	2,096,533
Financial assets derecognized in period	(227,535)	(122,026)	-	-	(349,561)
Financial assets written off	-	-	-	-	-
Other changes and exchange rate changes	707,804	184,286	-	-	892,090
Total book value as of September 30, 2024 (Note)	\$33,257,906	\$6,428,269	\$-	\$-	\$39,686,175

Note: Total book value does not include an evaluation adjustment.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Financial assets measured at FVOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2023 (Note)	\$38,581,533	\$3,167,476	\$-	\$1,807,401	\$43,556,410
Converted to expected credit losses for the duration	(3,192,937)	3,361,608	-	-	168,671
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Purchased or originated new financial assets	3,631,905	-	-	-	3,631,905
Financial assets derecognized in period	(8,256,943)	-	-	-	(8,256,943)
Financial assets written off	-	-	-	(1,807,401)	(1,807,401)
Other changes and exchange rate changes	1,126,899	154,440	-	-	1,281,339
Total book value on September 30, 2023 (Note)	\$31,890,457	\$6,683,524	\$-	\$-	\$38,573,981

Note: Total book value does not include an evaluation adjustment.

The Group evaluates bad debt allowance on receivables based on expected credit loss over the duration. The amounts of loss allowance assessed as of September 30, 2024 and 2023, are explained below:

None of the Group's receivables were overdue. Receivables are divided into separate groups based on counterparties' credit rating, location, industry etc. and a provisioning matrix is used to measure loss allowance. Total book value of receivables amounted to NTD 15,944,508 thousand and NTD 12,882,522 thousand as of the respective dates, for which the Company had made loss allowances of NTD 249,855 thousand and NTD 150,275 thousand by applying expected credit loss rates between 0% and 2%.

Changes in allowance for loss of notes and accounts receivable for the period from January 1 to September 30, 2024 and 2023, are explained below:

	2024.01.01~ 2024.09.30	2023.01.01~ 2023.09.30
Beginning balance	\$175,086	\$145,255
Amount appropriated in current period	77,851	74,289
Write-off amount	(193,543)	(130,437)
Recovery of write-off amount	190,461	61,168
Ending balance	<u>\$249,855</u>	<u>\$150,275</u>

- (14) Maximum credit risk exposure of the financial assets held as of September 30, 2024, December 31, 2023, and September 30, 2023 were NTD 264,627,189 thousand, NTD 265,037,186 thousand, and NTD 271,473,611 thousand, respectively. These amounts included financial assets at fair value through other comprehensive income and discounts and loans.
- (15) The maximum credit risk exposure amount of the financial instruments that are not subject to impairment requirements is as follows:

	2024.09.30	2023.12.31	2023.09.30
Financial assets measured at FVTPL			
- Debt instruments	\$39,596,740	\$39,934,846	\$40,027,817
- Derivatives	39,831	52,849	15,994

(16) Collateral and other credit enhancements

The Group adopts a series of policies and measures for the credit business to reduce credit risk, one of the commonly uses methods is to request the borrowers to provide collateral. For the collateral assessment management and loan collateral value calculation, the Group has procedures for the range of collateral collected, the valuation, management, and disposal of collateral formulated to ensure loans. The main types of collateral for the Group's financial assets are as follows:

- Real estate mortgage: Loan-to-value ratio is set separately according to the location of the real estate. For larger amount or special products, public appraisers are engaged to perform valuation.
- Stocks: The reasonable loan-to-value ratio and valuation criteria are formulated depending on whether the stock is listed on TWSE/TPEX/Emerging Stock Board or is unlisted.
- Property: An appropriate loan amount is determined according to the nature of disposition and cost.
- Certificate of Deposit: Mainly refers to the Bank's certificate of deposit in foreign currency.
- Credit insurance: It is handled with credit insurance for small and medium-sized enterprises.
- Rights pledge: Special rights, such as, land rights and creditor's rights are judged separately on a case-by-case basis.

The credit contract states the creditor's right security clauses and collateral clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, and others to reduce the credit risk.

The collateral of other non-credit business is subject to the nature of the respective financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-based financial instruments.

The Group's collateral policy has no significant change occurring on the balance sheet date and there has been no significant change in the quality of the overall collateral.

The Group closely observes the value of collateral for financial instruments and determines the impairment to be appropriated for the financial assets with credit impairment occurred. The financial assets with credit impairment are as follows:

	<u>Total book value</u>	<u>Provision for impairment</u>	<u>Total exposure (cost after amortization)</u>
Impaired financial assets:			
Discounts and loans	\$59,953	\$15,664	\$44,289
Total financial assets with impairment	<u>\$59,953</u>	<u>\$15,664</u>	<u>\$44,289</u>

4. Liquidity Risk

(1) Sources and definitions of liquidity risk

The definition of the Group's liquidity risk refers to the possible financial losses due to the inability of having assets cashed or obtaining loans to have the funds needed to liquidate the financial liabilities, for example, depositors' terminating deposits before the maturity date, financing channels and conditions for inter-bank lending become worse or difficult due to specific market influences. Also, the debtor's credit default situation has deteriorated, which makes the recovery of funds abnormal and the realization of financial instruments difficult. The aforementioned circumstances may weaken the Group's source of cash for financial activities, such as, loans, trading, and investment. In some extreme situation, the lack of liquidity may result in a decline in the position of the balance sheet, the sale of the asset, or the failure in meeting the borrowing commitment. Liquidity risk exists in the inherent risks of all banking operations and may be affected by various industry- specific or market-wide events, including but not limited to: credit events, mergers or acquisitions, systemic impact, and natural disasters.

(2) Liquidity risk management policy

The liquidity management procedures of the Group are executed separately in the Finance Department and the Risk Management Department. However, the branches are required to notify the Finance Department of the funding gap for the unified control of the Finance Department and are monitored by the independent Risk Management Department. The procedures include:

- ① Schedule daily finds, monitor future cash flows to ensure the fulfillment of various needs;
- ② Maintain an appropriate amount of high liquidity assets that can be easily realized to buffer unforeseen and unexpected events that may interrupt cash flow;
- ③ Monitor the liquidity ratio of the consolidated balance sheet in accordance with the internal management purposes and external regulatory requirements.

The monitoring process is based on the measurement and speculation of the flow of funds one day and one month in the future (such period is used by the Group for the management of liquidity risk). The estimation of future cash flows begins with an analysis of the contractual maturity date of financial liabilities and the expected cash realization date of financial assets. The Risk Management Department of the Group also monitors the extent and pattern of contingent liabilities, such as mid-term and long-term borrowing commitments, discount quotas, and guarantee letters.

Relevant information is regularly reported to the Group's Risk Management Committee and the Board of Directors.

- (3) Regarding the financial liabilities held for the purpose of managing the liquidity risk, the due date of the Group's financial liability contracts is summarized in the table below. The amounts disclosed in the table are based on contractual cash flows, so the amount disclosed in some of projects does not correspond to the related items on the consolidated balance sheet.

2024.09.30

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>					
Deposits from Central Bank and other banks	\$10,801,145	\$-	\$-	\$-	\$10,801,145
Funds borrowed from Central Bank and other banks	2,120,000	2,250,000	1,450,000	249,000	6,069,000
Securities and bonds sold under agreement to repurchase	7,933,565	350,633	1,253,600	-	9,537,798
Deposits and remittances	33,267,407	35,754,794	109,065,877	118,684,064	296,772,142
Lease liabilities (Note)	8,082	15,849	64,597	186,036	274,564
Other financial liabilities	4,863,707	1,956,220	-	-	6,819,927
<u>Derivative financial liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$2,099,455	\$-	\$-	\$-	\$2,099,455
Cash inflow	2,086,005	-	-	-	2,086,005
Net cash flow	<u>\$ (13,450)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$ (13,450)</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

2023.12.31

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative</u>					
<u>financial liabilities</u>					
Deposits from Central Bank and other banks	\$13,308,286	\$-	\$-	\$-	\$13,308,286
Funds borrowed from Central Bank and other banks	750,000	3,250,000	1,300,000	99,000	5,399,000
Securities and bonds sold under agreement to repurchase	5,748,943	1,350,000	-	-	7,098,943
Deposits and remittances	27,878,460	30,958,661	122,193,702	116,654,075	297,684,898
Lease liabilities (Note)	7,787	15,436	68,240	234,442	325,905
Other financial liabilities	1,369,092	4,165,973	-	-	5,535,065
<u>Derivative financial</u>					
<u>liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$2,606,812	\$-	\$-	\$-	\$2,606,812
Cash inflow	2,570,876	-	-	-	2,570,876
Net cash flow	<u>\$(35,936)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(35,936)</u>

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

2023.09.30

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>					
Deposits from Central Bank and other banks	\$16,613,257	\$-	\$-	\$-	\$16,613,257
Funds borrowed from Central Bank and other banks	850,000	3,550,000	500,000	249,000	5,149,000
Securities and bonds sold under agreement to repurchase	8,491,821	1,657,440	-	-	10,149,261
Deposits and remittances	27,539,305	29,520,312	123,646,308	112,973,423	293,679,348
Lease liabilities (Note)	7,965	15,331	65,071	242,284	330,651
Other financial liabilities	2,838,249	1,797,251	545,063	-	5,180,563
<u>Derivative financial liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$3,997,136	\$-	\$-	\$-	\$3,997,136
Cash inflow	3,979,971	-	-	-	3,979,971
Net cash flow	<u>\$(17,165)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(17,165)</u>

Note: Further information on the maturity analysis of the lease liabilities is provided in the following table:

Lease liabilities	Maturity				Total
	Less than 1 year	1~5 years	6~10 years	10~15 years	
2024.09.30	\$88,528	\$174,212	\$11,824	\$-	\$274,564
2023.12.31	\$91,463	\$211,581	\$22,861	\$-	\$325,905
2023.09.30	\$88,367	\$214,607	\$27,677	\$-	\$330,651

5. Market Risk

(1) Source and definition of market risk

Market risk refers to the loss of the positions that may occur on and off the balance sheet due to the changes in market prices. The so-called market price refers to interest rate, exchange rate, stock price, and product price.

The Group shall classify the holding position into a trading book and a banking book according to its purpose. The market risks faced by each position can be divided into four risk categories: interest rate, equity securities, foreign exchange, and product.

- ① The trading book includes the positions of financial products (including goods and derivative financial products) and physical products held for trading purposes or for the risk hedging of trading book positions. The term "trading purpose" stated in the preceding paragraph refers to the intention of a short-term gain or to generate or secure the arbitrage from actual or expected short-term price fluctuations.
- ② Financial products and physical products that are not held for the aforementioned purpose are within the scope of the "banking book."
- ③ Market risk management scope:
 - I. For interest rates and equity securities, it is only necessary to compute the capital needed for market risk of the trading book.
 - II. For foreign exchange and products, it is necessary to compute the capital needed for all market risks.

(2) Market risk management strategy

- ① Market risk management strategies should be documented to explain market risk management objectives and to ensure consistency in market risk management of the Bank.
- ② The market risk management strategies shall be appropriately adjusted in response to the Group's operating environment and changes in risk. They shall also be in line with the Group's business strategies and objectives, and cover all key market risks associated with the business.
- ③ The market risk management strategies shall include at least the following:
 - I. Market risk measurement methods: including qualitative and quantitative methods.
 - II. Market risk monitoring methods: such as limits management, stop-loss mechanism, etc.
 - III. The Group shall establish an approval hierarchy and regulate the standard operating procedure for overrun.

(3) Market risk management process

The market risk management process includes risk identification, measurement, communication, and monitoring. The Group shall effectively identify, measure, communicate, and monitor market risks associated with all major trading products, trading activities, processes, and systems.

① Risk identification

- I. The so-called market risk factor refers to the market ratio and price that influence the price of the position. The Group's risk measurement system should have sufficient risk factors to measure risks for both on- and off-balance sheet trading positions.
- II. For any structured financial product, the market risk factors of each part should be identified in order to provide the basis for a correct measurement of the market risk exposure of the structured product.
- III. The selection of risk factors includes interest rates, exchange rates, equity securities prices, and product prices.
- IV. Each unit of the Group shall identify the market risk in business activities or financial products.

② Risk measurement

- I. The risk management personnel of the Group's business trading units shall establish reasonable verification and control procedures for the sources of market data, such as, product market price, interest rate, and exchange rate.
- II. When risk management personnel of the business transaction units measure market risk, they should consider the market liquidity risk caused by insufficient market depth, low market transparency, or market disorder.
- III. The risk management personnel of the financial transaction unit shall evaluate the trading position base on the market price at least once a day. All model parameters should be evaluated daily if the model is used for evaluation.
- IV. The Group should develop a procedure for measuring the overall position risk exposure according to the scale and complexity of the portfolio held to avoid excessive concentration of the investment portfolio on a certain risk factor. When performing risk measurement, the individual risk of the subject matter of the transaction and the possible risk dispersion effect should be taken into account upon evaluating the volatility and correlation of the subject matter of the transaction. And a position with poor liquidity or insufficient market price transparency should be evaluated conservatively in order to fully assess the market risks faced by the Group.

③ Risk communication

I. Internal report

- i. Market risk reports shall regularly provide accurate, consistent, and timely information to senior executives as a reference for their decisions.
- ii. The Group should establish various operating procedures to ensure that overruns and exceptions (e.g., violations of policies and procedures) can be immediately reported to the governing management.

II. External disclosure

- i. The market risks faced by the Group should be fully disclosed.
- ii. The computed capital of the following risks should be disclosed:
Interest rate risk, equity securities risk, foreign exchange risk, and product risk.
- iii. The extent of information disclosure should be in line with the scale, risk profile, and complexity of the Group's sales operations.

④ Risk monitoring

I. Each business unit of the Group shall establish a transaction limit system, which shall be controlled by the risk management personnel on a daily basis. If there is a lack of risk management, such as, overrun, or other special circumstances, it shall be reported in due course to facilitate the adoption of the response measures.

II. The status of the transaction shall be monitored immediately and comprehensively, such as whether the changes in position, changes in profit or loss, trading patterns, and subject matter of the transaction are within the scope of business authorization.

III. Information needed for the review of financial products valuation should be obtained by the Group externally or through a channel other than the trading unit in order to avoid manipulation of price data due to conflicts of interest.

IV. The Group shall stipulate the limits management, stop-loss mechanism, and overrun process to effectively monitor market risks.

i. Limits management

The responsible business department shall set the limits for financial product transactions according to the product characteristics and authorization hierarchy, such as, traders, risk category, counterparty's trading position limits, stop-loss limits, etc.

ii. Stop-loss mechanism

The responsible business department shall establish a clear stop-loss mechanism and implement it to effectively control the loss within the expected range.

iii. Overrun processing

The responsible business department shall clearly establish a defined limit and overrun mechanism and implement it to effectively handle the extraordinary cases.

(4) Trading book risk management policy

Financial transactions should be divided into trading books and banking books according to the intention of holding, which are defined as follows:

① The scope and definition of the trading book: The trading book includes the position held for the purpose of trading or risk hedging of the trading book. The position must be free from any contractual restrictions in trade, or the risk can be completely hedged. The positions included in the trading book are summarized as follows:

- I. The positions held for earning a profit from the actual or expected spread.
- II. The positions held for earning a profit from other price changes.
- III. The position held due to engaging in the brokerage and trade business.
- IV. The position held to offset all or most of the risks of another asset position or portfolio on the trading book.
- V. All positions that can be traded within the predetermined investment amount.

② Trading Book Authorization Projects:

- I. Monetary market transactions: short-term bill (bond) within one year.
- II. Capital market transactions: More than one year government bonds, corporate bonds, financial bonds, beneficiary securities, asset securitization bonds, stocks, various types of fund beneficiary certificates, and convertible corporate bonds.
- III. Derivative financial product transactions: exchange rates, interest rates, stocks, etc.
- IV. Foreign exchange market transactions: foreign exchange spot, swap, forward foreign exchange, and forward rate agreements.

③ Evaluation mechanism of the transaction book:

The evaluation mechanism of the Group's trading book position shall be handled by the risk management personnel who are independent of the trading desk. The trading book position shall be valued on a daily or weekly basis in accordance with the "Market to Market Method" with information from an independent source and readily available, such as, exchange prices, electronic screen quotes, or quotes from independent brokers, which should be presented to the Board of Directors for approval and future reference.

④ Management specifications and procedures for position limits, monitoring, early warning, stop-loss, and reporting: These should be handled in accordance with the Group's "Regulations Governing Market Risk," "Regulations Governing Security Investment," "Regulations Governing Derivatives Transactions," "Regulations Governing Foreign Exchange Business," "Regulations Governing Loans Business," "Interest Rate Risk Management Policy," "Liquidity Risk Management Policy," and other relevant regulations.

(5) Management of interest rate risk in banking book

① Management strategy and process

Make adequate adjustment to respond to the changes in the Group's operating environment and the changes in risks. Maintain the Group's operational strategies and deepen the Group's operations. Enhance the performance of the Bank's asset portfolio. Assess the impact of changes in interest rate on economic value or earnings. Establish the interest rate risk in banking book control mechanism in accordance with the "Regulations Governing Interest Rate Risks in Banking Book," which is implemented in accordance with the procedures of identification, measurement, communication, and monitoring, so that the interest rate risk is maintained at an appropriate level. Consistency of objectives and coverage of all-important interest rate risks in banking book associated with the business.

② Management organization and structure

A. The Board of Directors is the highest decision-making authority of the Group's interest rate risk in banking book management and bears ultimate responsibility for the Group's interest rate risk in banking book.

B. The Asset and Liability Management Committee is responsible for assessing the Group's operating performance, capital position, asset and liability risk position and interest rate sensitivity, as well as researching and adjusting the best ratio of various assets and liabilities, and evaluating the Group's deposit and loan interest rate pricing strategy.

- C. The Risk Management Committee is responsible for implementing the interest rate risk in banking book management decisions approved by the Board of Directors, coordinating the interest rate risk in banking book management matters, and continuously monitoring the performance of risk management.
- D. The Risk Management Department is the exclusive unit for the Group's interest rate risk in banking book management. It is responsible for planning, establishing, and integrating the Group's interest rate risk in banking book management operations, and implementing the Bank's overall interest rate risk in banking book management and monitoring work in order to assess the impact of changes in interest rate on the economic value or earnings. Also, regularly aggregating the Bank's interest rate risk in banking book management information and then report it to the Risk Management Committee and the Board of Directors, and disclose risk management information according to the regulations of the competent authorities.
- E. The business units in the head office are responsible for setting and managing the respective regulations and operating procedures for the interest rate risks in banking book, and assisting the Risk Management Department to manage the interest rate risk position related to their business.
- F. All units (including business units) of the Company are responsible for identifying the interest rate risks in the banking book, cooperating with the implementation of the interest rate risk in banking book management decisions, and adopting the risk offset treatment method or response measures approved by the President to operate and adjust the interest rate risk exposure position on and off the balance sheet.

③ Risk reporting/measurement system scope, characteristics, and frequency

The Group monitors the indicator - "Maximum change in economic value of equity (Δ EVE) in banking book position as a percentage of net Tier-1 capital given the six supervisory interest rate scenarios" as a way to keep banking book interest rate risks within a tolerable range. This indicator is reported to the Risk Management Committee on a monthly basis, and is compared to previous month's figure with changes analyzed to provide senior managers with correct, consistent, and timely information for decision making. The outcomes are also disclosed in risk management reports and presented to the board of directors on a quarterly basis. The risk management report covers: (I) Measurement indicators: 1. Earnings perspective (interest rate risk alert and reporting) and 2. Economic value perspective (maximum change in economic value of equity (Δ EVE) in banking book position as a percentage of net Tier-1 capital given the six supervisory interest rate scenarios); (II) Stress testing: (1) Impact of interest rate change on "earnings" for the next year, and (2) Impact of interest rate change on economic value. The Information Department and business units shall provide information, electronic files, or written materials to the Risk Management Department in order to effectively grasp overall risk position and provide appropriate risk measurement results to assist with the management of interest rate risks for banking book exposures.

④ Risk hedging/risk-reducing policies and strategies and processes for keeping the monitoring and hedging/reducing risk tools effective continuously

When handling banking book interest rate risk related businesses and transactions, assess the probability of occurrence of the event or transaction loss and the severity of the loss. Also, adopt countermeasures, such as, risk hedging, risk reduction or transfer, risk control, and risk endurance.

In case of special circumstances that may seriously affect the Group's earnings or economic value, the Risk Management Department or the business units in the head office shall report it to the President and adopt appropriate risk offset methods or response measures to reduce the banking book interest rate sensitivity net impacted position or increase the Group's capital.

(6) Market risk assessment

① Stress test

The stress test is used to assess the Group's risk tolerance ability under a stress scenario so that the Group is able to develop specific and feasible hedging strategies and response plans in order to monitor possible changes in risk conditions under various scenarios. Also, the Board of Directors and the executives are authorized to determine whether the Group's risk exposure is suitable for its risk appetite. This serves as one of the important tools for identifying, measuring, and controlling capital adequacy and liquidity planning decisions.

※The Group has investments classified according to the investment classification principle:

A. Domestic and foreign bonds and bills and equity investments in banking books

- a. Domestic bond investment: Book value on the base date is treated as the exposure at default (EAD) and included for calculation. The probability of default (PD) is calculated according to the risk-linked indicator using the PD table, and the loss given default (LGD) is divided into amounts with and without security, which are estimated separately according to IAS 34 and past recovery experience.
- b. Domestic equity investment: The book value on the base date is treated as exposure at default (EAD). The probability of default (PD) is estimated based on stress test of the credit position, and loss given default (LGD) is estimated at 100% since the probability of recovery is very small.
- c. Foreign bills and bonds and equity investments: Assets related to foreign bill and bond investments and equity investments have a fixed loss rate (PD*LGD), which is used to calculate expected losses under stressed scenario. Among them, sovereign state-based risk is mainly based on its external rating results to give a default rate, and stress tests are only conducted for more serious scenarios. Otherwise, counterparties are given a different probability of default (PD) depending on whether the counterparties belong to the financial industry. For the calculation of exposure at default, the investment position is calculated based on book value.

B. Securities and derivative product transactions in the trading book

Based on the current calculation for market risk stress test of the second pillar, the Group uses market risk factor sensitivity analysis to calculate the impact on profit or loss arising from asset impairment due to changes in risk factors, including equity security, interest rates, gold and exchange rates, products, and credit derivatives. Changes in each risk factor may lead to gains and losses of varying degree depending on the severity of the scenario. Among all risk factors and domestic and foreign scenarios, there may be losses in certain parts of the position and gains in other parts in the same scenario. The greatest loss resulting from fluctuations in scenario is deemed as the estimated loss in the stress scenario.

② Sensitivity Analysis

Test items: For the main trading book positions in different markets, the listed scenario test is carried out if the computed market risk capital of the position accounts for more than 5% of the total market risk capital.

A. Interest rate risk

Assuming that all other variables are unchanged, a 100-point downward/upward shift of yield curve across all markets in the world have increased/decreased the Group's net income by NTD 1,408,702 thousand as of September 30, 2024.

B. Exchange rate risk

Assuming that all other variables are unchanged, a 3% strengthening/weakening of main currencies would have increased/decreased the Group's profit before tax by NTD 19,498 thousand as of September 30, 2024. The main currencies are the USD, EUR, and JPY.

C. Equity securities price risk

Assuming that all other variables are unchanged, a 15% rise/fall in the price of equity securities would have increased/decreased the Group's profit before tax by NTD 535,857 thousand as of September 30, 2024.

D. Sensitivity analysis is compiled as follows:

2024.01.01~2024.09.30

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	535,857	1,665,195	32.18%
	Major stock markets -15%	(535,857)		-32.18%
Interest rate market	Main interest rate +100bp	(1,408,702)		-84.60%
	Main interest rate -100bp	1,408,702		84.60%
Foreign exchange market	Main currency +3%	19,498		1.17%
	Main currency -3%	(19,498)		-1.17%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(1,925,061)		-115.61%

2023.01.01~2023.09.30

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	168,669	1,499,991	11.24%
	Major stock markets -15%	(168,669)		-11.24%
Interest rate market	Main interest rate +100bp	(1,754,910)		-116.99%
	Main interest rate -100bp	1,754,910		116.99%
Foreign exchange market	Main currency +3%	26,704		1.78%
	Main currency -3%	(26,704)		-1.78%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(1,896,875)		-126.46%

(7) Exchange rate risk concentration information

The Group's foreign currency financial assets and liabilities with significant impact are as follows:

	2024.09.30			2023.12.31		
	Foreign currency (thousand)	Exchange rate	NTD	Foreign currency (thousand)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$1,390,102	31.65	\$43,998,128	\$1,414,546	30.74	\$43,476,080
HKD	196,169	4.08	799,428	209,100	3.93	822,601
AUD	4,036	21.94	88,548	4,145	21.00	87,059
JPY	875,825	0.22	194,608	6,202,699	0.22	1,348,467
EUR	1,797	35.36	63,538	1,512	34.01	51,440
RMB	7,834	4.52	35,441	10,471	4.33	45,353
<u>Non-monetary items</u>	-	-	-	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$1,359,422	31.65	\$43,027,062	\$1,433,225	30.74	\$44,050,156
HKD	9,632	4.08	39,253	9,108	3.93	35,831
AUD	25,687	21.94	563,497	29,177	21.00	612,842
JPY	3,750,360	0.22	833,330	3,596,510	0.22	781,881
EUR	1,812	35.26	64,070	1,655	34.01	56,281
RMB	194,365	4.52	879,344	196,012	4.33	848,986
<u>Non-monetary items</u>	-	-	-	-	-	-

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

	2023.09.30		
	Foreign currency (thousand)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$1,385,147	32.27	\$44,695,917
HKD	211,251	4.12	871,094
AUD	4,874	20.55	100,126
JPY	6,119,908	0.22	1,322,512
EUR	1,643	33.90	55,696
RMB	32,409	4.41	143,079
<u>Non-monetary items</u>	-	-	-
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$1,442,002	32.27	\$46,530,510
HKD	16,182	4.12	66,727
AUD	31,343	20.55	643,936
JPY	2,908,412	0.22	628,508
EUR	1,647	33.90	55,823
RMB	201,321	4.41	888,794
<u>Non-monetary items</u>	-	-	-

Due to the wide variety of foreign currencies of the Group, it is impossible to disclose the exchange gains and losses information of monetary financial assets and financial liabilities by each foreign currency with significant impact. For the period from January 1 to September 30, 2024 and 2023, the Group reported gains on currency exchange of NTD 3,377 thousand and NTD 8,256 thousand, respectively.

XV. Capital Management

1. Overview

In response to the trend of capital management, the Group's overall business monitoring indicators are established to match the business development strategy and to reflect the overall risk situation. The various capital management indicators of the Group are as follows:

- (1) The Bank's overall capital adequacy ratio shall not be less than 10.5%.
- (2) Tier 1 capital shall not be less than 8.5% of the total risk assets.
- (3) The common stock equity shall not be less than 7.0% of the total risk assets.
- (4) The total business reserve and allowance for bad debt as stated in Tier 2 capital with a credit risk standard adopted shall not exceed 1.25% of the total amount of credit risk and weighted risk assets.

2. Capital management procedure

- (1) The Group's capital management objectives are based on the "Legal Capital":

Legal Capital Management Objectives: To meet the legal capital requirements of the supervisory authority, set the Company's capital adequacy ratio target, and ensure that the Company can operate safely and steadily.

- (2) Legal capital management

① Demand legal capital

The Group uses the "Methods for calculating Bank's regulatory capital and Risk Weighted Assets" (hereinafter referred to as the "calculation methods") that is issued by the competent authority to calculate the unanticipated losses arising from the credit risk, market risk, and operational risk under the existing assets and operating conditions, and compute the relative capital in response to the situation accordingly.

② Legal capital available

The Group's legal capital available is based on the rules published by the competent authorities to have the Group's capital classified by its source and characteristics as follows:

Tier 1 Capital:

- (1) Refers to the common stock equity net of the intangible assets, the deferred income tax assets arising from the losses of previous years, the business reserve, and the insufficient appropriation of the allowance for bad debt, the revaluation increments of real estate, the unamortized loss of the bad debts sold, and other legal adjustment items specified and stipulated according to the calculation methods.

Common stock equity: Includes common stock and its share premium, advance capital, additional paid-in capital, legal reserve, special reserve, accumulated profit or loss, non-controlling equity, and other equity items.

- (2) Other Tier 1 capital other than common stock equity: Includes perpetual non-cumulative preferred stock and its share premium, non-cumulative subordinated bonds without a maturity date, perpetual non-cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and non-cumulative subordinated bonds without a maturity date.

Tier 2 Capital:

Includes perpetual cumulative preferred stock and its share premium, cumulative subordinate bonds without a maturity date, convertible subordinate bonds, long-term subordinate bonds, non-perpetual preferred stock and its share premium, real estate's first-time adoption of IAS, increase of retained earnings arising from the fair value or the revaluation value used as the cost, the valuation increments arising from the subsequent measurement of the investment real estate at fair value and 45% of the unrealized benefits of the financial assets measured at FVOCI, business reserve and allowances for bad debts, perpetual cumulative preferred stock and its share premium issued by the subsidiaries that are not directly or indirectly held by Bank, and cumulative subordinated bonds without maturity date, convertible subordinate bonds, long-term subordinate bonds, non-perpetual preferred stock and its share premium, and items to be deducted according to the calculation instructions.

The allowance for bad debt included in Tier 2 capital in the preceding paragraph refers to the amount that the bank's allowance for bad debt exceeding the estimated loss of the bank based on historical losses.

- ③ The management of legal capital is to convert the unanticipated losses of each risk to the total amount of risk assets, and then divide the legal capital available by the total amount of the risk assets to calculate the capital adequacy ratio. The basic objective is to ensure that the Group's capital adequacy ratio is higher than the mandatory legal ratio.

(3) Capital Adequacy

As of September 30, 2024, December 31, 2023, and September 30, 2023, the Group reported eligible capital to risk-weighted assets ratios of 17.36%, 16.58%, and 15.34%, respectively. All of which had complied with the authority's capital management requirements.

XVI. Supplementary Disclosure

1. Information on significant transactions
 - (1) Cumulative amount of the stock of the same investee purchased or sold totaling NTD 300 million or more than 10% of the paid-in capital: None.
 - (2) Acquisition of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
 - (3) Disposal of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
 - (4) Discount of service charges in transaction with related party totaling more than NTD 5 million: None.
 - (5) Receivables from related party totaling NTD 300 million or more than 10% of the paid-in capital: None.
 - (6) Information regarding sale of non-performing loan: None.
 - (7) Types of securitized products and related information applied and approved for process according to the Financial Assets Securitization Act or the Clauses of the Real Estate Securitization Act: None.
 - (8) Business relationships or significant transactions and amounts between parent company and subsidiaries and among subsidiaries: Please refer to Table 1.
 - (9) Other important transactions sufficient to affect the decision-making of financial statements users: None.
2. Information related to equity investees and the total shareholding status
 - (1) Information on reinvestment: None.
 - (2) Loaning to others: Please refer to Table 2.
 - (3) Endorsements/guarantees to others: None.
 - (4) Marketable securities held at the end of the period (Note): Please refer to Table 3.
 - (5) Cumulative amount of the stock of the same investee purchased or sold totaling NTD 300 million or more than 10% of the paid-in capital: None.
 - (6) Information on trading in derivative instruments: None.
 - (7) Acquisition of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
 - (8) Disposal of real estate totaling NTD 300 million or more than 10% of the paid-in capital: Please refer to Table 4.
 - (9) Discount of service charges in transaction with related party totaling more than NTD 5 million: None.

- (10) Receivables from related party totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (11) Information regarding sale of non-performing loan: None.
- (12) Types of securitized products and related information applied and approved for process according to the Financial Assets Securitization Act or the Clauses of the Real Estate Securitization Act: None.
- (13) Other important transactions sufficient to affect the decision-making of financial statements users: None.

Note: If the invested enterprise belongs to the financial, insurance, or securities industries, disclosure of relevant information may be exempted according to legal regulations.

3. Setting up branches and investments in Mainland China

No such event.

4. Information on major shareholders: Please refer to Table 5.

5. Disclosure of other supplementary information

- (1) Loans and receivables and allowance for bad debt assessment form: Please refer to XIV. 3 (13) for details.
- (2) Quality of assets: Please refer to Table 6.
- (3) Non-performing loans or overdue accounts receivable exempted from report: Please refer to Table 7.
- (4) Concentration of credit risk: Please refer to Table 8 and Table 8-1.
- (5) Interest rate sensitive assets and liabilities analysis table: Please refer to Table 9 and 9-1.
- (6) Profitability: Please refer to Table 10.
- (7) Maturity date structure analysis table: Please refer to Table 11 and Table 11-1.
- (8) Capital adequacy: Not applicable.

XVII. Department Information

1. For management purposes, the Group divided its operating units based on different products and services, and categorized them into the following two operation departments for reporting:
 - (1) Branch business operation department: Handle deposits and loans, foreign exchange, guarantees, discounts and cashiers, safe deposit boxes, trust business promotion, and assets, liabilities, income, and expenses that cannot be directly attributed or cannot be classified to an operating department.
 - (2) Financial market operation department: Take charge of the Bank's fund scheduling and investment related work.

The management individually monitors the operational results of each operating department and has made decisions on resource allocation and performance evaluation. The performance evaluation of the department is based on the operating profit or loss. The accounting policies of the operating department are the same as the summary of the significant accounting policies described in Note IV.

2024.01.01~2024.09.30

	Branch business	Financial market	Adjustments and elimination	Total
Interest revenue	\$3,388,551	\$1,062,352	\$-	\$4,450,903
Service fee income	1,975,140	-	-	1,975,140
Investment profit	402,750	249,895	-	652,645
Other income and expenditures	120,730	-	-	120,730
Total revenue	5,887,171	1,312,247	-	7,199,418
Depreciation and amortization	(64,010)	(44,848)	-	(108,858)
Total operating expenses	(1,553,061)	(222,620)	-	(1,775,681)
Other major non-cash accounts				
Bad debt appropriation	(242,145)	-	-	(242,145)
Segment profit/loss	<u>\$4,027,955</u>	<u>\$1,044,779</u>	<u>\$-</u>	<u>\$5,072,734</u>

2023.01.01~2023.09.30

	Branch business	Financial market	Adjustments and elimination	Total
Interest revenue	\$3,679,870	\$616,849	\$-	\$4,296,719
Service fee income	1,684,415	-	-	1,684,415
Investment profit	56,214	1,223,774	-	1,279,988
Other income and expenditures	154,154	-	-	154,154
Total revenue	5,574,653	1,840,623	-	7,415,276
Depreciation and amortization	(66,250)	(47,566)	-	(113,816)
Total operating expenses	(1,528,597)	(265,619)	-	(1,794,216)
Other major non-cash accounts				
Bad debt appropriation	(165,984)	-	-	(165,984)
Segment profit/loss	<u>\$3,813,822</u>	<u>\$1,527,438</u>	<u>\$-</u>	<u>\$5,341,260</u>

Information relating to assets of the Group's operating department on September 30, 2024, December 31, 2023, and September 30, 2023 is shown in the following table:

	Branch business	Financial market	Adjustments and elimination	Total
2024.09.30				
Segment assets	<u>\$283,886,545</u>	<u>\$105,855,812</u>	<u>\$325,610</u>	<u>\$390,067,967</u>
2023.12.31				
Segment assets	<u>\$283,238,175</u>	<u>\$100,671,338</u>	<u>\$438,546</u>	<u>\$384,348,059</u>
2023.09.30				
Segment assets	<u>\$284,706,900</u>	<u>\$97,100,074</u>	<u>\$424,154</u>	<u>\$382,231,128</u>

2. Product information:

The Bank and its subsidiaries are divided into operating departments on the basis of business operations. Therefore, no further business information will be disclosed.

3. Regional information:

The revenues of the Bank and its subsidiaries are entirely generated in Taiwan.

4. Important customer information:

The Bank and its subsidiaries did not generate revenues from one specific external customer for an amount more than 10% of the Bank's income.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 1

Business Relationships and Significant Transactions Between Parent Company and Subsidiaries:

Unit: NTD thousand

Serial No. (Note 1)	Trader's name	Counterparty	Relationship with the transaction counterparty (Note 2)	2024.01.01~2024.09.30			
				Transactions			
				Account	Amount	Terms and conditions	Percentage of consolidated total revenue or total assets (Note 3)
0	The Company	Kings Town Bank International Lease Corporation	1	Deposits and remittances	154,448	General	0.04
0	The Company	Kings Town Bank International Lease Corporation	1	Other non-interest net profit or loss	1,351	General	0.02
0	The Company	Kings Town Intl. Construction Management Corporation	1	Deposits and remittances	7,386	General	-
0	The Company	Kings Town Intl. Construction Management Corporation	1	Other non-interest net profit or loss	432	General	0.01
0	The Company	Kings Town Securities Co., Ltd.	1	Deposits and remittances	1,192,935	General	0.31
0	The Company	Kings Town Securities Co., Ltd.	1	Payables	26	General	-
0	The Company	Kings Town Securities Co., Ltd.	1	Other perceivable	153	General	-
0	The Company	Kings Town Securities Co., Ltd.	1	Other business and administrative expenses	1,358	General	0.02
0	The Company	Kings Town Securities Co., Ltd.	1	Other non-interest net profit or loss	563	General	0.01
0	The Company	Kings Town Securities Co., Ltd.	1	Other liabilities	38	General	-

Note 1 The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

1. 0 is for the Parent Company.
2. Subsidiaries are numbered from number 1.

Note 2 There are three types of relationships with traders, please mark the type intended.

1. Parent company vs. subsidiaries
2. Subsidiaries vs. parent company
3. Subsidiary vs. subsidiary

Note 3 For computing the percentage of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 2

Loans to others

Unit: NTD thousands

Serial No. (Note 1)	Lender of funds	Borrower of funds	Transaction title	Are they related parties	Maximum balance for the period	Ending balance	The actual amounts disbursed	Interest rate range	Nature of loan (Note 4)	Business transaction amount (Note 5)	Reasons for necessity of short-term financing (Note 6)	Amount of provision for bad debt allowance	Collateral		Loan limit amount for each individual (Note 2)	Total limit on financing amount (Note 3)
													Name	Value		
1	King's Town Bank International Leasing Co., Ltd	Company A	Accounts Receivable	No	518,455	518,455	518,455	5%~16%	1	500		10,908	Real estate	501,315	3,281,625	26,252,998
1	King's Town Bank International Leasing Co., Ltd	Company B	Accounts Receivable	No	480,000	480,000	480,000	5%~16%	1	100		4,870	Real estate	537,879	3,281,625	26,252,998
1	King's Town Bank International Leasing Co., Ltd	Company C	Accounts Receivable	No	418,000	418,000	418,000	5%~16%	1	80,000		4,222	Real estate	201,464	3,281,625	26,252,998
1	King's Town Bank International Leasing Co., Ltd	Company D	Accounts Receivable	No	400,000	400,000	265,000	5%~16%	1	200,000		2,765	Real estate	981,716	3,281,625	26,252,998
1	King's Town Bank International Leasing Co., Ltd	Company E	Accounts Receivable	No	350,000	350,000	350,000	5%~16%	1	300,500		3,990	Real estate	338,389	3,281,625	26,252,998
1	King's Town Bank International Leasing Co., Ltd	Company F	Accounts Receivable	No	300,000	300,000	300,000	5%~16%	1	100		3,035	Real estate	265,914	3,281,625	26,252,998
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	3,244,457	1,884,790	1,832,016	5%~16%	1	2,586,614		26,172	None/ Movable property/ Customer's check/ Real estate	3,427,576	1,093,875/ 3,281,625	26,252,998
1	King's Town Bank International Leasing Co., Ltd	Other customers	Accounts Receivable	No	695,232	217,232	153,232	5%~16%	2	-	Operation needs	1,794	None/ Real estate	702,704	546,937	875,100

Note 1: The financial information of the Company and its subsidiaries should be indicated in the corresponding column. The numbering method is as follows:

1. For the column of the issuer, please fill in "0."
2. Investee is numbered starting from number 1.

Note 2: Subsidiary's limit amount for each individual:

1. Business counterparty:
Unsecured: The individual loan amount shall not exceed 50% of the lending company's net value in the most recent financial report audited by the certified public accountant.
Total secured/unsecured amount: The individual loan amount shall not exceed 150% of the lending company's net value in the most recent financial report audited by the certified public accountant.
2. Those who need financial support: The individual loan amount shall not exceed 25% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note 3: The subsidiary's loan amount may not exceed 40% of the lending company's net value in the most recent financial report audited by the certified public accountant. For the business counterparty, the loan amount may not exceed 12 times of the lending company's net value in the most recent financial report audited by the certified public accountant.

Note 4: The nature of loan is illustrated as follows:

1. For the business counterparty, please fill in "1."
2. For those who need a short-term loan, please fill in "2."

Note 5: For the nature of type 1, the amount of business dealings should be provided. The amount of business dealings refers to the amount business transaction amount between the lender and the borrower in the most recent year.

Note 6: For the nature of type 2, the reasons for the need, purpose and use of the loan shall be provided. Such reasons may include repayment of loans, purchase of equipment, operation needs, etc.

Note 7: The investee, King's Town International Leasing Co., Ltd., has granted loans to 70 customers; however, only those that amounted to more than 5% are listed separately in the above table.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 3

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Venture): Unit: NTD thousands

Holding company	Types and names of securities (Note 1)	Relationship with the securities issuer	Accounts in books	End of period				Note
				Shares (thousand shares)	Book value	Shareholding ratio	Fair value	
King's Town Bank International Leasing Co., Ltd	Bank of Panhsin	-	Equity investments measured at FVOCI	12,838	127,991	0.75%	127,991	
King's Town Bank International Leasing Co., Ltd	Hoyii Life Co., Ltd.	-	Equity investments measured at FVOCI	132	1,536	1.28%	1,536	
King's Town Bank International Leasing Co., Ltd	Longshun Green Energy Technology Ltd.	-	Equity investments measured at FVOCI	274	5,186	0.72%	5,186	
King's Town Bank International Leasing Co., Ltd	Cathay No. 1 Real Estate Investment Trust (Trustee - Land Bank)	-	Equity investments measured at FVOCI	24,164	387,597	-	387,597	
King's Town Bank International Leasing Co., Ltd	Forest Water Environmental Engineering Co., Ltd.	-	Financial assets measured at FVTPL	2,602	120,604	1.59%	120,604	
King's Town Bank International Leasing Co., Ltd	Radium Life Tech Co., Ltd.	-	Financial assets measured at FVTPL	946	9,790	0.10%	9,790	
King's Town Bank International Leasing Co., Ltd	Lian Ding Capital Investment Limited Partnership	-	Financial assets measured at FVTPL	-	288,935	10.23%	288,935	

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates, and the securities deriving from the above items within the scope of IFRS 9, "Financial Instruments."

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 4

Disposal of real estate totaling NTD 300 million or more than 10% of the paid-in capital:

Real estate seller	Property name	Date of occurrence	Date acquired	Book value	Transaction amount	Collection of proceeds	Gain/loss on disposal	Counterparty	Relationship	Purpose of disposal	Pricing reference	Other terms and conditions
King's Town Bank International Leasing Co., Ltd	Land lot No. 0118, Subsection 3, Chengzhong Section, Zhongzheng District, Taipei City	2024.01.16	2023.03.15	\$570,000	\$570,000	Collected according to the terms of the trade agreement	-	Chuan Guan Construction	-	(Note)	(Note)	-

Note 1: The Company had bidden for the property on behalf of another party, and transferred the property to the said party according to the property pre-trading agreement.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 5

Information on major shareholders

Name of major shareholder	No. of shares held (shares)	Shareholding ratio
Chen-Chih Tai	78,209,000	7.03%
Tien-Tsan Tsai	72,752,033	6.54%
Capital TIP Customized Taiwan Select High Dividend Exchange Traded Fund Account	61,643,000	5.54%

Remarks:

- (1) The major shareholders in this table are shareholders holding more than 5% of the common and preference shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.
- (2) For the above are shares entrusted by the shareholders, the information thereto shall be based on the shares disclosed by the individual trust account of opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.

Quality of assets

Non-performing Loans and Overdue Accounts Receivable

Unit: NTD thousands; %

Year / month		September 30, 2024					September 30, 2023				
Business category / Items		Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)	Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)
Corporate banking	Secured	\$46,562	\$141,988,626	0.03%	\$1,855,023	3,983.98%	\$39,298	\$145,502,505	0.03%	\$2,208,830	5,620.72%
	Unsecured	-	68,124,015	-%	866,942	-	-	78,937,708	-	1,157,551	-
Consumer banking	Residential mortgage loan (Note 4)	575	16,097,125	-%	231,430	40,248.70%	5,758	13,316,584	0.04%	222,791	3,869.24%
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)	326	65,552	0.50%	1,389	426.07%	341	74,339	0.46%	1,914	561.29%
	Others (Note 6)	Secured	3,591	2,664,474	0.13%	32,150	895.35%	3,591	2,787,800	0.13%	39,743
Unsecured		-	189,365	-	2,064	-	-	69,593	-	942	-
Total amount		\$51,054	\$229,129,157	0.02%	\$2,988,998	5,854.58%	\$48,988	\$240,688,529	0.02%	\$3,631,771	7,413.59%
		Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate	Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate
Credit card		425	425	100.00%	292	68.71%	\$469	\$469	100.00%	\$337	71.86%
Non-recourse receivables factoring business (Note 7)		-	-	-	-	-	-	-	-	-	-

Note 1: The non-performing loan is the overdue amount reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The non-performing credit card amount is reported according to Jin-Guan-Yin-(IV)-Zi Letter No.0944000378, dated July 6, 2005.

Note 2: Non-performing loan ratio = Non-performing loans/total loan amount. Non-performing credit card ratio = Non-performing amount/balance of accounts receivable.

Note 3: Coverage ratio of allowance for bad debt = Allowance for bad debt appropriated for loans/NPL amount. Coverage ratio of allowance for bad debt of credit card = Allowance for bad debt appropriated for credit card receivables/NPL amount.

Note 4: The residential mortgage loan refers to the borrower providing the resident purchased (owned) by the borrower of his/her spouse or minors as collateral to financial institutions in exchange for funds in order to purchase or construct or furnish houses.

Note 5: Small credit loans refer to small credit loans other than credit cards and cash cards. These are also subject to Jin-Guan-Yin-(IV)-Zi Official Letter No. 09440010950 dated, dated December 19, 2005.

Note 6: "Other" consumer finance refers to secured or unsecured consumer finance loans other than residential mortgage loans, cash cards, and small credit loans, excluding credit cards

Note 7: The accounts receivable business without recourse is reported as non-performing loans within three months upon confirming that the accounts receivable factoring banks or insurance companies decline to compensate in accordance with the Jin-Guan-Yin-(V)-Zi No. 094000494 Official Letter dated July 19, 2005.

Notes to the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 7

Non-performing Loans or Overdue Accounts Receivable Exempted from Report

Unit: NTD thousands

	September 30, 2024		September 30, 2023	
	Total NPL exempted from report	Total non-performing receivable accounts exempted from report	Total NPL exempted from report	Total non-performing receivable accounts exempted from report
Exempted amount after a debt negotiation and contractual performance (Note 1)	\$281	\$6	\$813	\$14
Performance of debt clearance program and rehabilitation program (Note 2)	2,147	-	2,947	1
Total	\$2,428	\$6	\$ 3,760	\$15

Note 1: FSC Letter Jin-Guan-Yin-(I)-Zi No. 09510001270, Official Letter dated April 25, 2006. It is regarding the matters to be disclosed additionally according to the credit reporting methods and information disclosure requirement of cases approved according to the Unsecured Debt Negotiation Mechanism for Consumer Finance Cases of the Bankers Association of the Republic of China.

Note 2: FSC Letter Jin-Guan-Yin-(I)-Zi No. 09700318940 dated September 15, 2008 is regarding the matters to be disclosed additionally according to the credit reporting and information disclosure requirements of the pre-negotiation, rehabilitation, and liquidation cases approved according to the Consumer Debt Clearance Act.

Concentration of Credit Risk

Unit: NTD thousand, %

Year	September 30, 2024		
Ranking (Note 1)	Industry that Company or the Group is engaged in (Note 2)	Total credit balance (Note 3)	Ratio of current next value (%)
1	Company (Group) A - Construction engineering business	7,006,918	12.97%
2	Company (Group) B - General merchandise wholesale business	6,315,004	11.69%
3	Company (Group) C - Unclassified other financial service business	4,603,270	8.52%
4	Company (Group) D - Unclassified other financial service business	4,555,500	8.43%
5	Company E - Other holding business	3,894,000	7.21%
6	Company (Group) F - Power supply business	3,890,000	7.20%
7	Company G - Power supply business	3,776,317	6.99%
8	Company (Group) H - Unclassified other financial service business	3,654,000	6.76%
9	Company (Group) I - Non-alcoholic beverage wholesale business	3,588,160	6.64%
10	Company (Group) J - Unclassified other financial service business	3,281,319	6.07%

Note 1: Ranked according to the total credit balance of the debtors. Please list the names of the top 10 debtors that are not government agencies or a state-owned enterprise. If the debtor is an enterprise of the Group, the credit amount of said enterprise should be attributed and included in the total amount. Also, it should be disclosed in the form of code industry (such as, Company (or Group) A LCD panel and its components manufacturing). For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified under the "detailed category" according to the industry standard classification of the Directorate-General of Budget, Accounting and Statistics.

Note 2: The group refers to those defined in Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note 3: The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Concentration of Credit Risk

Unit: NTD thousand, %

Year	September 30, 2023		
Ranking (Note 1)	Industry that Company or the Group is engaged in (Note 2)	Total credit balance (Note 3)	Ratio of current next value (%)
1	Company (Group) A - Construction engineering business	7,979,819	17.19%
2	Company (Group) B - Film and television production business	6,194,253	13.35%
3	Company (Group) C - Unclassified other financial service business	4,764,476	10.27%
4	Company (Group) D - Real estate development business	4,148,888	8.94%
5	Company (Group) E - Glass container manufacturing business	3,970,000	8.55%
6	Company F - Other holding business	3,872,160	8.34%
7	Company (Group) G - Power supply business	3,827,739	8.25%
8	Company (Group) H - Non-alcoholic beverage wholesale business	3,336,420	7.19%
9	Company I - Power supply business	3,309,952	7.13%
10	Company (Group) J - Unclassified other financial service business	3,262,635	7.03%

Note 1: Ranked according to the total credit balance of the debtors. Please list the names of the top 10 debtors that are not government agencies or a state-owned enterprise. If the debtor is an enterprise of the Group, the credit amount of said enterprise should be attributed and included in the total amount. Also, it should be disclosed in the form of code industry (such as, Company (or Group) A LCD panel and its components manufacturing). For an enterprise of the Group, the industry with the highest risk exposure to the enterprise of the Group should be disclosed. The industry should be classified under the "detailed category" according to the industry standard classification of the Directorate-General of Budget, Accounting and Statistics.

Note 2: The group refers to those defined in Article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note 3: The total credit balance refers to the total amount of various loans (including import bill advance, export bills negotiations, discounts, overdrafts, short-term loans, short-term secured loans, securities receivables factoring, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, collection), inward remittance, non-recourse receivables factoring, remittance receivables, and guarantee balances.

Interest Rate Sensitive Assets and Liabilities Analysis Table (NTD)

September 30, 2024

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$236,345,254	\$17,818,717	\$4,086,684	\$45,115,229	\$303,365,884
Interest rate sensitivity liabilities	224,457,471	17,197,776	26,971,824	2,299,550	270,926,621
Interest rate sensitivity gap	11,887,783	620,941	(22,885,140)	42,815,679	32,439,263
Net value					54,943,261
Interest rate sensitivity assets and liabilities rate					111.97
Interest rate sensitivity gap and net value rate					59.04

September 30, 2023

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$241,076,981	\$17,141,425	\$2,955,109	\$42,267,898	\$303,441,413
Interest rate sensitivity liabilities	223,606,447	14,532,840	29,801,009	1,570,962	269,511,258
Interest rate sensitivity gap	17,470,534	2,608,585	(26,845,900)	40,696,936	33,930,155
Net value					49,921,960
Interest rate sensitivity assets and liabilities rate					112.59
Interest rate sensitivity gap and net value rate					67.97

- Note: 1. This table is prepared to report the amount in NTD (excluding foreign currency) of the head office and domestic and foreign branches.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap = Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in NTD)

Interest Rate Sensitive Assets and Liabilities Analysis Table (USD)

September 30, 2024

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$299,344	\$34,088	\$-	\$1,041,085	\$1,374,517
Interest rate sensitivity liabilities	1,087,897	54,614	207,652	-	1,350,163
Interest rate sensitivity gap	(788,553)	(20,526)	(207,652)	1,041,085	24,354
Net value					(28,775)
Interest rate sensitivity assets and liabilities rate					101.8
Interest rate sensitivity gap and net value rate					(86.64)

September 30, 2023

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$321,912	\$26,546	\$-	\$-	\$348,458
Interest rate sensitivity liabilities	897,831	329,769	205,827	117	1,433,544
Interest rate sensitivity gap	(575,919)	(303,223)	(205,827)	(117)	(1,085,086)
Net value					(1,079,348)
Interest rate sensitivity assets and liabilities rate					24.31
Interest rate sensitivity gap and net value rate					100.53

- Note:
1. This table is prepared to report the amount in USD of the head office and domestic branches, international financial business branches, and overseas branches, excluding contingent assets and contingent liabilities.
 2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
 3. Interest rate sensitivity gap = Interest rate sensitivity assets - Interest rate sensitivity liabilities.
 4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in USD)

Table 10

Profitability

Unit: %

Item		2024.09.30	2023.09.30
Return on Assets (ROA)	Before tax	1.31	1.40
	After tax	1.00	1.18
Return on Equity (ROE)	Before tax	9.74	12.03
	After tax	7.43	10.13
Net profit rate		53.71	60.67

Note:

1. ROA = Income before (after) tax/Average total assets
2. ROE=Income before (after) tax / Average net value
3. Profit rate = Income after tax/income-net
4. Income before (after) tax means the income accumulated from January of the current year until the current quarter

Maturity Date Structure Analysis Table (NTD)

September 30, 2024

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$333,808,756	\$86,503,960	\$22,584,948	\$28,306,253	\$54,988,989	\$141,424,606
Outward remittance of due fund	368,021,428	40,362,288	36,017,401	53,412,771	64,091,895	174,137,073
Period difference	(34,212,672)	46,141,672	(13,432,453)	(25,106,518)	(9,102,906)	(32,712,467)

September 30, 2023

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$328,135,983	\$82,211,595	\$22,653,658	\$26,314,299	\$51,399,786	\$145,556,645
Outward remittance of due fund	367,878,577	37,692,777	40,010,951	53,906,129	72,821,456	163,447,264
Period difference	(39,742,594)	44,518,818	(17,357,293)	(27,591,830)	(21,421,670)	(17,890,619)

Maturity Date Structure Analysis Table (USD)

September 30, 2024

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$1,417,789	\$104,567	\$11,679	\$143,711	\$47,652	\$1,110,180
Outward remittance of due fund	1,405,351	690,637	343,835	57,471	213,452	99,956
Period difference	12,438	(586,070)	(332,156)	86,240	(165,800)	1,010,224

September 30, 2023

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$415,589	\$60,013	\$20,682	\$90	\$13,600	\$321,204
Outward remittance of due fund	1,439,242	605,184	170,983	330,926	206,482	125,667
Period difference	(1,023,653)	(545,171)	(150,301)	(330,836)	(192,882)	195,537