

**Taiwan Depository & Clearing Corporation
and Subsidiaries**

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Taiwan Depository & Clearing Corporation

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Depository & Clearing Corporation (the "Corporation") and subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Business Entity Accounting Act, Regulation on Business Entity Accounting Handling relevant to preparation of financial statements, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of each key audit matter of the consolidated financial statements for the year ended December 31, 2023 are as follows:

Accuracy of Operating Revenues

The operating revenues of Taiwan Depository & Clearing Corporation and subsidiaries mainly include securities settlement revenue, securities recording revenue, transfer processing services revenue and bills and bonds clearing and custodial services revenue. These revenues are recorded on the books based on the related laws and contracts. In 2023, the Group's principal operating revenues amounted to \$6,027,436 thousand, which is material to the financial statements. We considered the accuracy of operating revenues as key audit matter.

The main audit procedures we performed for operating revenues are listed below:

1. We acquire an understanding of the Group's nature of the industry and evaluate the procedures for internal control in the recording of operating revenues, including understanding of the information environment of the system for calculating operating revenues.
2. We verify whether the calculation methods with respect to operating revenues complied with the statutory provisions or the related contracts.
3. We recalculate operating revenues and confirmed the accuracy of operating revenues.

Existence and Classification of Bank Deposit

As stated in Notes 6 and 11, as of December 31, 2023, the Group had cash and cash equivalents of \$3,371,943 thousand, other financial assets (time deposits with original maturities of more than 3 months) of \$11,075,595 thousand, default damage fund of \$3,731,787 thousand. Because of the significance of the accounts, we considered the existence and classification of the bank deposits as key audit matter.

The main audit procedures we performed for bank deposits are listed below:

1. We obtained an understanding of the cash cycle and tested the operating effectiveness of internal controls.
2. We checked the amounts on bank statements against those in the ledger, and sent a written confirmation request to the bank. If there is any discrepancy, we obtained a bank reconciliation statement and tested the correctness of the reconciliation items.
3. We ascertained whether bank deposits designated for specific purposes or otherwise restricted have been reclassified to the appropriate account.
4. We performed an inventory count of certificates of deposit and checked the results of inventory testing against the ledger.
5. We performed test of large inflows and outflows of cash and verified whether the transactions were related to the Group's business. We obtained explanations for large or irregular transactions.

Other Matter

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Business Entity Accounting Act, Regulation on Business Entity Accounting Handling relevant to preparation of financial statements, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tung-Ju Hsieh and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2024

Notice to Readers

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

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

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

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

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,371,943	7	\$ 6,583,330	17
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	5,753,668	13	5,052,690	13
Financial assets at amortized cost - current (Notes 4 and 9)	2,552,428	6	1,750,248	4
Other financial assets - time deposits with original maturities of more than 3 months (Notes 4 and 6)	11,075,595	25	9,948,699	25
Notes and accounts receivable, net				
Unrelated parties (Notes 4 and 10)	587,583	1	466,784	1
Related parties (Notes 10 and 30)	314,734	1	232,693	1
Other financial assets - others (Notes 17 and 20)	1,837,729	4	719,660	2
Other current assets	144,814	-	131,907	-
Total current assets	25,638,494	57	24,886,011	63
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	2,346,814	5	2,243,828	6
Financial assets at amortized cost - noncurrent (Notes 4 and 9)	11,059,169	25	6,888,062	17
Default damage fund (Note 11)	3,731,787	8	3,491,239	9
Investments accounted for using the equity method (Notes 4 and 13)	111,094	-	104,678	-
Property and equipment (Notes 4 and 14)	709,601	2	814,393	2
Right-of-use assets (Notes 4 and 15)	197,285	-	288,071	1
Investment properties (Notes 4 and 16)	208,754	1	212,031	1
Intangible assets (Note 4)	202,490	1	208,786	-
Goodwill (Note 4)	237,545	1	237,545	1
Deferred tax assets (Notes 4 and 25)	18,098	-	20,479	-
Refundable deposits	154,586	-	151,525	-
Operation guarantee deposits (Note 18)	70,000	-	70,000	-
Other noncurrent assets	31,136	-	11,449	-
Total noncurrent assets	19,078,359	43	14,742,086	37
TOTAL	\$ 44,716,853	100	\$ 39,628,097	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accrued expenses (Note 19)	\$ 601,685	1	\$ 599,014	2
Lease liabilities - current (Notes 4 and 15)	99,332	-	95,773	-
Current tax liabilities (Notes 4 and 25)	718,957	2	512,524	1
Receipts under custody (Note 20)	1,724,315	4	650,273	2
Other current liabilities (Note 21)	104,864	-	114,526	-
Total current liabilities	3,249,153	7	1,972,110	5
NONCURRENT LIABILITIES				
Lease liabilities - noncurrent (Notes 4 and 15)	101,413	1	194,076	1
Deferred tax liabilities (Notes 4 and 25)	35,673	-	35,673	-
Guarantee deposits	80,296	-	61,025	-
Net defined benefit liabilities (Notes 4 and 23)	417,009	1	416,359	1
Total noncurrent liabilities	634,391	2	707,133	2
Total liabilities	3,883,544	9	2,679,243	7
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 22)				
Capital stock	6,540,395	15	5,839,638	15
Capital surplus	478,821	1	478,821	1
Legal reserve	4,541,220	10	4,099,392	11
Special reserve	21,124,763	47	19,542,132	49
Unappropriated earnings	5,510,355	12	4,483,745	11
Other equity - unrealized gain on financial assets at fair value through other comprehensive income	2,205,429	5	2,102,420	5
Total equity attributable to owners of the Corporation	40,400,983	90	36,546,148	92
NON-CONTROLLING INTERESTS (Note 22)	432,326	1	402,706	1
Total equity	40,833,309	91	36,948,854	93
TOTAL	\$ 44,716,853	100	\$ 39,628,097	100

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

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 24 and 30)				
Securities settlement	\$ 1,796,912	20	\$ 1,569,591	19
Securities recording	2,338,605	25	2,060,485	25
Maintenance services	384,266	4	376,757	4
Transfer processing services	619,128	7	576,124	7
Bills and bonds clearing and custodial services	1,891,919	21	1,718,531	21
Futures clearing services	382,163	4	467,710	6
Registration and distribution and electronic voting services	248,609	3	232,412	3
Mutual fund services	602,410	7	480,157	6
Brokerage fee	489,697	5	380,208	4
Others	<u>406,179</u>	<u>4</u>	<u>430,581</u>	<u>5</u>
Total operating revenues	<u>9,159,888</u>	<u>100</u>	<u>8,292,556</u>	<u>100</u>
OPERATING EXPENSES				
Personnel (Notes 4, 23, 24 and 30)	1,281,205	14	1,391,049	17
General and administrative (Notes 4, 14, 15, 16, 24 and 30)	<u>1,891,831</u>	<u>21</u>	<u>1,777,142</u>	<u>21</u>
Total operating expenses	<u>3,173,036</u>	<u>35</u>	<u>3,168,191</u>	<u>38</u>
OPERATING INCOME	<u>5,986,852</u>	<u>65</u>	<u>5,124,365</u>	<u>62</u>
NONOPERATING INCOME AND EXPENSES				
Interest income	382,957	4	220,713	3
Net gain/(loss) arising on financial assets at fair value through profit or loss (Note 4)	276,140	3	(82,258)	(1)
Share of profit or loss of associates accounted for using equity method (Notes 4 and 13)	31,320	1	27,416	-
Dividend income	83,333	1	85,283	1
Other income	18,176	-	19,171	-
Expected credit (loss)/gain	(1,195)	-	142	-
Other expenses	<u>(21,058)</u>	<u>-</u>	<u>(14,079)</u>	<u>-</u>
Total nonoperating income and expenses	<u>769,673</u>	<u>9</u>	<u>256,388</u>	<u>3</u>
INCOME BEFORE INCOME TAX	6,756,525	74	5,380,753	65
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(1,273,215)</u>	<u>(14)</u>	<u>(1,072,427)</u>	<u>(13)</u>
NET INCOME	<u>5,483,310</u>	<u>60</u>	<u>4,308,326</u>	<u>52</u>

(Continued)

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

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

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain/(loss) on investment in equity instruments at fair value through other comprehensive income (Notes 4 and 22)	\$ 102,986	1	\$ 282,624	3
Remeasurement of defined benefit plans (Notes 4 and 23)	30,409	-	166,319	2
Share of the other comprehensive income/(loss) of associates accounted for using equity method (Notes 4 and 13)	(188)	-	94	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4, 13 and 25)	<u>42</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>133,249</u>	<u>1</u>	<u>449,020</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,616,559</u>	<u>61</u>	<u>\$ 4,757,346</u>	<u>57</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 5,415,081	59	\$ 4,251,899	51
Non-controlling interests	<u>68,229</u>	<u>1</u>	<u>56,427</u>	<u>1</u>
	<u>\$ 5,483,310</u>	<u>60</u>	<u>\$ 4,308,326</u>	<u>52</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 5,548,330	60	\$ 4,700,919	57
Non-controlling interests	<u>68,229</u>	<u>1</u>	<u>56,427</u>	<u>-</u>
	<u>\$ 5,616,559</u>	<u>61</u>	<u>\$ 4,757,346</u>	<u>57</u>
EARNINGS PER SHARE (Note 26)				
Basic earnings per share	<u>\$ 8.28</u>		<u>\$ 6.50</u>	

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

(Concluded)

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars and Shares, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation							Other Equity Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
	Capital Stock		Capital Surplus	Retained Earnings			Total				
	Shares (in thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2022	435,794	\$ 4,357,939	\$ 478,569	\$ 3,478,360	\$ 17,264,809	\$ 6,275,847	\$ 27,019,016	\$ 1,819,788	\$ 33,675,312	\$ 350,541	\$ 34,025,853
Appropriation of 2021 earnings:											
Legal reserve	-	-	-	621,032	-	(621,032)	-	-	-	-	-
Special reserve	-	-	-	-	2,277,323	(2,277,323)	-	-	-	-	-
Cash dividends - NT\$4.20 per share	-	-	-	-	-	(1,830,335)	(1,830,335)	-	(1,830,335)	-	(1,830,335)
Stock dividends - 34.0%	148,170	1,481,699	-	-	-	(1,481,699)	(1,481,699)	-	-	-	-
Actual acquisition of interests in subsidiaries	-	-	252	-	-	-	-	-	252	(4,262)	(4,010)
Net income in 2022	-	-	-	-	-	4,251,899	4,251,899	-	4,251,899	56,427	4,308,326
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	166,388	166,388	282,632	449,020	-	449,020
BALANCE, DECEMBER 31, 2022	583,964	5,839,638	478,821	4,099,392	19,542,132	4,483,745	28,125,269	2,102,420	36,546,148	402,706	36,948,854
Appropriation of 2022 earnings:											
Legal reserve	-	-	-	441,828	-	(441,828)	-	-	-	-	-
Special reserve	-	-	-	-	1,582,631	(1,582,631)	-	-	-	-	-
Cash dividends - NT\$2.90 per share	-	-	-	-	-	(1,693,495)	(1,693,495)	-	(1,693,495)	-	(1,693,495)
Stock dividends - 12.0%	70,076	700,757	-	-	-	(700,757)	(700,757)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(38,609)	(38,609)
Net income in 2023	-	-	-	-	-	5,415,081	5,415,081	-	5,415,081	68,229	5,483,310
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	-	30,240	30,240	103,009	133,249	-	133,249
BALANCE, DECEMBER 31, 2023	654,040	\$ 6,540,395	\$ 478,821	\$ 4,541,220	\$ 21,124,763	\$ 5,510,355	\$ 31,176,338	\$ 2,205,429	\$ 40,400,983	\$ 432,326	\$ 40,833,309

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

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 6,756,525	\$ 5,380,753
Adjustments for:		
Depreciation expenses	319,302	311,681
Amortization expenses	126,596	140,889
Interest expenses	4,383	1,496
Expected credit loss/(gain)	1,195	(121)
Share of profit or loss of associates accounted for using equity method	(31,320)	(27,416)
Loss/(gain) on disposal of property and equipment	973	(65)
Valuation adjustment on financial assets	(166,362)	113,331
Interest income	(382,957)	(220,713)
Dividend income	(83,333)	(85,283)
Gain on termination of leases	-	(78)
Net changes in operating assets and liabilities		
(Increase)/decrease in financial assets at fair value through profit or loss	(534,616)	635,351
(Increase)/decrease in notes and accounts receivable	(202,840)	147,298
(Increase)/decrease in other financial assets - others	(1,055,437)	106,825
(Increase)/decrease in other current assets	(12,907)	20,118
Increase in accrued expenses	2,671	25,219
Increase/(decrease) in receipts under custody	1,074,042	(106,015)
(Decrease)/increase in other current liabilities	(9,662)	4,798
Increase in defined benefit liabilities	<u>31,059</u>	<u>45,783</u>
Cash generated from operations	5,837,312	6,493,851
Interest received	337,642	237,330
Interest paid	(4,383)	(1,496)
Income tax paid	<u>(1,064,401)</u>	<u>(1,573,274)</u>
Net cash generated from operating activities	<u>5,106,170</u>	<u>5,156,411</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other financial assets - time deposits with original maturities of more than 3 months	(1,126,896)	(465,392)
Purchase of financial assets at amortized cost	(6,940,966)	(3,119,591)
Repayment of financial assets at amortized cost	1,950,000	2,700,000
Acquisition of property and equipment	(112,790)	(211,891)
Proceeds from disposal of property and equipment	91	177
Increase in intangible assets	(112,524)	(84,723)
Increase in prepayments for equipment	(27,463)	(23,748)
Increase in refundable deposits	(3,894)	-
Increase in default damage fund	(240,548)	(253,091)

(Continued)

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

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

	2023	2022
Dividends received from associates	\$ 24,758	\$ 21,137
Dividends received from financial assets at fair value through other comprehensive income	<u>83,333</u>	<u>85,283</u>
Net cash used in investing activities	<u>(6,506,899)</u>	<u>(1,351,839)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in guarantee deposits	19,271	(5,702)
Repayment of the principal portion of lease liabilities	(97,825)	(99,107)
Acquisition of additional interests in subsidiaries	-	(4,010)
Cash dividends paid	<u>(1,732,104)</u>	<u>(1,830,335)</u>
Net cash used in financing activities	<u>(1,810,658)</u>	<u>(1,939,154)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,211,387)	1,865,418
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,583,330</u>	<u>4,717,912</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,371,943</u>	<u>\$ 6,583,330</u>

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

(Concluded)

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Taiwan Depository & Clearing Corporation (the “Corporation”) was incorporated on October 17, 1989. It provides the following services: (a) custody of securities certificates; (b) maintenance of records of securities settled or pledged; (c) electronic processing of records for securities; (d) service in connection with book-entry distribution of securities; (e) book-entry registration of securities issued in dematerialized form; (f) depository and clearing of short-term bills; and (g) other services approved by the Financial Supervisory Commission (FSC).

In their meeting on February 8, 2006, the stockholders of Taiwan Securities Central Depository Co., Ltd. (TSCD) decided that TSCD merge with Debt Instruments Depository and Clearing Co., Ltd. TSCD, the survivor entity, was renamed Taiwan Depository & Clearing Corporation. The Corporation’s board of directors set March 27, 2006 as the acquisition date.

On April 14, 2010, the Corporation obtained approval from the Taipei City Tax Authorities for the Corporation to calculate, from May 2010, its business tax in line with Chapter 4 of Section II under Article 11 of the value-added and non-value-added Business Tax Act.

The Corporation’s parent is Taiwan Stock Exchange Corporation, which held 50.59% of ordinary shares of the Corporation as of December 31, 2023 and 2022.

The main operating activities and other explanations of the subsidiaries are described in Note 12.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 20, 2024.

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

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

The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC from January 1, 2023 would not have any material impact on the Group’s accounting policies.

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

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

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

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

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

The application of IFRS Accounting Standards endorsed by the FSC starting from 2024 would not have any material impact on the Group’s accounting policies, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

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

The application of new IFRS Accounting Standards announced by IASB but not yet endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies. As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the related regulations and IFRS Accounting Standards as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Basis of consolidation

Principles for preparing consolidated financial statements

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

e. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

f. Property and equipment

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

Except for computers which use the fixed-percentage-on-declining balance method, the depreciation of property and equipment is recognized using the straight-line method in its useful lives. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

g. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

h. Goodwill

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of property and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 29.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

- iii. Investments in equity instruments at FVTOCI

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

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

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

- b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

- c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

1. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. Revenue included service income, dividend income, interest income and leasing income.

1) Service income

Service income is recognized at the end of the month while the service is provided.

2) Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The net carrying amount of the effective interest rate is the discounted cash expected to be received during the financial period after the expected duration of the assets, exactly equal to the assets initially recognized.

3) Rental income

Rental income is recognized on a straight-line basis over the term of the relevant lease.

m. Leasing

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

1) The Corporation as lessor

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

The entire Corporation's lease is classified as an operating lease.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefit costs

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

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

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

o. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

3) Current and deferred tax for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Material Accounting Judgement

a. Business model assessment for financial assets

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment on all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or at fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Group understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

Key Sources of Estimation Uncertainty

a. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, or change in facts and circumstances results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

b. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Fair value measurements and valuation processes

Where Level 1 inputs are not available, the Group's management would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities, market prices or rates and specific features of derivatives of the Group's investment properties. As of December 31, 2023 and 2022, the carrying amount of these equity instruments was \$2,346,814 thousand and \$2,243,828 thousand, respectively. Note 29, b. provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Group's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly.

d. Recognition and measurement of defined benefit plans

The net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expenses and the liabilities.

e. Taxation

As of December 31, 2023 and 2022, no deferred tax assets have been recognized on deductible temporary differences of \$522,324 thousand and \$491,266 thousand, due to the unpredictability of future profit streams. A key source of estimation uncertainty is the determination of the realizability of deferred tax assets, which mainly depends on whether sufficient future profit or taxable temporary differences will be available.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2023	2022
Petty cash and checking accounts	\$ 902	\$ 852
Demand deposits	2,339,861	2,567,568
Cash equivalents		
Time deposits with original maturities within 3 months	182,241	1,001,241
Short-term bills	<u>848,939</u>	<u>3,013,669</u>
	<u>\$ 3,371,943</u>	<u>\$ 6,583,330</u>

As of December 31, 2023 and 2022, time deposits with original maturities of more than 3 months in the amounts of \$11,075,595 thousand and \$9,948,699 thousand, respectively, were classified as other financial assets - time deposits with original maturities more than 3 months.

The market interest rate intervals of cash equivalents and other financial assets - time deposits with original maturities more than 3 months at the end of the reporting period were as follows:

	<u>December 31</u>	
	2023	2022
Cash equivalents		
Time deposits with original maturities within 3 months	1.130%-1.160%	0.320%-0.910%
Short-term bills	1.430%-1.450%	1.100%-1.400%
Other financial assets - time deposits with original maturities of more than 3 months	0.550%-1.580%	0.120%-1.440%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Money market funds	\$ 4,870,921	\$ 4,257,567
Exchange traded funds	241,885	177,505
Private funds	<u>640,862</u>	<u>617,618</u>
	<u>\$ 5,753,668</u>	<u>\$ 5,052,690</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Domestic investment - unlisted shares		
Taiwan Futures Exchange Corporation	\$ 2,339,467	\$ 2,236,732
Taiwan Mobile Payment Company	<u>7,347</u>	<u>7,096</u>
	<u>\$ 2,346,814</u>	<u>\$ 2,243,828</u>

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Bank debentures	\$ 2,302,130	\$ 1,400,846
Corporate bonds	251,167	100,117
Government bonds	<u>-</u>	<u>249,922</u>
	2,553,297	1,750,885
Less: Allowance for impairment loss	<u>(869)</u>	<u>(637)</u>
	<u>\$ 2,552,428</u>	<u>\$ 1,750,248</u>
<u>Noncurrent</u>		
Bank debentures	\$ 6,967,756	\$ 5,581,844
Corporate bonds	4,045,033	1,159,862
Government bonds	<u>49,678</u>	<u>148,691</u>
	11,062,467	6,890,397
Less: Allowance for impairment loss	<u>(3,298)</u>	<u>(2,335)</u>
	<u>\$ 11,059,169</u>	<u>\$ 6,888,062</u>

The effective interest rates for bonds invested in by the Group were between 0.660%-2.300% and 0.660%-3.311% as of December 31, 2023 and 2022. These investments will mature gradually by December 15, 2033 and October 17, 2032, respectively.

10. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes and accounts receivable - unrelated parties</u>		
Notes and accounts receivable - operating	\$ 587,583	\$ 466,866
Less: Allowance for impairment loss	<u>-</u>	<u>(82)</u>
	<u>\$ 587,583</u>	<u>\$ 466,784</u>
<u>Notes and accounts receivable - related parties</u>		
Notes and accounts receivable - operating	\$ 314,734	\$ 232,693
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 314,734</u>	<u>\$ 232,693</u>

The average credit period for collecting payments for its services is between 15 to 90 days from the date of the invoice, and no interest is charged on trade receivables. In determining the recoverability of accounts receivable, the Group considers the change in the credit quality of accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful accounts is provided based on the review of the collectability of a portfolio of receivables over the average credit period, the past experience on the collection and number of delayed payments and the financial conditions that correlate with any default on the receivables.

The significant concentrations of credit risk in important customers are shown in Note 29, d.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2023

	Not Past Due	Less Than 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	\$ 902,317	\$ -	\$ -	\$ -	\$ 902,317
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 902,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 902,317</u>

December 31, 2022

	Not Past Due	Less Than 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	\$ 699,477	\$ -	\$ -	\$ 82	\$ 699,559
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82)</u>	<u>(82)</u>
Amortized cost	<u>\$ 699,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 699,477</u>

The movements in the allowance for doubtful notes receivable and trade receivables were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 82	\$ 82
Add: Net remeasurement of loss allowance	-	21
Less: Amounts written off	<u>(82)</u>	<u>(21)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 82</u>

11. DEFAULT DAMAGE FUND

The Group complies with the default damage fund (DDF) requirements set by the authorities, as follows:

Cash should be contributed to the DDF at 5% of the revenues from securities settlement, securities recording, maintenance services and transfer processing services within 15 days after the end of each quarter until the accumulated fund balance equals the Group's paid-in capital. The DDF is invested in time deposits.

The fourth-quarter contributions to the DDF of \$69,428 thousand in 2023 and \$53,030 thousand in 2022 were deposited in January 2024 and 2023, respectively.

The market interest rate intervals for the DDF at the end of the reporting period were as follows:

	December 31	
	2023	2022
Default damage fund	0.480%-1.575%	0.120%-1.440%

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership	
			December 31	2022
Taiwan Depository & Clearing Corporation	Fundrich Securities Co., Ltd. (Fundrich Securities)	Fundrich Securities was incorporated on December 15, 2015. The securities business operation license was issued by the Financial Supervisory Commission on January 27, 2016. The Corporation was approved as a fund sub-distributor.	57.10%	57.10%

The Corporation acquired additional non-controlling interests in Fundrich Securities on November 23, 2022. For the details of equity transactions with non-controlling interests, please refer to Note 27.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2023	2022
Investments in associates	<u>\$ 111,094</u>	<u>\$ 104,678</u>

a. Associates that are not individually material

	<u>December 31</u>	
	2023	2022
Unlisted common stocks		
Taiwan Ratings Corporation	\$ 35,885	\$ 33,948
Taiwan-Ca. Inc.	<u>75,209</u>	<u>70,730</u>
	<u>\$ 111,094</u>	<u>\$ 104,678</u>

b. Aggregate information of associates that are not individually material

	<u>For the Year Ended December 31</u>	
	2023	2022
The Corporation's share of		
Net profit for the year	\$ 31,320	\$ 27,416
Other comprehensive (loss)/income	<u>(146)</u>	<u>77</u>
Total comprehensive income for the year	<u>\$ 31,174</u>	<u>\$ 27,493</u>

The proportion of ownership and voting rights in associates held by the Corporation were as follows:

Name of Associate	<u>December 31</u>	
	2023	2022
Taiwan Ratings Corporation	19.00%	19.00%
Taiwan-Ca. Inc.	18.08%	18.08%

The Corporation had nearly 20% of the issued share capital, and had voting power in the board of directors, of Taiwan Ratings Corporation and Taiwan-Ca. Inc.; thus, the Corporation could exercise significant influence on these two investees and thus classified them as the Corporation's associates.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 were based on the associates' audited financial statements for the same years.

14. PROPERTY AND EQUIPMENT

	Land	Buildings	Computers	Miscellaneous Equipment	Leasehold Improvements	Total
<u>Cost</u>						
Balance, January 1, 2022	\$ 200,306	\$ 259,280	\$ 1,521,194	\$ 142,847	\$ 51,689	\$ 2,175,316
Additions	-	-	205,187	5,598	1,106	211,891
Disposals	-	(490)	(19,859)	(5,888)	(8,833)	(35,070)
Balance, December 31, 2022	<u>\$ 200,306</u>	<u>\$ 258,790</u>	<u>\$ 1,706,522</u>	<u>\$ 142,557</u>	<u>\$ 43,962</u>	<u>\$ 2,352,137</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2022	\$ -	\$ 102,986	\$ 1,189,177	\$ 42,610	\$ 27,677	\$ 1,362,450
Disposals	-	(490)	(19,747)	(5,888)	(8,833)	(34,958)
Depreciation expenses	-	6,420	168,578	26,144	9,110	210,252
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 108,916</u>	<u>\$ 1,338,008</u>	<u>\$ 62,866</u>	<u>\$ 27,954</u>	<u>\$ 1,537,744</u>
Carrying amounts at December 31, 2022	<u>\$ 200,306</u>	<u>\$ 149,874</u>	<u>\$ 368,514</u>	<u>\$ 79,691</u>	<u>\$ 16,008</u>	<u>\$ 814,393</u>
<u>Cost</u>						
Balance, January 1, 2023	\$ 200,306	\$ 258,790	\$ 1,706,522	\$ 142,557	\$ 43,962	\$ 2,352,137
Additions	-	-	104,628	7,544	618	112,790
Disposals	-	(5,886)	(238,389)	(14,545)	(13,225)	(272,045)
Balance, December 31, 2023	<u>\$ 200,306</u>	<u>\$ 252,904</u>	<u>\$ 1,572,761</u>	<u>\$ 135,556</u>	<u>\$ 31,355</u>	<u>\$ 2,192,882</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2023	\$ -	\$ 108,916	\$ 1,338,008	\$ 62,866	\$ 27,954	\$ 1,537,744
Disposals	-	(5,886)	(237,325)	(14,545)	(13,225)	(270,981)
Depreciation expenses	-	6,233	177,206	25,687	7,392	216,518
Balance, December 31, 2023	<u>\$ -</u>	<u>\$ 109,263</u>	<u>\$ 1,277,889</u>	<u>\$ 74,008</u>	<u>\$ 22,121</u>	<u>\$ 1,483,281</u>
Carrying amounts at December 31, 2023	<u>\$ 200,306</u>	<u>\$ 143,641</u>	<u>\$ 294,872</u>	<u>\$ 61,548</u>	<u>\$ 9,234</u>	<u>\$ 709,601</u>

Depreciation is recognized using the straight-line method except for computers which use the fixed-percentage-on-declining balance method and is computed by the following estimated useful lives.

Buildings	
Main buildings	55 years
Computers	3 to 5 years
Miscellaneous equipment	3 to 15 years
Leasehold improvements	3 to 5 years

15. LEASE AGREEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Carrying amounts		
Buildings	\$ 191,770	\$ 284,908
Other equipment	<u>5,515</u>	<u>3,163</u>
	<u>\$ 197,285</u>	<u>\$ 288,071</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	\$ <u>8,721</u>	\$ <u>266,791</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 96,817	\$ 95,240
Other equipment	<u>2,690</u>	<u>2,912</u>
	<u>\$ 99,507</u>	<u>\$ 98,152</u>

b. Lease liabilities

	December 31	
	2023	2022
Carrying amounts		
Current	\$ <u>99,332</u>	\$ <u>95,773</u>
Noncurrent	<u>\$ 101,413</u>	<u>\$ 194,076</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Buildings	1.000%-3.275%	1.000%-3.190%
Other equipment	1.000%-2.000%	1.000%-1.850%

c. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term and low-value asset leases	\$ <u>5,662</u>	\$ <u>5,685</u>
Total cash outflow for leases	<u>\$ (107,870)</u>	<u>\$ (106,288)</u>

The Group has elected to apply the recognition exemption of the qualified short-term and low-value asset leases, and did not recognize right-of-use assets and lease liabilities for such leases.

d. Material leasing activities and terms

The Group leases offices under renewable operating leases valid from April 2022 to March 2027. The lease agreements with an increase of the rental on the third year of the lease at 3% of the prior year's rental fee had expired in November 2022. The Group does not have a bargain purchase option to acquire the leased assets at the expiration of the lease periods.

According to the proposal which the Corporation submitted to the Securities and Futures Bureau in September 2022 to move to Taiwan Stock Exchange's Banqiao Information Center, the Corporation entered into lease agreement with Taiwan Stock Exchange Corporation in January 2024. The lease assets include cabinets and operating areas. The lease period is from July 2024 to June 2029. The leased price was calculated with reference to the amount estimated by The Real Estate Appraisers Association of Taipei City. Based on the expected number of cabinets and rental area mentioned in the proposal, the monthly rent is estimated to be \$4,565 thousand, amounted to \$54,777 thousand annually, while the actual amount will be paid based on the usage.

16. INVESTMENT PROPERTIES

	Investment Properties
<u>Cost</u>	
Balance, January 1 and December 31, 2022	<u>\$ 283,373</u>
<u>Accumulated depreciation and impairment</u>	
Balance, January 1, 2022	\$ 68,065
Depreciation expenses	<u>3,277</u>
Balance, December 31, 2022	<u>\$ 71,342</u>
Carrying amount at December 31, 2022	<u>\$ 212,031</u>
<u>Cost</u>	
Balance, January 1 and December 31, 2023	<u>\$ 283,373</u>
<u>Accumulated depreciation and impairment</u>	
Balance, January 1, 2023	\$ 71,342
Depreciation expenses	<u>3,277</u>
Balance, December 31, 2023	<u>\$ 74,619</u>
Carrying amount at December 31, 2023	<u>\$ 208,754</u>

The Group leases its investment properties for the period from September 2021 to January 2033. The lessee have preemptive rights to lease the properties. The lessees do not have a bargain purchase option to acquire the property at the expiry of the lease periods.

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

	<u>December 31</u>	
	2023	2022
Year 1	\$ 15,452	\$ 5,950
Year 2	15,734	5,184
Year 3	14,134	5,184
Year 4	10,576	3,557
Year 5	10,867	-
Year 6 onwards	<u>45,135</u>	<u>-</u>
	<u>\$ 111,898</u>	<u>\$ 19,875</u>

The investment properties held by the Group are depreciated over 55 years using the straight-line method.

The determination of fair value was performed by independent appraiser and the fair value was measured by using Level 3 inputs. The valuation adopted comparative approach and income approach.

	December 31	
	2023	2022
Fair value	<u>\$ 802,792</u>	<u>\$ 722,309</u>

17. OTHER FINANCIAL ASSETS - OTHERS

	December 31	
	2023	2022
Bank deposits - receipts and payments under cross-border custody service	\$ 939,955	\$ 267,152
Bank deposits - receipts and payments under offshore mutual funds	449,651	239,149
Bank deposits - receipts and payments under bills and bonds	336,118	145,010
Interest receivable	109,864	66,980
Others	<u>2,141</u>	<u>1,369</u>
	<u>\$ 1,837,729</u>	<u>\$ 719,660</u>

18. OPERATION GUARANTEE DEPOSITS

	December 31	
	2023	2022
Operation guarantee deposits	<u>\$ 70,000</u>	<u>\$ 70,000</u>
Operation guarantee deposits - interest rate intervals of deposits	1.450%-1.575%	1.325%-1.450%

Operation guarantee deposits are deposits in banks that are made as guarantee for the operation of the Group as required by the Securities and Futures Bureau, FSC according to regulations, including Regulations Governing Securities Firms.

19. ACCRUED EXPENSES

	December 31	
	2023	2022
Payables for allowance and bonuses	\$ 404,540	\$ 402,921
Payables for compensation of employees	141,869	133,161
Payables for retirement and severance	9,065	8,655
Others	<u>46,211</u>	<u>54,277</u>
	<u>\$ 601,685</u>	<u>\$ 599,014</u>

20. RECEIPTS UNDER CUSTODY

Since August 2006 and July 2016, the Corporation has provided receipt and payment services involving offshore and onshore mutual funds. The receipts on this business are debited to other financial assets - others and credited to receipts under custody upon being received and are reversed when payments are made.

Since November 2015, the Corporation has provided receipt and payment services involving cross-border foreign securities custody services. The receipts on this business are debited to other financial assets - others and credited to receipts under custody upon being received and are reversed when payments are made.

The Corporation has provided receipt and payment services involving bill redemption and bond redemption and interest payment. The receipts on this business are debited to other financial assets - others and credited to receipts under custody upon being received and are reversed when payments are made.

21. OTHER CURRENT LIABILITIES

	December 31	
	2023	2022
Guarantee deposits	\$ 40,602	\$ 58,444
Business tax	34,291	28,404
Contract liabilities	13,077	11,638
Other payables	9,878	9,689
Withholding tax	3,033	3,338
Others	<u>3,983</u>	<u>3,013</u>
	<u>\$ 104,864</u>	<u>\$ 114,526</u>

22. EQUITY

a. Ordinary shares capital

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>654,040</u>	<u>583,964</u>
Shares authorized	<u>\$ 6,540,395</u>	<u>\$ 5,839,638</u>
Number of shares issued and fully paid (in thousands)	<u>654,040</u>	<u>583,964</u>
Shares issued	<u>\$ 6,540,395</u>	<u>\$ 5,839,638</u>

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

b. Capital surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	\$ 252	\$ 252
Consolidation excess	476,234	476,234
<u>May be used to offset a deficit only (2)</u>		
Changes in percentage of ownership interest in subsidiaries	<u>2,335</u>	<u>2,335</u>
	<u>\$ 478,821</u>	<u>\$ 478,821</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Corporation's Articles, where the Corporation made profit in a fiscal year, profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve by the designated rate in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation please refer to Employee compensation in Note 24, e.

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

Under Rule No. 00270 issued by the Ministry of Finance on February 19, 1990, the Corporation should make provisions for default damages and classify them as liabilities.

Under Rule No. 1010045022 issued by the FSC on October 16, 2012, a special reserve should be transferred from default damage reserve while preparing financial statements under IFRS Accounting Standards in 2013. The special reserve transferred from default damage reserve should be used only to offset a deficit and as allowed by the FSC.

Under Rule No. 1040004359 issued by the FSC on March 16, 2015, the Corporation reversed to a special reserve and did not recognize expenses as approved by the competent authority.

The appropriations from the 2022 and 2021 earnings were approved in the stockholders' meetings on June 19, 2023 and June 24, 2022, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2022	For Year 2021	For Year 2022	For Year 2021
Legal reserve	\$ 441,828	\$ 621,032		
Special reserve	1,582,631	2,277,323		
Cash dividends	1,693,495	1,830,335	\$ 2.90	\$ 4.20
Stock dividends	700,757	1,481,699	1.20	3.40

The total of 70,076 thousand shares appropriated from the year 2022 earnings increased the capital stock to \$6,540,395 thousand. The Corporation's board of directors set August 1, 2023 as the effective date of this capitalization.

d. Others equity items

Unrealized gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 2,102,420	\$ 1,819,788
Recognized for the year		
Unrealized gain - equity instruments	102,986	282,624
Share from associates accounted for using the equity method	<u>23</u>	<u>8</u>
Balance at December 31	<u>\$ 2,205,429</u>	<u>\$ 2,102,420</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 402,706	\$ 350,541
Share of profit for the year	68,229	56,427
Disposal of partial interests in subsidiaries (Note 27)	-	(4,262)
Cash dividends distributed by subsidiaries	<u>(38,609)</u>	<u>-</u>
Balance at December 31	<u>\$ 432,326</u>	<u>\$ 402,706</u>

23. RETIREMENT BENEFIT PLAN

a. Defined contribution plans

The Labor Pension Act (the "Act") took effect on July 1, 2005. Based on the defined contribution pension plan under the Act, the rate of the Group's required monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance is at 6% of salaries and wages. The Group recognized expenses of \$38,232 thousand and \$34,661 thousand in the statements of comprehensive income in 2023 and 2022 in accordance with the defined contribution plan.

b. Defined benefit plan

The Corporation has a retirement plan for all regular employees.

The retirement plan provides for the following:

- 1) Establishment of two separate funds, one is the Corporation-contributed fund and the other is the employee-contributed fund, with the Corporation and each employee making monthly contributions equal to 13.5% and 3%, respectively, of monthly salaries and wages;
- 2) Establishment of a common fund, with the Corporation making monthly contributions equal to 1.5% of salaries and wages.
- 3) Upon retirement or termination, an employee receives benefits as follows:
 - a) When employees retire, the benefit is paid from the interest and principal of the Corporation-contributed fund, the employee-contributed fund and the common fund under certain rules.
 - b) An additional 20% payment (based on the benefits stated in item (1) above) to be taken from the common fund when retirement or termination is due to work-related injury.

All of the retirement funds are administered by a non-managerial fund administration committee and managerial retirement plan committee and deposited in the committees' names in financial institutions.

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

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 2,499,968	\$ 2,425,798
Fair value of plan assets	<u>(2,082,959)</u>	<u>(2,009,439)</u>
Deficit (recorded as net defined benefit liabilities)	<u>\$ 417,009</u>	<u>\$ 416,359</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	<u>\$ 2,639,921</u>	<u>\$ (2,103,026)</u>	<u>\$ 536,895</u>
Service cost			
Current service cost	169,355	-	169,355
Past service cost	75,992	-	75,992
Loss on settlements	13	-	13
Net interest expense (income)	<u>16,747</u>	<u>(13,703)</u>	<u>3,044</u>
Recognized in profit or loss	<u>262,107</u>	<u>(13,703)</u>	<u>248,404</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (95,713)	\$ (95,713)
Actuarial loss - changes in demographic assumptions	325	-	325
Actuarial gain - changes in financial assumptions	(96,423)	-	(96,423)
Actuarial loss - experience adjustments	<u>25,492</u>	<u>-</u>	<u>25,492</u>
Recognized in other comprehensive income	<u>(70,606)</u>	<u>(95,713)</u>	<u>(166,319)</u>
Contributions from the employer	-	(120,806)	(120,806)
Benefits paid	(402,859)	321,044	(81,815)
Liabilities extinguished on settlement	<u>(2,765)</u>	<u>2,765</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 2,425,798</u>	<u>\$ (2,009,439)</u>	<u>\$ 416,359</u>
Balance at January 1, 2023	<u>\$ 2,425,798</u>	<u>\$ (2,009,439)</u>	<u>\$ 416,359</u>
Service cost			
Current service cost	153,013	-	153,013
Loss on settlements	1,502	-	1,502
Net interest expense (income)	<u>27,295</u>	<u>(23,280)</u>	<u>4,015</u>
Recognized in profit or loss	<u>181,810</u>	<u>(23,280)</u>	<u>158,530</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(12,592)	(12,592)
Actuarial loss - changes in demographic assumptions	(707)	-	(707)
Actuarial gain - changes in financial assumptions	5,818	-	5,818
Actuarial loss - experience adjustments	<u>(22,928)</u>	<u>-</u>	<u>(22,928)</u>
Recognized in other comprehensive income	<u>(17,817)</u>	<u>(12,592)</u>	<u>(30,409)</u>
Contributions from the employer	-	(121,554)	(121,554)
Benefits paid	(81,506)	75,589	(5,917)
Liabilities extinguished on settlement	<u>(8,317)</u>	<u>8,317</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 2,499,968</u>	<u>\$ (2,082,959)</u>	<u>\$ 417,009</u> (Concluded)

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

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

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31</u>	
	2023	2022
Discount rate	1.15%	1.15%
Expected rate of salary increase	2.00%	2.00%
Weighted average turnover rate	0.85%	0.76%

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

	<u>December 31</u>	
	2023	2022
Discount rate		
0.25% increase	<u>\$ (40,654)</u>	<u>\$ (42,424)</u>
0.25% decrease	<u>\$ 41,812</u>	<u>\$ 43,648</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 4,001</u>	<u>\$ 6,216</u>
0.25% decrease	<u>\$ (3,600)</u>	<u>\$ (5,382)</u>
Weighted average turnover rate		
10% increase	<u>\$ (525)</u>	<u>\$ 393</u>
10% decrease	<u>\$ 531</u>	<u>\$ 398</u>

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

	<u>December 31</u>	
	2023	2022
The expected contributions to the plan for the next year	<u>\$ 135,479</u>	<u>\$ 134,582</u>
The average duration of the defined benefit obligation	5 years	6 years
Maturity analysis of undiscounted pension benefits		
No later than 1 year	\$ 115,168	\$ 104,773
Later than 1 year and not later than 5 years	959,895	815,708
Later than 5 years	<u>1,620,293</u>	<u>1,707,383</u>
	<u>\$ 2,695,356</u>	<u>\$ 2,627,864</u>

24. INCOME BEFORE INCOME TAX

a. Other revenues

	For the Year Ended December 31	
	2023	2022
Offshore structured products of information transmission revenue	\$ 109,147	\$ 125,883
Book-entry of securities lending system service revenue	63,038	63,923
Clearing and settlement of emerging stocks revenue	41,212	36,734
Media production revenue	40,453	34,733
Revenue from service fees for information inquiries from investors and outside parties	21,573	18,585
Brokerage commission revenue	20,848	52,429
Others	<u>109,908</u>	<u>98,294</u>
	<u>\$ 406,179</u>	<u>\$ 430,581</u>

b. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property and equipment	\$ 216,518	\$ 210,252
Investment properties	3,277	3,277
Intangible assets	126,596	140,889
Right-of-use assets	<u>99,507</u>	<u>98,152</u>
	<u>\$ 445,898</u>	<u>\$ 452,570</u>

c. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2023	2022
Direct operating expenses from investment properties that generated rental income	<u>\$ 1,590</u>	<u>\$ 1,598</u>

d. Employee benefits expenses

	For the Year Ended December 31	
	2023	2022
Short-term benefits		
Salary	\$ 924,942	\$ 903,038
Bonus to employees	127,110	157,921
Other short-term employee benefits	32,391	47,025
Post-employment benefits (Note 23)	<u>196,762</u>	<u>283,065</u>
	1,281,205	1,391,049
Other short-term employee benefits (classified as general and administrative expenses)	<u>66,975</u>	<u>63,272</u>
Total employee benefits expenses	<u>\$ 1,348,180</u>	<u>\$ 1,454,321</u>

As of December 31, 2023 and 2022, the Group had 578 and 570 employees.

e. Employees' compensation

According to the Corporation's Articles, the Corporation accrued employees' compensation at the rates no less than 1% and no higher than 12%, of net profit before income tax and employees' compensation. The employees' compensation for the years ended December 31, 2023 and 2022 were as follows:

	For the Year Ended December 31	
	2023	2022
Estimated rate	1.97%	2.40%
Amount	\$ 133,452	\$ 130,446

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

The Corporation held a board of directors' meeting on April 26, 2023 and April 27, 2022 that resulted in the actual amounts of the employees' compensation paid for 2022 and 2021 different from the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021. The differences were adjusted to profit and loss for the years ended December 31, 2023 and 2022.

	For the Year Ended December 31	
	2022	2021
	Employees' Compensation	Employees' Compensation
Amounts approved in the board of directors' meeting	<u>\$ 115,687</u>	<u>\$ 126,880</u>
Amounts recognized in the annual financial statements	<u>\$ 130,446</u>	<u>\$ 102,120</u>

f. General and administrative expenses

	For the Year Ended December 31	
	2023	2022
Depreciation and amortization	\$ 445,898	\$ 452,570
Donations	200,966	170,461
Tax and fees	192,740	175,829
Computer maintenance	129,319	120,987
Securities custody and exchange settled	129,217	121,170
Others	<u>793,691</u>	<u>736,125</u>
	<u>\$ 1,891,831</u>	<u>\$ 1,777,142</u>

g. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on lease liabilities	<u>\$ 4,383</u>	<u>\$ 1,496</u>

25. INCOME TAX

a. Major components of tax expense recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 1,277,363	\$ 1,072,947
Income tax on unappropriated earnings	-	1,439
Adjustments for prior years	<u>(6,529)</u>	<u>953</u>
	<u>1,270,834</u>	<u>1,075,339</u>
Deferred tax		
In respect of the current year	<u>2,381</u>	<u>(2,912)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,273,215</u>	<u>\$ 1,072,427</u>

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

	For the Year Ended December 31	
	2023	2022
Income before tax	<u>\$ 6,756,525</u>	<u>\$ 5,380,753</u>
Income tax expense calculated at the statutory rate (20%)	\$ 1,351,305	\$ 1,076,151
Tax-exempt income	(77,917)	(6,094)
Income tax on unappropriated earnings	-	1,439
Unrecognized deductible temporary differences	6,212	9,156
Undeductible expenses in determining taxable income	144	-
Unrecognized loss carryforwards and temporary differences changes	-	(8,672)
Income tax credits	-	(506)
Adjustments for prior years' tax - current tax	<u>(6,529)</u>	<u>953</u>
Income tax recognized in profit or loss	<u>\$ 1,273,215</u>	<u>\$ 1,072,427</u>

b. Income tax (benefits) expenses recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
Remeasurement on defined benefit plans	<u>\$ (42)</u>	<u>\$ 17</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Balance, Beginning of Year	Recognized in Net Income	Balance, End of Year
<u>Deferred tax assets</u>			
Temporary differences			
Employees' welfare expenses	\$ 6,088	\$ (2,269)	\$ 3,819
Payables for annual leave	<u>14,391</u>	<u>(112)</u>	<u>14,279</u>
	<u>\$ 20,479</u>	<u>\$ (2,381)</u>	<u>\$ 18,098</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Goodwill	<u>\$ 35,673</u>	<u>\$ -</u>	<u>\$ 35,673</u>

For the year ended December 31, 2022

	Balance, Beginning of Year	Recognized in Net Income	Balance, End of Year
<u>Deferred tax assets</u>			
Temporary differences			
Employees' welfare expenses	\$ 1,942	\$ 4,146	\$ 6,088
Payables for annual leave	<u>15,445</u>	<u>(1,054)</u>	<u>14,391</u>
	17,387	3,092	20,479
Tax credits of investment	<u>180</u>	<u>(180)</u>	<u>-</u>
	<u>\$ 17,567</u>	<u>\$ 2,912</u>	<u>\$ 20,479</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Goodwill	<u>\$ 35,673</u>	<u>\$ -</u>	<u>\$ 35,673</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in consolidated balance sheets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Excess over allowed limit of pension expense	<u>\$ 522,324</u>	<u>\$ 491,266</u>

- e. The tax returns assessed by the tax authorities were as follows:

	Assessed Year
Taiwan Depository & Clearing Corporation	2021
Fundrich Securities	2021

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Basic earnings per share	<u>\$ 8.28</u>	<u>\$ 6.50</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus issue on August 1, 2023. This adjustment caused the basic earnings per share for the year ended December 31, 2022 to decrease from NT\$7.28 to NT\$6.50.

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Profit for the period attributable to owners of the Corporation	<u>\$ 5,415,081</u>	<u>\$ 4,251,899</u>

Unit: In Thousand Shares

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares	<u>654,040</u>	<u>654,040</u>

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On November 23 2022, the Corporation acquired additional shares from non-controlling interest at the cost of \$4,010 thousand, increasing its continuing interest from 56.64% to 57.10% and recognizing capital surplus amounted to \$252 thousand.

The above transaction was accounted for as equity transaction, since the Corporation did not cease to have control over the subsidiary. Cash consideration paid and equity transactions were as follows:

	For the Year Ended December 31, 2022
Cash consideration paid	\$ (4,010)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>4,262</u>
Differences recognized from equity transactions	<u>\$ 252</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual acquisition	<u>\$ 252</u>

28. CAPITAL MANAGEMENT

a. Objective of capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance. The Group adjusts the capital structure depending on the economic situation and keep the goal of maintaining capital structure by paying dividend or issuing shares.

b. Procedure of capital management

The subsidiary manages the capital by evaluating the tolerable limit of risk and the robustness of the capital structure and by managing required capital with appropriate responses to business risks - credit risk, market risk and operating risk. The subsidiary calculates and analyzes the capital adequacy ratio every month and the ratio is approved by the management. Then, the department of risk management reports the above analysis to the board of directors quarterly.

c. Information of the capital adequacy ratio

The capital adequacy ratio of the subsidiary must meet the minimum requirements of the related regulations (150%).

	December 31	
	2023	2022
The capital adequacy ratio	742.69%	1,132.75%

29. FINANCIAL INSTRUMENTS

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

1) Significant difference between carrying amount and fair value of financial instruments

	December 31			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Financial assets at amortized cost	\$ 13,611,597	\$ 13,697,178	\$ 8,638,310	\$ 8,613,695
Refundable deposit - bonds	99,142	100,481	99,975	100,192

2) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at amortized cost	\$ -	\$ 13,697,178	\$ -	\$ 13,697,178
Refundable deposit - bonds	-	100,481	-	100,481

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at amortized cost	\$ -	\$ 8,613,695	\$ -	\$ 8,613,695
Refundable deposit - bonds	-	100,192	-	100,192

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Fund beneficiary certificates	<u>\$ 5,112,806</u>	<u>\$ -</u>	<u>\$ 640,862</u>	<u>\$ 5,753,668</u>
<u>Financial assets at FVTOCI</u>				
Domestic unlisted shares Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,346,814</u>	<u>\$ 2,346,814</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Fund beneficiary certificates	<u>\$ 4,435,072</u>	<u>\$ -</u>	<u>\$ 617,618</u>	<u>\$ 5,052,690</u>
<u>Financial assets at FVTOCI</u>				
Domestic unlisted shares				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,243,828</u>	<u>\$ 2,243,828</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2023

	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments
<u>Financial assets</u>		
Balance at January 1	\$ 617,618	\$ 2,243,828
Purchases	100,000	-
Disposals	(235,142)	-
Recognized in profit or loss	158,386	-
Recognized in other comprehensive income	-	102,986
Balance at December 31	<u>\$ 640,862</u>	<u>\$ 2,346,814</u>

For the year ended December 31, 2022

	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments
<u>Financial assets</u>		
Balance at January 1	\$ 549,400	\$ 1,961,204
Purchases	150,000	-
Recognized in profit or loss	(81,782)	-
Recognized in other comprehensive income	-	282,624
Balance at December 31	<u>\$ 617,618</u>	<u>\$ 2,243,828</u>

All gains and losses included in other comprehensive income related to unlisted shares held at the end of the reporting period and were reported as changes in unrealized gain or loss on financial assets at FVTOCI.

3) Valuation techniques and assumptions applied to measure fair value

The fair values of financial assets and financial liabilities were determined as follows:

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets were based on quoted market prices. These financial assets consisted of money market funds and exchange traded funds.
- b) The fair values of the private funds were based on the evaluation information provided by the counterparty, the investment trust companies.
- c) The financial statements included holdings in unlisted shares, which were measured at fair value. Fair value was estimated using net value and a discounted cash flow model. Discounted cash flow model included some assumptions that were not supportable by observable market prices or rates. In determining fair value, management used an earnings growth factor of 1.75% as of December 31, 2023 and 2022. Had the inputs to the valuation model been 1% higher/lower and had all the other variables been held constant, the carrying amounts of the shares would have increased/decreased by \$286,408/\$198,797 thousand and \$281,173/\$195,062 thousand as of December 31, 2023 and 2022, respectively. These shares were classified under financial assets at FVTOCI - noncurrent.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 5,753,668	\$ 5,052,690
Financial assets at amortized cost (1)	34,755,554	30,302,240
Financial assets at FVTOCI		
Equity instrument investments	2,346,814	2,243,828
<u>Financial liabilities</u>		
Amortized cost (2)	2,456,776	1,380,094
Lease liabilities	200,745	289,849

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable and accounts receivable, net, other financial assets, default damage fund, refundable deposits and operation guarantee deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise accrued expenses, receipts under custody, parts of other current liabilities and guarantee deposits.

d. Financial risk management objectives and policies

The Group's financial risk management objective is managing the risk related to operating activities (including interest rate risk and other pricing risk), credit risk and liquidity risk. In order to reduce financial risks, the Group is committed to identify, evaluate and avoid the uncertainty of market and lower the potential unfavorable effect to the Group's financial performance.

The Group's major financial activities are reviewed by the board of directors and fund management team according to the rules and internal control principles. The Group must strictly comply with the relevant procedures for financial risk and division of responsibilities.

1) Market risk

Market risk is the possible loss due to interest rate or price changes. The Group evaluates the impact of market risk to financial assets and financial liabilities is limited. There had been no change in the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Interest rate risk

Interest rate risk refers to gain or loss on financial instruments due to changes in market interest rates. The Group's interest risk is mainly from bond investments. The balances of these investments were \$13,611,597 thousand and \$8,638,310 thousand as of December 31, 2023 and 2022, respectively. The bonds held by the Group have fixed interest rate, and the Group classified them as financial assets at amortized cost because they are held within a business model whose objective is achieved by collecting contractual cash flows. Thus, changes in market interest rates will not result in loss or gain on these bonds.

There were no bond investments with floating interest rate as of December 31, 2023 and 2022.

b) Other price risk

The Group is exposed to equity price risk on Money Market Fund investments. Assuming the fund net value increases/decreases 0.25%, the net income would increase/decrease by \$14,384 thousand in 2023 and \$12,632 thousand in 2022 because of the fair value changes of financial assets at FVTPL.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group is exposed to credit risk from its operating activities, which primarily involve trade receivables, and from financing activities, which primarily involve deposits, fixed-income investments and other financial instruments. Credit risk is managed separately for business-related and financial-related exposures.

a) Operating credit risk

To enhance the recoverability of receivables, the Group has established operating risk management procedures.

The risk evaluation of individual customers include the facts that might affect their payment ability, such as financial condition, the credit agency's rating, collection record, historical transaction record, and current economic condition.

As of December 31, 2023 and 2022, the Group's 10 largest customers both accounted for 46% of accounts receivable and those customers are with good reputations. Each customer other than the Group's 10 largest customers accounted for less than 2% of accounts receivable, which shows low credit risk concentration and with limited credit risk exposure.

b) Financial credit risk

The Group regularly measures and monitors the credit risk of bank deposits, fixed income investments, and other financial instruments. Because the Group's counterparties are banks with good reputation and other high-level financial organizations, companies, and government organizations, there is no significant credit risk.

3) Liquidity risk

The objective of liquidity risk management is to maintain sufficient cash and cash equivalents and highly liquid securities to ensure the Group has financial flexibility. The bonds and money market funds invested in by the Group, except for unlisted stocks (recognized as FVTOCI), have an active market, are expected to be sold easily in the market at or near fair value; thus, the liquidity risk is quite low. The table below summarizes the maturity profile of the Group's financial liabilities based on contracted undiscounted payments.

December 31, 2023

	On Demand or Less than 6 Months	6 Months to 1 Year	1+ Years	Total
<u>Nonderivative financial liabilities</u>				
Accrued expenses	\$ 601,685	\$ -	\$ -	\$ 601,685
Lease liabilities	51,526	50,530	102,526	204,582
Receipts under custody	1,724,315	-	-	1,724,315
Other current liabilities	22,146	18,456	-	40,602
Guarantee deposits	<u>-</u>	<u>-</u>	<u>80,296</u>	<u>80,296</u>
	<u>\$ 2,399,672</u>	<u>\$ 68,986</u>	<u>\$ 182,822</u>	<u>\$ 2,651,480</u>

December 31, 2022

	On Demand or Less than 6 Months	6 Months to 1 Year	1+ Years	Total
<u>Nonderivative financial liabilities</u>				
Accrued expenses	\$ 600,663	\$ -	\$ -	\$ 600,663
Lease liabilities	50,845	50,255	196,587	297,687
Receipts under custody	650,273	-	-	650,273
Other current liabilities	39,018	29,115	-	68,133
Guarantee deposits	<u>-</u>	<u>-</u>	<u>61,025</u>	<u>61,025</u>
	<u>\$ 1,340,799</u>	<u>\$ 79,370</u>	<u>\$ 257,612</u>	<u>\$ 1,677,781</u>

30. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Taiwan Stock Exchange Corporation	The parent
Yuanta Securities Finance Corporation	Key management personnel
Taiwan Securities Association	Key management personnel
KGI Securities Co., Ltd.	Key management personnel
Taiwan Futures Exchange Corporation	The Corporation as the other entity's key management personnel
Taipei Exchange	The Corporation as the other entity's key management personnel
Taiwan Ratings Corporation	Investment accounted for using the equity method
Taiwan-Ca. Inc.	Investment accounted for using the equity method
Fubon Securities Co., Ltd.	Key management personnel of the parent
Bank of Taiwan	Key management personnel of the parent
Land Bank	Key management personnel of the parent
Mega International Commercial Bank	Key management personnel of the parent
Taiwan Cement Co., Ltd.	Key management personnel of the parent
Yuanta Securities	Key management personnel of the parent
YFY Inc.	Key management personnel of the parent
First Commercial Bank Co., Ltd.	Key management personnel of the parent (as a related party since July 2022)
Taiwan Sugar Corporation	Key management personnel of the parent (as a related party since July 2022)
Taiwan Power Company	Key management personnel of the parent (as a related party since July 2022)
Chang Hwa Commercial Bank, Ltd.	Key management personnel of the parent (as a related party since July 2022)
CPC Corporation, Taiwan	Key management personnel of the parent (as a non-related party since July 2022)
IBF Securities Co., Ltd.	Key management personnel of the parent (as a non-related party since July 2022)
Hua Nan Commercial Bank, Ltd.	Key management personnel of the parent (as a non-related party since July 2022)

b. Operating revenue

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Securities settlement		
The parent	\$ 1,377,999	\$ 1,221,599
The Corporation as the other entity's key management personnel	<u>418,913</u>	<u>347,992</u>
	<u>\$ 1,796,912</u>	<u>\$ 1,569,591</u>

	For the Year Ended December 31	
	2023	2022
Securities recording		
Key management personnel	\$ 272,214	\$ 224,109
Key management personnel of the parent	<u>492,536</u>	<u>366,760</u>
	<u>\$ 764,750</u>	<u>\$ 590,869</u>
Maintenance services		
Key management personnel	\$ 6,329	\$ 5,728
Key management personnel of the parent	21,872	21,527
The Corporation as the other entity's key management personnel	<u>6</u>	<u>2</u>
	<u>\$ 28,207</u>	<u>\$ 27,257</u>
Transfer processing services		
Key management personnel	\$ 38,553	\$ 33,200
Key management personnel of the parent	97,035	89,514
The Corporation as the other entity's key management personnel	<u>19</u>	<u>5</u>
	<u>\$ 135,607</u>	<u>\$ 122,719</u>
Futures clearing services		
The Corporation as the other entity's key management	<u>\$ 382,163</u>	<u>\$ 467,710</u>
Mutual fund services		
Key management personnel	\$ 11	\$ 8
Key management personnel of the parent	<u>436</u>	<u>1,787</u>
	<u>\$ 447</u>	<u>\$ 1,795</u>
Others		
The parent	\$ 63,069	\$ 63,926
Key management personnel	31,845	28,880
Key management personnel of the parent	148,126	141,028
The Corporation as the other entity's key management personnel	<u>75</u>	<u>62</u>
	<u>\$ 243,115</u>	<u>\$ 233,896</u>

c. Accounts receivable - related parties

	December 31	
	2023	2022
The parent	\$ 141,479	\$ 97,722
Key management personnel	30,876	22,393
Key management personnel of the parent	74,066	47,759
The Corporation as the other entity's key management personnel	<u>68,313</u>	<u>64,819</u>
	<u>\$ 314,734</u>	<u>\$ 232,693</u>

d. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 42,587	\$ 44,761
Post-employment benefits	<u>3,524</u>	<u>3,804</u>
	<u>\$ 46,111</u>	<u>\$ 48,565</u>

The terms for the above transactions were the same as those for third parties, except for operating revenues on securities settlement and clearing futures services, which referred to certain agreements between related parties.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of December 31, 2023, the Corporation had custody of stocks, beneficial certificates, warrants and convertible bonds with aggregate par value of about \$16,727,544,839 thousand; domestic bonds with aggregate par value of about \$4,477,746,653 thousand; foreign currency bonds with aggregate par value of about \$3,756,197,355 thousand; cross-border custody of foreign securities with aggregate par value of about \$924,214,453 thousand; short-term bills with aggregate par value of about \$3,160,259,700 thousand.
- b. The Corporation had entered into contracts with suppliers for the acquisition of equipment, computer software and other purchases which totaled \$156,638 thousand. As of December 31, 2023 the Corporation had paid \$56,221 thousand, and the future payable pertaining to the purchases amount to \$100,417 thousand.

32. FINANCIAL INFORMATION ON DEPOSITORY AND CLEARING OF SHORT-TERM BILLS

Please refer to Sheets 1 and 2 for the information on the custody of short-term instruments.

TAIWAN DEPOSITORY & CLEARING CORPORATION - DEPOSITORY AND CLEARING OF SHORT-TERM BILLS

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022		LIABILITIES AND EQUITY	2023		2022	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 15,475	1	\$ 23,037	2	Accounts payable	\$ 678	-	\$ 4,649	-
Accounts receivable	216,343	13	206,588	13	Accrued expenses	150,477	9	147,535	10
Other current assets	<u>54,468</u>	<u>3</u>	<u>49,782</u>	<u>3</u>	Current tax liabilities	115,661	7	109,145	7
Total current assets	<u>286,286</u>	<u>17</u>	<u>279,407</u>	<u>18</u>	Other current liabilities	<u>25,821</u>	<u>2</u>	<u>33,226</u>	<u>2</u>
					Total current liabilities	<u>292,637</u>	<u>18</u>	<u>294,555</u>	<u>19</u>
NONCURRENT ASSETS					NONCURRENT LIABILITIES				
Property and equipment	14,717	1	20,356	1	Guarantee deposits	5,183	-	5,183	-
Refundable deposits	99,623	6	100,456	7	Net defined benefit liabilities	122,449	7	108,305	7
Intangible assets	34,570	2	52,201	3	Other noncurrent liabilities	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other noncurrent assets	<u>1,233,789</u>	<u>74</u>	<u>1,098,940</u>	<u>71</u>	Total noncurrent liabilities	<u>127,633</u>	<u>7</u>	<u>113,488</u>	<u>7</u>
Total noncurrent assets	<u>1,382,699</u>	<u>83</u>	<u>1,271,953</u>	<u>82</u>	Total liabilities	<u>420,270</u>	<u>25</u>	<u>408,043</u>	<u>26</u>
					EQUITY				
TOTAL	<u>\$ 1,668,985</u>	<u>100</u>	<u>\$ 1,551,360</u>	<u>100</u>	Appropriated working capital	500,000	30	500,000	32
					Unappropriated earnings	<u>748,715</u>	<u>45</u>	<u>643,317</u>	<u>42</u>
					Total equity	<u>1,248,715</u>	<u>75</u>	<u>1,143,317</u>	<u>74</u>
					TOTAL	<u>\$ 1,668,985</u>	<u>100</u>	<u>\$ 1,551,360</u>	<u>100</u>

TAIWAN DEPOSITORY & CLEARING CORPORATION - DEPOSITORY AND CLEARING OF SHORT-TERM BILLS

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUES				
Bills clearing and custodial services	\$ 1,210,156	99	\$ 1,068,849	99
Others	<u>11,999</u>	<u>1</u>	<u>12,701</u>	<u>1</u>
Total operating revenues	<u>1,222,155</u>	<u>100</u>	<u>1,081,550</u>	<u>100</u>
OPERATING EXPENSES				
Personnel	134,009	11	146,763	14
General and administrative	<u>156,004</u>	<u>13</u>	<u>132,974</u>	<u>12</u>
Total operating expenses	<u>290,013</u>	<u>24</u>	<u>279,737</u>	<u>26</u>
OPERATING INCOME	<u>932,142</u>	<u>76</u>	<u>801,813</u>	<u>74</u>
NONOPERATING INCOME AND EXPENSES				
Interest income	3,663	-	2,347	-
Other income	89	-	-	-
Other expenses	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>
Total nonoperating income and expenses	<u>3,752</u>	<u>-</u>	<u>2,345</u>	<u>-</u>
INCOME BEFORE INCOME TAX	935,894	76	804,158	74
INCOME TAX EXPENSE	<u>(187,179)</u>	<u>(15)</u>	<u>(160,841)</u>	<u>(15)</u>
NET INCOME	<u>\$ 748,715</u>	<u>61</u>	<u>\$ 643,317</u>	<u>59</u>