

KGI Bank Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2025 and 2024 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

KGI Bank Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of KGI Bank Co., Ltd. (the “Bank”) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related 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 material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of December 31, 2025 and 2024, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority, 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 (FSC) of the Republic of China (ROC).

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 ROC. 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 Bank and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, 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

The 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, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters for the consolidated financial statements of the Bank and its subsidiaries for the year ended December 31, 2025 are stated as follows:

Impairment of Discounts and Loans

The management assesses the impairment of discounts and loans according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans (the “Procedures”) issued by the FSC of the ROC and IFRS 9, respectively, and then recognizes the higher estimated amount as a reserve for asset impairment. Under the Procedures, impairment is based on the length of time overdue and the status of the collateral, and under IFRS 9, impairment is assessed by considering the probability of default and loss given default, estimated based on historical experience, the present market situation and forward-looking information. Since the important assumptions and input values used in revisions and adjustments involve critical judgments and estimates, the impairment of discounts and loans is deemed to be a key audit matter for the year ended December 31, 2025.

Refer to Notes 4, 5 and 44 for the material accounting policy information, critical judgment, estimation uncertainty and related disclosure of the impairment of discounts and loans.

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

We obtained an understanding of the accounting policies and internal controls related to the recognition of impairment. We verified that the impairment assessment procedures, including the classification of the credit assets, the length of time overdue and the status of the collaterals complied with the Procedures. We understood the methodology, main assumptions and parameters adopted by the management in accordance with the IFRS9 impairment model, as well as the important assumptions and input values considered in its revision and adjustment. We selected samples of discounts and loans and evaluated the reasonableness of measuring expected credit losses.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2025 and 2024, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority, IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, 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 ability of the Bank and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the financial reporting process of the Bank and its subsidiaries.

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 ROC 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 ROC, 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 internal control of the Bank and its subsidiaries.
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 ability of the Bank and its subsidiaries 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 Bank and its subsidiaries 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 Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank and its subsidiaries 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, 2025, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Mei-Hui Wu and Chun-Lin Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 3, 2026

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.

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

ASSETS	2025		2024	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 40)	\$ 10,278,929	1	\$ 16,659,688	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	57,477,139	6	37,955,433	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)	44,800,924	5	48,183,133	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 16 and 41)	118,714,558	13	140,142,094	16
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 10 and 41)	82,509,065	9	70,053,644	8
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11)	103,094	-	559,311	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	35,924,465	4	59,218,588	7
RECEIVABLES, NET (Notes 4, 13, 40 and 41)	27,039,965	3	29,074,560	3
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 40)	525,257,255	56	472,966,369	52
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 4 and 15)	11,343,248	1	10,015,810	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 17, 40 and 41)	422,198	-	1,124,392	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 18 and 41)	5,362,525	1	5,236,835	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 19 and 40)	2,792,876	-	2,767,354	-
INVESTMENT PROPERTY, NET (Notes 4, 20 and 41)	2,628,863	-	2,617,860	-
INTANGIBLE ASSETS, NET	1,197,993	-	1,193,691	-
DEFERRED TAX ASSETS (Notes 4 and 38)	508,896	-	527,585	-
OTHER ASSETS, NET (Notes 21, 40 and 41)	<u>13,000,333</u>	<u>1</u>	<u>8,608,892</u>	<u>1</u>
TOTAL	<u>\$ 939,362,326</u>	<u>100</u>	<u>\$ 906,905,239</u>	<u>100</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and banks (Note 22)	\$ 9,772,012	1	\$ 12,112,909	1
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 40)	22,704,871	2	29,813,327	3
Financial liabilities for hedging (Notes 4 and 11)	820,134	-	896,786	-
Notes and bonds issued under repurchase agreements (Notes 4, 8, 9, 10 and 23)	51,953,012	6	70,155,260	8
Payables (Notes 24 and 40)	6,199,374	1	6,545,380	1
Current tax liabilities (Notes 4, 38 and 40)	1,467,507	-	1,498,520	-
Deposits and remittances (Notes 25 and 40)	685,667,700	73	631,892,572	70
Bank debentures payable (Notes 11 and 26)	26,685,014	3	23,662,295	3
Principal received on structured notes	35,012,291	4	40,707,358	5
Other financial liabilities (Note 27)	14,706,793	2	10,236,681	1
Provisions (Notes 4 and 28)	397,495	-	372,456	-
Lease liabilities (Notes 4, 19 and 40)	2,987,489	-	2,959,568	-
Deferred tax liabilities (Notes 4 and 38)	572,053	-	191,414	-
Other liabilities (Notes 30 and 40)	<u>1,957,765</u>	<u>-</u>	<u>1,863,235</u>	<u>-</u>
Total liabilities	<u>860,903,510</u>	<u>92</u>	<u>832,907,761</u>	<u>92</u>
EQUITY (Note 31)				
Capital				
Common stock	<u>47,036,254</u>	<u>5</u>	<u>47,036,254</u>	<u>5</u>
Capital surplus				
Additional paid-in capital	7,825,977	1	7,825,977	1
Other capital surplus	<u>227,975</u>	<u>-</u>	<u>202,522</u>	<u>-</u>
Total capital surplus	<u>8,053,952</u>	<u>1</u>	<u>8,028,499</u>	<u>1</u>
Retained earnings				
Legal reserve	14,028,433	1	12,022,954	1
Special reserve	3,231,762	-	3,416,448	-
Unappropriated earnings	<u>6,799,913</u>	<u>1</u>	<u>6,684,929</u>	<u>1</u>
Total retained earnings	<u>24,060,108</u>	<u>2</u>	<u>22,124,331</u>	<u>2</u>
Other equity	<u>(691,498)</u>	<u>-</u>	<u>(3,191,606)</u>	<u>-</u>
Total equity	<u>78,458,816</u>	<u>8</u>	<u>73,997,478</u>	<u>8</u>
TOTAL	<u>\$ 939,362,326</u>	<u>100</u>	<u>\$ 906,905,239</u>	<u>100</u>

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

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2025		2024		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST REVENUE (Notes 4, 32 and 40)	\$ 26,497,415	149	\$ 26,449,923	165	-
INTEREST EXPENSE (Notes 4, 19, 32 and 40)	<u>(16,140,637)</u>	<u>(91)</u>	<u>(19,131,636)</u>	<u>(119)</u>	(16)
NET INTEREST	<u>10,356,778</u>	<u>58</u>	<u>7,318,287</u>	<u>46</u>	42
NET REVENUE OTHER THAN INTEREST					
Service fee income, net (Notes 4, 33 and 40)	3,000,796	17	2,622,698	16	14
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Notes 4 and 34)	2,942,154	16	4,142,381	26	(29)
Realized gain on financial assets measured at fair value through other comprehensive income (Notes 4 and 35)	259,210	1	488,042	3	(47)
Foreign exchange (loss) gain, net	(76,058)	-	321,676	2	(124)
Impairment loss on assets, net (Note 4)	(5,675)	-	(8,757)	-	(35)
Share of the profit of associates accounted for using equity method (Notes 4 and 15)	1,231,238	7	986,586	6	25
Other non-interest gain, net (Note 40)	<u>105,888</u>	<u>1</u>	<u>179,693</u>	<u>1</u>	(41)
Total net revenue other than interest	<u>7,457,553</u>	<u>42</u>	<u>8,732,319</u>	<u>54</u>	(15)
TOTAL NET REVENUE	<u>17,814,331</u>	<u>100</u>	<u>16,050,606</u>	<u>100</u>	11
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 4)	<u>(731,447)</u>	<u>(4)</u>	<u>(1,534,553)</u>	<u>(10)</u>	(52)

(Continued)

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2025		2024		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
OPERATING EXPENSES (Notes 4, 19, 29, 36, 37 and 40)					
Employee benefits expense	\$ (5,288,056)	(30)	\$ (4,780,960)	(29)	11
Depreciation and amortization expense	(989,532)	(6)	(945,519)	(6)	5
Other general and administrative expenses	<u>(2,888,572)</u>	<u>(16)</u>	<u>(2,548,109)</u>	<u>(16)</u>	13
Total operating expenses	<u>(9,166,160)</u>	<u>(52)</u>	<u>(8,274,588)</u>	<u>(51)</u>	11
INCOME BEFORE INCOME TAX	7,916,724	44	6,241,465	39	27
INCOME TAX EXPENSE (Notes 4 and 38)	<u>(1,111,685)</u>	<u>(6)</u>	<u>(658,208)</u>	<u>(4)</u>	69
NET INCOME	<u>6,805,039</u>	<u>38</u>	<u>5,583,257</u>	<u>35</u>	22
OTHER COMPREHENSIVE INCOME (Notes 4 and 38)					
Items that will not be reclassified subsequently to profit or loss, net of tax					
(Loss) gain on remeasurement of defined benefit plans	(14,511)	-	22,730	-	(164)
Gain on equity instruments measured at fair value through other comprehensive income	7,413	-	1,263,990	8	(99)
Share of other comprehensive income of associates accounted for using equity method	139,322	1	91,525	-	52
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	2,397	-	(168,325)	(1)	101
Items that will be reclassified subsequently to profit or loss, net of tax					
Exchange differences on translation of foreign financial statements	167,724	1	321,049	2	(48)
Share of other comprehensive income (loss) of associates accounted for using equity method	(45,850)	-	63,314	1	(172)

(Continued)

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2025		2024		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Gain on debt instruments measured at fair value through other comprehensive income	\$ 2,340,824	13	\$ 18,330	-	12,670
Impairment loss (reversal of impairment loss) on debt instruments measured at fair value through other comprehensive income	(13,625)	-	7,780	-	(275)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(88,712)</u>	<u>(1)</u>	<u>7,401</u>	<u>-</u>	<u>(1,299)</u>
Other comprehensive income, net of tax	<u>2,494,982</u>	<u>14</u>	<u>1,627,794</u>	<u>10</u>	53
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>\$ 9,300,021</u>	<u>52</u>	<u>\$ 7,211,051</u>	<u>45</u>	29
NET PROFIT ATTRIBUTABLE TO:					
Owners of parent	\$ 6,805,039	38	\$ 5,457,844	34	25
Former owner of business combination under common control	<u>-</u>	<u>-</u>	<u>125,413</u>	<u>1</u>	<u>(100)</u>
	<u>\$ 6,805,039</u>	<u>38</u>	<u>\$ 5,583,257</u>	<u>35</u>	22
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of parent	\$ 9,300,021	52	\$ 7,084,254	44	31
Former owner of business combination under common control	<u>-</u>	<u>-</u>	<u>126,797</u>	<u>1</u>	<u>(100)</u>
	<u>\$ 9,300,021</u>	<u>52</u>	<u>\$ 7,211,051</u>	<u>45</u>	29
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 39)					
Basic	<u>\$ 1.45</u>		<u>\$ 1.19</u>		

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

(Concluded)

KGI BANK CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars)**

	Common Stock	Capital Surplus	Retained Earnings			Other Equity			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Former Owner of Business Combination under Common Control	
BALANCE AT JANUARY 1, 2024	\$ 46,061,623	\$ 7,432,078	\$ 10,373,364	\$ 3,417,873	\$ 5,498,633	\$ (88,810)	\$ (3,475,603)	\$ -	\$ 69,219,158
Retrospective adjustment of equity attributable to former owner due to reorganization of entities under common control	-	-	-	-	-	-	-	1,473,169	1,473,169
BALANCE AT JANUARY 1, 2024 AS RESTATED	46,061,623	7,432,078	10,373,364	3,417,873	5,498,633	(88,810)	(3,475,603)	1,473,169	70,692,327
Appropriation of earnings									
Legal reserve	-	-	1,649,590	-	(1,649,590)	-	-	-	-
Reversal of special reserve	-	-	-	(1,425)	1,425	-	-	-	-
Cash dividends - common stock	-	-	-	-	(3,850,468)	-	-	(71,599)	(3,922,067)
Net income for the year ended December 31, 2024	-	-	-	-	5,457,844	-	-	125,413	5,583,257
Other comprehensive income for the year ended December 31, 2024, net of income tax	-	-	-	-	18,984	384,363	1,223,063	1,384	1,627,794
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	5,476,828	384,363	1,223,063	126,797	7,211,051
Share-based payments	-	16,167	-	-	-	-	-	-	16,167
Reorganization	974,631	580,254	-	-	-	-	(26,518)	(1,528,367)	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	1,208,101	-	(1,208,101)	-	-
BALANCE AT DECEMBER 31, 2024	47,036,254	8,028,499	12,022,954	3,416,448	6,684,929	295,553	(3,487,159)	-	73,997,478
Appropriation of earnings									
Legal reserve	-	-	2,005,479	-	(2,005,479)	-	-	-	-
Reversal of special reserve	-	-	-	(184,686)	184,686	-	-	-	-
Cash dividends - common stock	-	-	-	-	(4,864,136)	-	-	-	(4,864,136)
Net income for the year ended December 31, 2025	-	-	-	-	6,805,039	-	-	-	6,805,039
Other comprehensive income (loss) for the year ended December 31, 2025, net of income tax	-	-	-	-	(12,083)	121,875	2,385,190	-	2,494,982
Total comprehensive income for the year ended December 31, 2025	-	-	-	-	6,792,956	121,875	2,385,190	-	9,300,021
Share-based payments	-	25,453	-	-	-	-	-	-	25,453
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	6,957	-	(6,957)	-	-
BALANCE AT DECEMBER 31, 2025	<u>\$ 47,036,254</u>	<u>\$ 8,053,952</u>	<u>\$ 14,028,433</u>	<u>\$ 3,231,762</u>	<u>\$ 6,799,913</u>	<u>\$ 417,428</u>	<u>\$ (1,108,926)</u>	<u>\$ -</u>	<u>\$ 78,458,816</u>

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

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,916,724	\$ 6,241,465
Adjustments for:		
Depreciation expense	667,045	643,702
Amortization expense	322,487	301,817
Provision for bad debts expense, commitments and guarantee liability provisions	731,447	1,534,553
Net gain on financial assets and liabilities measured at fair value through profit or loss	(2,931,401)	(4,127,520)
Interest expense	16,140,637	19,131,636
Interest income	(26,497,415)	(26,449,923)
Dividend income	(47,837)	(297,197)
Share of profit of associates accounted for using equity method	(1,231,238)	(986,586)
Others	16,204	(17,348)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(4,406,822)	(3,361,279)
Financial assets at fair value through profit or loss	30,853,946	39,641,294
Financial assets at fair value through other comprehensive income	24,306,929	(5,551,350)
Debt investments measured at amortized cost	(12,454,693)	(1,641,924)
Securities purchased under resell agreements	135,209	(2,799,261)
Receivables	1,886,261	(141,673)
Discounts and loans	(52,933,133)	(77,467,168)
Other financial assets	702,194	7,782,514
Other assets	(4,377,681)	(4,454,284)
Deposits from the Central Bank and banks	(2,340,897)	5,085,597
Financial liabilities at fair value through profit or loss	(31,648,792)	(40,145,643)
Notes and bonds issued under repurchase agreements	(18,202,248)	27,574,281
Payables	210,688	(1,130,611)
Deposits and remittances	53,775,128	73,750,238
Other financial liabilities	(1,737,018)	4,617,506
Other liabilities	108,374	(1,860,014)
Cash flows (used in) generated from operations	(21,035,902)	15,872,822
Interest received	26,557,414	25,602,537
Dividends received	134,926	304,048
Interest paid	(16,698,557)	(19,374,059)
Income taxes paid	(844,249)	(277,581)
Net cash flows (used in) generated from operating activities	<u>(11,886,368)</u>	<u>22,127,767</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets held for sale	18,036	258,148
Acquisition of property and equipment	(313,967)	(170,620)
Acquisition of intangible assets	(325,889)	(339,109)
Acquisition of investment properties	(131,115)	(33,878)

(Continued)

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

	2025	2024
Proceeds from disposal of investment properties	\$ 55,904	\$ 151,589
Other investment activities	<u>5,168</u>	<u>3,800</u>
Net cash flows used in investing activities	<u>(691,863)</u>	<u>(130,070)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing bank debentures payable	2,870,000	-
Repayments of bank debentures payable	-	(700,000)
Payments of lease liabilities	(361,829)	(350,745)
Increase (decrease) in other financial liabilities	512,064	(1,211,945)
Cash dividends paid	(4,864,136)	(3,850,468)
Former owner of business combination under common control	<u>-</u>	<u>(71,599)</u>
Net cash flows used in financing activities	<u>(1,843,901)</u>	<u>(6,184,757)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(2,657)</u>	<u>5,223</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,424,789)	15,818,163
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>88,464,340</u>	<u>72,646,177</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 74,039,551</u>	<u>\$ 88,464,340</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2025 and 2024:

	December 31	
	2025	2024
Cash and cash equivalents in the consolidated balance sheets	\$ 10,278,929	\$ 16,659,688
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	32,358,313	17,243,429
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	<u>31,402,309</u>	<u>54,561,223</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 74,039,551</u>	<u>\$ 88,464,340</u>

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

(Concluded)

KGI BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

KGI Bank Co., Ltd. (the “Bank”) engages in banking operations regulated by the Banking Act of the Republic of China (the “Banking Act”).

As of December 31, 2025, the Bank had an International Banking Department, a Trust Department, an Insurance Department, other core business and functional departments, an Offshore Banking Unit (OBU), 51 domestic branches, and a Hong Kong branch.

On April 8, 2014, the Bank’s extraordinary shareholders’ meeting resolved to the exchange 0.2 share of KGI Financial Holding Co., Ltd. (KGIFH, formerly China Development Financial Holding Corporation) and NT\$13.4 for one share of the Bank. September 15, 2014 as the date of the share swap after this transaction was approved by the Financial Supervisory Commission (FSC). Upon completion of the share swap, the Bank became KGIFH’s wholly owned subsidiary and the trading of the Bank’s shares on the Taiwan Stock Exchange was terminated.

On October 9, 2014, under the approval of the board of directors, who were authorized to exercise the functions of the shareholders’ meeting, Cosmos Bank’s name became KGI Bank Co., Ltd since January 2015. The FSC approved the name change on November 10, 2014.

On March 2, 2015 and April 13, 2015, the Bank’s board of directors again exercised the functions of the shareholders’ meeting and approved the transfer to the Bank from CDIB Capital Group (formerly China Development Industrial Bank) of (a) the assets and liabilities associated with the commercial banking business of CDIB Capital Group and (b) CDIB Capital Group’s holdings of shares in leasing subsidiaries and in the Taiwan Financial Asset Service Corporation. On April 16, 2015, the transaction was approved by the FSC, and the date of transfer of business was set as May 1, 2015.

On July 19, 2024, the Bank’s board of directors approved to acquire a 100% equity interest in KGI Asset Management Co., Ltd. through a share exchange and recognized it as a subsidiary. The transaction was approved by FSC in August 2024, and the share conversion date is set as November 1, 2024.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors and authorized for issue on March 3, 2026.

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

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

The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have any material impact on the Bank and its subsidiaries’ accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2026

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
IFRS 17 “Insurance Contracts”(including the 2020 and 2021 amendments to IFRS 17)	January 1, 2023
<u>Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”</u>	

- 1) The amendments to the application guidance of classification of financial assets

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

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

- 2) The amendments to the application guidance of derecognition of financial liabilities

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

- a) The Bank and its subsidiaries having no practical ability to withdraw, stop or cancel the payment instruction;

- b) The Bank and its subsidiaries having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- c) The settlement risk associated with the electronic payment system being insignificant.

The bank and its subsidiaries shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

Except for the above impact, as of the date of approval of the consolidated financial statements were authorized for issue, the Bank and its subsidiaries has assessed that the application of other standards and interpretations will not have a material impact on the Bank and its subsidiaries' financial position and financial performance.

- 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 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027 (Note 2)
IFRS 19 "Subsidiaries without Public Accountability: Disclosures" (including the 2025 amendments to IFRS 19)	January 1, 2027
Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"	January 1, 2027

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

Note 2: On September 25, 2025, the FSC announced that IFRS 18 will take effect starting from January 1, 2028. Domestic entities could elect to apply IFRS 18 for an earlier period after the endorsement of IFRS 18 by the FSC.

IFRS 18 "Presentation and Disclosure in Financial Statements" and consequential amendments

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

- 1) To classify items of income and expenses presented in the statement of profit or loss into the operating, investing, financing, income taxes and discontinued operations categories, the Bank and its subsidiaries shall assess whether it has specified main business activities of investing in particular types of assets and providing financing to customers.
- 2) The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- 3) Provides guidance to enhance the requirements of aggregation and disaggregation: The Bank and its subsidiaries shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Bank and its subsidiaries shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Bank and its subsidiaries labels items as "other" only if it cannot find a more informative label.

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

In addition, the following consequential amendments have been made to IAS 7 "Statement of Cash Flows":

- 1) The Bank and its subsidiaries shall use operating profit or loss as the starting point when presenting cash flows from operating activities under the indirect method.
- 2) Interest and dividends received by the Bank and its subsidiaries shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. However, if, after assessment, the Bank and its subsidiaries has a specific main operating activity, it shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how it classifies dividend income, interest income and interest expense in the statement of profit or loss. The total of each of these cash flows shall be classified in a single category in the statement of cash flows.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries are continuously assessing the other impacts of the above amended standards and interpretations on the Bank and its subsidiaries' financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

Basis of Preparation

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

The operating cycle in the banking industry cannot be reasonably identified; thus, asset and liability accounts were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized in accordance with the nature of each account and sequenced according to their liquidity. Please refer to Note 44 for the maturity analysis of assets and liabilities.

Principles for Preparing Consolidated Financial Statements

The consolidated financial statements include the financial statements of the Bank and its subsidiaries. All significant intra-group transactions, balances, income and expenses have been eliminated in full upon consolidation.

The consolidated entities were as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership (%)	
			December 31, 2025	December 31, 2024
The Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00
	KGI Asset Management Co., Ltd. (Note)	Trading and management of nonperforming loans of financial institution	100.00	100.00
CDIB Management Consulting Corporation	KGI Finance & Leasing Corporation	Leasing	100.00	100.00
	CDIB International Leasing Corporation	Leasing	100.00	100.00

Note: On November 1, 2024, the Bank acquired 100% equity interest in KGI Asset Management Co., Ltd. through a share exchange and recognized it as a subsidiary. This transaction constitutes a reorganization of entities under common control. The acquisition should be accounted for using the carrying amounts method and deemed acquired from the beginning, with retrospective restatement of the comparative period information.

Foreign Currencies

The Bank recognizes foreign-currency transactions in the respective currencies in which they are denominated, while the subsidiaries recognize transactions at the rates of exchange prevailing at the dates of the transactions. Foreign-currency gains or losses of the Bank are recorded in New Taiwan dollars using rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

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

On the disposal of a foreign operation (i.e., a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Bank are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Bank losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, time deposits that can be terminated on demand without reduction in principal, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments in Associates

An associate is an entity over which the Bank and its subsidiaries have significant influence and that is not a subsidiary.

The Bank and its subsidiaries uses the equity method to account for their investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Bank and its subsidiaries' share of profit or loss and other comprehensive income of the associate. The Bank and its subsidiaries also recognize the changes in the Bank and its subsidiaries' share of equity of associates.

Any excess of the cost of acquisition over the Bank and its subsidiaries' share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Bank and its subsidiaries' share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Bank and its subsidiaries subscribe for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Bank and its subsidiaries' proportionate interest in the associate. The Bank and its subsidiaries records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Bank and its subsidiaries' share of equity of associates. If the Bank and its subsidiaries' ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Bank and its subsidiaries' share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Bank and its subsidiaries' net investment in the associate), the Bank and its subsidiaries' discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Bank and its subsidiaries has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Bank and its subsidiaries discontinue the use of the equity method from the date on which it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Bank and its subsidiaries account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Bank and its subsidiaries transact with its associate, profits and losses resulting from the transactions with the associate are recognized in the Bank and its subsidiaries' consolidated financial statements only to the extent of interests in the associate that are not related to the Bank and its subsidiaries.

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank and its subsidiaries become 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.

Financial assets

All regular way transactions of financial assets are recognized and derecognized on a trade date basis. Regular way transactions are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Classification and measurement

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

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are 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. A financial asset may be designated as at FVTPL upon initial recognition, if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any dividends and remeasurement gains or losses on the financial assets are recognized in net revenues other than interest. Fair value is determined in the manner described in Note 43.

2) Financial assets at amortized cost

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

- a) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- b) The contractual terms of the financial assets 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 are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Except for interest income of financial assets have subsequently become credit-impaired is calculated by multiplying the effective interest rate to the amortized cost of a financial asset, others are calculated by multiplying the effective interest rate to the gross carrying amount of the financial asset.

3) Investments in debt instruments at FVTOCI

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

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

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

4) Investments in equity instruments at FVTOCI

On initial recognition, the Bank and its subsidiaries 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 Bank and its subsidiaries' 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 Bank and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost, investments in debt instruments at FVTOCI, installment accounts and lease receivables.

For the financial assets, the Bank and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank and its subsidiaries measure 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 impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance or accumulated impairment account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of the financial assets are not reduced.

In addition to the analysis of impairment mentioned above, based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual loans, credit assets classified as normal (this balance should be net of the balance of borrowings by ROC government agencies from the Bank), special mention, substandard, with doubtful collectability and uncollectable or loss incurring are evaluated on the basis of the borrowers'/clients' financial condition and delinquency record on interest and principal payments, and these assets have allowances at 1%, 2%, 10%, 50% and 100%, respectively, of outstanding credit. The doubtful accounts of credit cards receivables are evaluated on the basis of the Regulations Governing Institutions Engaging In Credit Card Business. The above is listed the minimum allowance for credit assets on or off balance sheet.

Based on Order No. 10300329440 issued by the FSC, for the Bank to have an enhanced risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets, excluding policy-based loan, effective from January 1, 2011. Based on Order No. 10410001840 issued by the FSC, for the Bank to have an enhanced control on the exposure to the risk in mainland China, the minimum provision for credit loss reserve is 1.5% of the credit, which includes short-term trade financing that were granted to companies based in mainland China and classified as normal assets.

Writing off bad debts involves assessing the possibility of recovering overdue credit and evaluating the value of collateral. After approval by the board of directors, they are written off.

c. Derecognition of financial assets

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, 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.

Equity instruments

Debt and equity instruments issued by the Bank and its subsidiaries are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Bank and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Bank's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Bank's own equity instruments.

Financial liabilities

a. Subsequent measurement

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

Financial liabilities at FVTPL

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

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

- 1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 2) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Bank and its subsidiaries' documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 3) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and remeasurement gains or losses on such financial liabilities are recognized in net revenue other than interest. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

b. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

Modification of financial instruments

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

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

Hedge Accounting

The Bank and its subsidiaries designate certain hedging instruments as fair value hedges.

At the start of a hedge relationship, the Bank and its subsidiaries document the relationship between the hedging instrument and the hedged item, along with their risk management objectives and their strategy for undertaking various hedge transactions. Further, at the start of the hedge and on an ongoing basis, the Bank and its subsidiaries document whether the hedging instrument is highly effective in offsetting the exposure to adverse changes in fair value of hedged item. Note 11 sets out the details of the fair value of the derivative instruments used for hedging purposes.

Fair value hedges

The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Bank and its subsidiaries discontinue hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

Securities Purchased and Sold Under Resell and Repurchase Agreements

For securities purchased or sold under resell or repurchase agreements, the payment to or by a counterparty is treated as a financing transaction and the related interest revenue or interest expense are recognized on the accrual basis.

Property and Equipment

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

Depreciation on property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Assets Held for Sale

The assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

The assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

Investment Properties

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

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

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

Nonfinancial Asset Impairment

The Bank and its subsidiaries evaluate the possibility of impairment loss on nonfinancial assets as of the balance sheet date. If there is sufficient objective evidence of asset impairment, the Bank and its subsidiaries recognizes impairment whenever the recoverable amount of the asset or the cash-generating unit is below the carrying amount of an asset, and this impairment loss either is charged to accumulated impairment or reduces the carrying amount of an asset directly. After the recognition of an impairment loss, the depreciation (amortization) charged to the assets should be adjusted in future years at the revised asset carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss is reversed, the increase in the carrying amount resulting from reversal is credited to current income and debited to accumulated impairment or is used to increase the carrying amount of the asset. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

Provisions and Contingent Liabilities

Provisions are recognized when the Bank and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank and its subsidiaries will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

Employee Benefits

a. Short-term employee benefits

The undiscounted amount of benefits expected to be paid in respect of service rendered by employees in an accounting period is recognized in that period.

b. Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Bank and its subsidiaries defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

Taxation

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

a. Current tax

Income tax payable (recoverable) of the Bank and its subsidiaries is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

Since 2015, the Bank has used the linked-tax system for income tax filings. Under this system, the Bank adjusts the current/deferred income tax assets (liabilities), income tax payable (receivable) and income tax expense (profit) on a systematic and consistent basis. Related payables and receivables are recorded in each book of the KGIFH's qualified subsidiaries.

Based on the "Income Basic Tax Act," if the basic income tax is greater than the amount of regular income tax, the income tax payable should be the basic income tax. The incremental tax payable is recorded as current income tax expense.

b. Deferred tax

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits acquisition to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current and deferred tax for the period

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity respectively.

Revenue Recognition

Interest revenue arising from credits are estimated on an accrual basis. All interest accrued shall be suspended from the date the loans are classified as nonperforming loans. Interest earned from nonperforming loans shall be recognized as interest income when collected.

Service fee income is recognized when collected or when the majority of project is completed. Service fee income received when loans and receivables are recognized is, based on materiality, either amortized over the service period or included as part of the calculation of the effective interest rate.

Leasing

At the inception of a contract, the Bank and its subsidiaries assess whether the contract is (or contains) a lease.

For a contract that contains a lease component and non-lease components, the Bank and its subsidiaries allocate the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Bank and its subsidiaries as lessor

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

Under finance leases, the net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as the installment account and lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Bank and its subsidiaries' net investment outstanding in respect of leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Bank and its subsidiaries as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Bank and its subsidiaries by the end of the lease terms or if the costs of right-of-use assets reflect that the Bank and its subsidiaries will exercise a purchase option, the Bank and its subsidiaries depreciate the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease 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 Bank and its subsidiaries use 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, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank and its subsidiaries remeasure 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.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank and its subsidiaries' 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 by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Impairment of Discounts and Loans

The Bank and its subsidiaries review loans portfolios in accordance with IFRS 9 to assess impairment periodically. To determine whether an impairment loss should be recognized, the management exercises its judgments on whether there has been a significant increase in credit risk or there is any indication of credit impairment. For the purpose of impairment assessment, the management determines the expected future cash flows based on past events, present conditions and future economic circumstances of the assets with similar credit risks. The management also reviews periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment. Also, the management should consider the specifications of the Procedures to make sure that it is in compliance with the minimum eligibility criteria. Furthermore, interest rate fluctuations impacted on financial assets credit risk, lead the uncertainty of estimating default probability and default loss rate to increase.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2025	2024
Due from banks	\$ 7,878,169	\$ 13,436,733
Cash on hand	1,568,653	2,621,666
Cash in banks	595,443	275,142
Checks for clearing	118,513	147,498
Excess margin from futures	<u>118,151</u>	<u>178,649</u>
	<u>\$ 10,278,929</u>	<u>\$ 16,659,688</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2025 and 2024 are shown in the consolidated statements of cash flows.

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

	<u>December 31</u>	
	2025	2024
Call loans to banks	\$ 23,601,576	\$ 12,652,771
Deposit reserve - demand accounts	18,594,637	15,788,423
Deposit reserve - checking accounts	10,060,330	4,783,829
Due from the Central Bank - interbank settlement funds	5,000,530	4,500,943
Deposit reserve - foreign currencies	<u>220,066</u>	<u>229,467</u>
	<u>\$ 57,477,139</u>	<u>\$ 37,955,433</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar - denominated deposit reserves are determined monthly at prescribed rates based on average balance of the Bank's deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve monthly.

In addition, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime at no interest.

The Bank and its subsidiaries had not pledged any of the due from the Central Bank and call loans to banks as collateral.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2025	2024
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative instruments		
Currency swap contracts	\$ 14,738,951	\$ 22,798,672
Interest rate swap contracts	4,487,313	5,313,489
Option contracts	1,596,596	2,441,932
Non-derivative forward contracts	1,433,058	352,392
Others	<u>177,171</u>	<u>210,554</u>
	<u>22,433,089</u>	<u>31,117,039</u>
Non-derivative financial assets		
Commercial papers	21,518,425	15,435,260
Others	<u>849,410</u>	<u>1,630,834</u>
	<u>22,367,835</u>	<u>17,066,094</u>
Financial assets at FVTPL	<u>\$ 44,800,924</u>	<u>\$ 48,183,133</u>

(Continued)

	December 31	
	2025	2024
<u>Financial liabilities held for trading</u>		
Derivative instruments		
Currency swap contracts	\$ 14,816,278	\$ 21,069,542
Interest rate swap contracts	4,339,542	5,112,085
Option contracts	1,884,837	2,866,489
Non-derivative forward contracts	1,458,940	312,043
Others	<u>205,274</u>	<u>453,168</u>
Financial liabilities at FVTPL	<u>\$ 22,704,871</u>	<u>\$ 29,813,327</u>
		(Concluded)

The contract (notional) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments as of December 31, 2025 and 2024 were summarized as follows:

	Contract Amount	
	December 31	
	2025	2024
Currency swap contracts	\$ 1,123,179,847	\$ 1,676,518,216
Interest rate swap contracts	434,166,582	384,041,323
Option contracts	215,747,950	322,070,325
Non-deliverable forward contracts	210,033,565	12,239,866
Cross-currency swap contracts	7,151,141	8,900,912
Forward exchange contracts	3,943,060	7,213,649
Futures contracts	2,618,785	-
Commodity swap contracts	292,061	119,574

As of December 31, 2025 and 2024, financial assets at FVTPL with aggregate carrying values of \$5,500,941 thousand and \$3,895,618 thousand, respectively, were sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Bank and its subsidiaries had not pledged any of financial assets at FVTPL as collateral.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2025	2024
Investments in debt instruments at FVTOCI	\$ 117,755,074	\$ 139,190,023
Investments in equity instruments at FVTOCI	<u>959,484</u>	<u>952,071</u>
	<u>\$ 118,714,558</u>	<u>\$ 140,142,094</u>

a. Investments in debt instruments at FVTOCI

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Government bonds	\$ 52,263,389	\$ 55,908,655
Corporate bonds	46,943,070	61,233,506
Bank debentures	13,474,427	17,333,031
Others	<u>5,074,188</u>	<u>4,714,831</u>
	<u>\$ 117,755,074</u>	<u>\$ 139,190,023</u>

As of December 31, 2025 and 2024, investments in debt instruments at FVTOCI, with aggregate carrying values of \$43,055,342 thousand and \$62,816,147 thousand, respectively, were sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

There was no significant increase in the credit risk of investments in debt instruments at FVTOCI of the Bank and its subsidiaries; therefore, the impairment loss was assessed based on 12 months expected credit losses. An adjustment in the investment portfolio resulted in the recognition of impairment loss of \$35,787 thousand and \$49,412 thousand on December 31, 2025 and 2024, respectively.

b. Investments in equity instruments at FVTOCI

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Unlisted stocks	<u>\$ 959,484</u>	<u>\$ 952,071</u>

For the years ended December 31, 2024, the Bank and its subsidiaries sold its shares in order to manage its investment portfolio. The sold shares had a fair value of \$17,846,311 thousand and the Bank and its subsidiaries transferred gain of \$1,198,895 thousand from other equity related-unrealized gain on financial assets at FVTOCI to retained earnings.

For the years ended December 31, 2025 and 2024, dividend income were \$37,084 thousand and \$282,336 thousand, respectively, and those related to investments held as of December 31, 2025 and 2024 were \$37,084 thousand and \$30,634 thousand, and those related to investments derecognized as of December 31, 2025 and 2024 were \$0 thousand and \$251,702 thousand, respectively.

For the information on financial assets at FVTOCI pledged as collateral for the Bank and its subsidiaries, please refer to Note 41.

10. DEBT INVESTMENTS MEASURED AT AMORTIZED COST

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Negotiable certificates of deposit	\$ 62,185,000	\$ 48,590,000
Bank debentures	15,357,793	15,545,083
Corporate bonds	4,649,628	4,926,813
Others	<u>322,150</u>	<u>998,070</u>
	82,514,571	70,059,966
Accumulated impairment	<u>(5,506)</u>	<u>(6,322)</u>
Net amount	<u>\$ 82,509,065</u>	<u>\$ 70,053,644</u>

As of December 31, 2025 and 2024, debt investments measured at amortized cost, with aggregate carrying values of \$3,396,729 thousand and \$3,443,495 thousand were sold respectively under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on the debt investments measured at amortized cost pledged as collateral for the Bank and its subsidiaries, please refer to Note 41.

There was no significant increase in the credit risk of debt investments measured at amortized cost of the Bank and its subsidiaries; therefore, the impairment loss was assessed based on 12 months expected credit losses. The recognition of impairment loss of \$5,506 thousand and \$6,322 thousand on December 31, 2025 and 2024, respectively.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	2025	2024
<u>Financial assets for hedging</u>		
Fair value hedge - interest rate swap	<u>\$ 103,094</u>	<u>\$ 559,311</u>
<u>Financial liabilities for hedging</u>		
Fair value hedge - interest rate swap	<u>\$ 820,134</u>	<u>\$ 896,786</u>

Fair Value Hedges

The Bank and its subsidiaries are exposed to the risk of adverse fair value fluctuations due to changes in interest rates for the debt instruments and bank debentures issued. Since the risk is considered material, the Bank and its subsidiaries enter into interest rate swap contracts to hedge against this risk.

The following tables summarize the information relating to the hedges for interest rate risk.

December 31, 2025

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount		
				Asset	Liability	
Fair value hedge						
Interest rate swap contracts	\$ 28,917,001	2027.03.05- 2038.03.25	Financial assets and liabilities for hedging	\$ 103,094	\$ 820,134	
Hedged Items			Carrying Amount		Accumulated Amount of Fair Value Adjustments	
			Asset	Liability	Asset	Liability
Fair value hedge						
Financial assets at FVTOCI			\$ 13,433,967	\$ -	\$ (17,833)	\$ -
Bank debentures payable			-	14,365,014	-	(734,986)

December 31, 2024

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	\$ 32,293,635	2027.03.05-2038.03.25	Financial assets and liabilities for hedging	\$ 559,311	\$ 896,786

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Adjustments	
	Asset	Liability	Asset	Liability
Fair value hedge				
Financial assets at FVTOCI	\$ 15,888,251	\$ -	\$ (550,168)	\$ -
Bank debentures payable	-	14,212,295	-	(887,705)

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2025	2024
Negotiable certificates of deposit	\$ 13,478,802	\$ 23,806,979
Corporate bonds	12,488,339	14,307,738
Commercial papers	5,874,738	18,738,775
Government bonds	2,753,920	1,047,923
Bank debentures	<u>1,328,666</u>	<u>1,317,173</u>
	<u>\$ 35,924,465</u>	<u>\$ 59,218,588</u>
Agreed-upon resell amounts	<u>\$ 35,989,261</u>	<u>\$ 59,293,789</u>

13. RECEIVABLES, NET

	December 31	
	2025	2024
Accounts receivable factoring without recourse	\$ 9,289,492	\$ 10,210,832
Interest receivable	6,225,906	6,295,828
Installment accounts and lease receivables	5,559,796	5,130,855
Credit card	4,853,396	4,096,979
PEM receivable	771,346	804,297
Rental deposits	467,748	467,748
Accounts receivable - forfaiting	228,780	1,751,570
Others	<u>1,509,409</u>	<u>2,083,738</u>
	28,905,873	30,841,847
Less: Unrealized interest	(409,360)	(313,808)
Allowance for bad debts	<u>(1,456,548)</u>	<u>(1,453,479)</u>
Net amount	<u>\$ 27,039,965</u>	<u>\$ 29,074,560</u>

As of December 31, 2025 and 2024, the rental deposits receivable amounting to \$467,748 thousand and the allowance for bad debts was \$409,848 thousand, resulted from the relocation to Bank-owned property, of which, deposits from Prince Motors and Cosmos Construction Management Corporation amounted to \$101,901 thousand, and the allowance for bad debts on these deposits was \$44,001 thousand.

The lawsuit against the third party who claimed that the Bank had fraudulently infringed the rights of the creditors regarding property rights of Dun Nun Building. Please refer to Note 42 for details.

From May 2007 to February 2008, the Bank sold structured notes, which were issued by GVEC Resource Inc. (GVEC), amounting to US\$48,920 thousand through a specific trust fund. PEM Group, which GVEC was subordinate to, was found to have committed fraud by the U.S. Securities and Exchange Commission (SEC). In view of its social responsibility, the Bank's board of directors decided to buy back the structured notes before March 31, 2010 and ask for compensation from PEM Group.

PEM Group had invested in life insurance policy products, etc. In order to recover its creditor's rights effectively and to protect shareholders' equity, the Bank's board of directors adopted a resolution on December 21, 2010, to take over all the insurance policies and hold these policies in the form of trust. The Bank completed the transfer of the life insurance policies from PEM Group on March 7, 2011. The Bank measured the policies' cost based on an actuarial report less administration fees, and then recognized the cost amounting to \$218,386 thousand (US\$7,423 thousand). At the same time, the Bank wrote off the initial cost and provision for life insurance policies amounting to \$433,061 thousand (US\$14,721 thousand).

The abovementioned PEM receivable plus premiums paid thereon less any recovery amount, after assessing the possibility of recovery based on the latest information provided by the trust entity, the balance of the PEM receivable and its allowance for bad debts were as follows:

	(In Thousands of USD/NTD)	
	December 31, 2025	
	USD	NTD
Life insurance policies	\$ 8,975	\$ 282,161
Non-life insurance policies	<u>15,561</u>	<u>489,185</u>
	24,536	771,346
Less: Allowance for bad debts	<u>(18,445)</u>	<u>(579,849)</u>
Net amount	<u>\$ 6,091</u>	<u>\$ 191,497</u>
	December 31, 2024	
	USD	NTD
Life insurance policies	\$ 8,975	\$ 294,215
Non-life insurance policies	<u>15,561</u>	<u>510,082</u>
	24,536	804,297
Less: Allowance for bad debts	<u>(17,006)</u>	<u>(557,463)</u>
Net amount	<u>\$ 7,530</u>	<u>\$ 246,834</u>

Changes in Loss Allowance on Receivables

The reconciliation statements of loss allowance for receivables of the Bank and its subsidiaries were as follows:

For the year ended December 31, 2025

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance at January 1	\$ 40,389	\$ 38,520	\$ -	\$ 1,188,569	\$ -	\$ 1,267,478	\$ 186,001	\$ 1,453,479
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(986)	1,968	-	(982)	-	-	-	-
Transferred to credit - impaired financial assets	(448)	(11,075)	-	11,523	-	-	-	-
Transferred to 12 months ECL	676	(531)	-	(145)	-	-	-	-
Derecognizing financial assets during the current period	(87,182)	(10,742)	-	(11,107)	-	(109,031)	-	(109,031)
Purchased or originated new financial assets	102,718	1,382	-	2,058	-	106,158	-	106,158
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	-	-	(19,224)	(19,224)
Write-off	-	-	-	(54,796)	-	(54,796)	-	(54,796)
Recovery of written-off	-	-	-	12,544	-	12,544	-	12,544
Effects of exchange rate changes and others	(8,170)	8,291	-	67,297	-	67,418	-	67,418
Balance at December 31	<u>\$ 46,997</u>	<u>\$ 27,813</u>	<u>\$ -</u>	<u>\$ 1,214,961</u>	<u>\$ -</u>	<u>\$ 1,289,771</u>	<u>\$ 166,777</u>	<u>\$ 1,456,548</u>

For the year ended December 31, 2024

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance at January 1	\$ 50,531	\$ 28,486	\$ -	\$ 1,142,044	\$ -	\$ 1,221,061	\$ 176,706	\$ 1,397,767
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(1,371)	1,811	-	(440)	-	-	-	-
Transferred to credit - impaired financial assets	(633)	(1,647)	-	2,280	-	-	-	-
Transferred to 12 months ECL	4,601	(4,499)	-	(102)	-	-	-	-
Derecognizing financial assets during the current period	(78,740)	(20,092)	-	(9,914)	-	(108,746)	-	(108,746)
Purchased or originated new financial assets	80,010	6,978	-	3,261	-	90,249	-	90,249
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	(70,155)	-	(70,155)	9,295	9,295
Write-off	-	-	-	(70,155)	-	(70,155)	-	(70,155)
Recovery of written-off	-	-	-	5,099	-	5,099	-	5,099
Effects of exchange rate changes and others	(14,009)	27,483	-	116,496	-	129,970	-	129,970
Balance at December 31	<u>\$ 40,389</u>	<u>\$ 38,520</u>	<u>\$ -</u>	<u>\$ 1,188,569</u>	<u>\$ -</u>	<u>\$ 1,267,478</u>	<u>\$ 186,001</u>	<u>\$ 1,453,479</u>

Changes in total carrying amount of receivables of the Bank and its subsidiaries were as follows:

For the year ended December 31, 2025

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	\$ 28,503,249	\$ 352,422	\$ -	\$ 1,672,368	\$ -	\$ 30,528,039
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(270,103)	116,766	-	153,337	-	-
Purchased or originated new receivables	31,237,130	19,521	-	9,164	-	31,265,815
Write-off	-	-	-	(54,796)	-	(54,796)
Derecognition	(32,754,052)	(208,776)	-	(80,018)	-	(33,042,846)
Effects of exchange rate changes and others	(154,988)	(560)	-	(44,151)	-	(199,699)
Balance at December 31	<u>\$ 26,561,236</u>	<u>\$ 279,373</u>	<u>\$ -</u>	<u>\$ 1,655,904</u>	<u>\$ -</u>	<u>\$ 28,496,513</u>

For the year ended December 31, 2024

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	\$ 27,338,310	\$ 283,579	\$ -	\$ 1,739,969	\$ -	\$ 29,361,858
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(299,668)	170,505	-	129,163	-	-
Purchased or originated new receivables	26,438,605	38,322	-	11,457	-	26,488,384
Write-off	-	-	-	(70,155)	-	(70,155)
Derecognition	(25,440,718)	(140,231)	-	(204,019)	-	(25,784,968)
Effects of exchange rate changes and others	466,720	247	-	65,953	-	532,920
Balance at December 31	<u>\$ 28,503,249</u>	<u>\$ 352,422</u>	<u>\$ -</u>	<u>\$ 1,672,368</u>	<u>\$ -</u>	<u>\$ 30,528,039</u>

For the impairment loss analysis of receivables, please refer to Note 44.

For the information on receivables pledged as collateral for the Bank and its subsidiaries, please refer to Note 41.

14. DISCOUNTS AND LOANS, NET

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Short-term loans	\$ 92,774,880	\$ 87,386,364
Medium-term loans	273,130,186	264,276,310
Long-term loans	165,411,169	126,752,945
Overdue loans	758,109	761,756
Export negotiations	<u>-</u>	<u>7,487</u>
	532,074,344	479,184,862
Less: Allowance for bad debts	(6,709,803)	(6,119,307)
Less: Discounts on discounts and loans	<u>(107,286)</u>	<u>(99,186)</u>
Net amount	<u>\$ 525,257,255</u>	<u>\$ 472,966,369</u>

Changes in Loss Allowance on Discounts and Loans

The reconciliation statements of loss allowance for discounts and loans of the Bank and its subsidiaries were as follows:

For the year ended December 31, 2025

	Stage 1		Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)				
Balance at January 1	\$ 892,185	\$ 309,852	\$ -	\$ 604,318	\$ -	\$ -	\$ 1,806,355	\$ 4,312,952	\$ 6,119,307
Changes due to financial instruments that have been identified at the beginning of the period:									
Transferred to lifetime ECL	(3,986)	13,901	-	(9,915)	-	-	-	-	-
Transferred to credit - impaired financial assets	(11,374)	(44,521)	-	55,895	-	-	-	-	-
Transferred to 12 months ECL	28,175	(26,477)	-	(1,698)	-	-	-	-	-
Derecognizing financial assets during the current period	(1,084,037)	(52,571)	-	(16,170)	-	-	(1,152,778)	-	(1,152,778)
Purchased or originated new financial assets	1,056,736	38,712	-	75	-	-	1,095,523	-	1,095,523
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	-	-	-	116,028	116,028
Write-off	-	-	-	(945,409)	-	-	(945,409)	-	(945,409)
Recovery of written-off	-	-	-	923,718	-	-	923,718	-	923,718
Effects of exchange rate changes and others	<u>200,490</u>	<u>358,917</u>	<u>-</u>	<u>(5,993)</u>	<u>-</u>	<u>-</u>	<u>553,414</u>	<u>-</u>	<u>553,414</u>
Balance at December 31	<u>\$ 1,078,189</u>	<u>\$ 597,813</u>	<u>\$ -</u>	<u>\$ 604,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,280,823</u>	<u>\$ 4,428,980</u>	<u>\$ 6,709,803</u>

For the year ended December 31, 2024

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance at January 1	\$ 789,010	\$ 168,283	\$ -	\$ 791,094	\$ -	\$ 1,748,387	\$ 3,406,787	\$ 5,155,174
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(6,238)	11,777	-	(5,539)	-	-	-	-
Transferred to credit - impaired financial assets	(10,258)	(42,794)	-	53,052	-	-	-	-
Transferred to 12 months ECL	50,532	(48,760)	-	(1,772)	-	-	-	-
Derecognizing financial assets during the current period	(1,099,505)	(39,218)	-	(51,711)	-	(1,190,434)	-	(1,190,434)
Purchased or originated new financial assets	1,155,815	4,995	-	2,197	-	1,163,007	-	1,163,007
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	(1,256,434)	-	(1,256,434)	906,165	906,165
Write-off	-	-	-	737,232	-	737,232	-	(1,256,434)
Recovery of written-off	-	-	-	336,199	-	336,199	-	737,232
Effects of exchange rate changes and others	12,829	255,569	-	336,199	-	604,597	-	604,597
Balance at December 31	\$ 892,185	\$ 309,852	\$ -	\$ 604,318	\$ -	\$ 1,806,355	\$ 4,312,952	\$ 6,119,307

Changes in total carrying amount of discounts and loans of the Bank and its subsidiaries were as follows:

For the year ended December 31, 2025

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	\$ 474,277,080	\$ 2,012,763	\$ -	\$ 2,895,019	\$ -	\$ 479,184,862
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(1,810,516)	587,068	-	1,223,448	-	-
Purchased or originated new discounts and loans	606,766,142	63,853	-	1,147	-	606,831,142
Write-off	-	-	-	(945,409)	-	(945,409)
Derecognition	(550,568,222)	(259,555)	-	(80,922)	-	(550,908,699)
Effects of exchange rate changes and others	(2,076,575)	(19,622)	-	8,645	-	(2,087,552)
Balance at December 31	\$ 526,587,909	\$ 2,384,507	\$ -	\$ 3,101,928	\$ -	\$ 532,074,344

For the year ended December 31, 2024

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	\$ 397,443,558	\$ 1,765,817	\$ -	\$ 2,928,147	\$ -	\$ 402,137,522
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(1,975,333)	554,804	-	1,420,529	-	-
Purchased or originated new discounts and loans	638,882,165	42,141	-	10,630	-	638,934,936
Write-off	-	-	-	(1,256,434)	-	(1,256,434)
Derecognition	(563,929,677)	(391,778)	-	(271,198)	-	(564,592,653)
Effects of exchange rate changes and others	3,856,367	41,779	-	63,345	-	3,961,491
Balance at December 31	<u>\$ 474,277,080</u>	<u>\$ 2,012,763</u>	<u>\$ -</u>	<u>\$ 2,895,019</u>	<u>\$ -</u>	<u>\$ 479,184,862</u>

For the impairment loss analysis of discounts and loans, please refer to Note 44.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET

Immaterial associates:

	December 31			
	2025		2024	
	Carrying Amount	%	Carrying Amount	%
Suyin KGI Consumer Finance Co., Ltd.	\$ 10,161,491	37.63	\$ 8,919,879	37.63
CDIB & Partners Investment Holding Corporation	<u>1,181,757</u>	4.95	<u>1,095,931</u>	4.95
	<u>\$ 11,343,248</u>		<u>\$ 10,015,810</u>	

Aggregate information of associates that are not individually material:

	For the Year Ended December 31	
	2025	2024
The Bank and its subsidiaries' share of:		
Net income	\$ 1,231,238	\$ 986,586
Other comprehensive income	<u>93,472</u>	<u>154,839</u>
Total comprehensive income	<u>\$ 1,324,710</u>	<u>\$ 1,141,425</u>

The financial statements of the associates for the same period have been audited by auditors.

The Bank and its subsidiaries had not pledged any of the investments accounted for using equity method as collateral.

16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

- a. The Bank and its subsidiaries have asset securitization products in which the Bank and its subsidiaries do not have significant influence but rights and obligations in accordance with the contract. The funds of unconsolidated structured entities are from the Bank and its subsidiaries and external third parties.
- b. The carrying amounts of the Bank and its subsidiaries' involvement with the structured entities, which were recognized in the consolidated balance sheet were as follows:

	December 31	
	2025	2024
<u>Asset securitization</u>		
Financial assets at FVTOCI	\$ -	\$ 329,410

The amount of the maximum exposure to loss is the carrying amount of the assets held by the Bank and its subsidiaries.

- c. The Bank and its subsidiaries did not provide any financial support to the unconsolidated structured entities.

17. OTHER FINANCIAL ASSETS, NET

	December 31	
	2025	2024
Call loan to security brokers	\$ 314,380	\$ -
Purchased debt receivables	107,818	140,662
Overdue receivables	29,253	33,232
Due from banks except for cash and cash equivalents	-	983,430
Pledged time deposits	-	300
	451,451	1,157,624
Less: Allowance for bad debts - overdue receivables	(29,253)	(33,232)
Net amount	\$ 422,198	\$ 1,124,392

For the information on other financial assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 41.

18. PROPERTY AND EQUIPMENT, NET

	December 31	
	2025	2024
Land	\$ 3,289,011	\$ 3,263,551
Buildings and facilities	1,089,010	1,115,952
Machinery and computer equipment	482,710	404,281
Leasehold improvements	339,843	359,210
Miscellaneous equipment	76,785	80,220
Transportation equipment	41	55
Prepayments for acquisition of equipment	<u>85,125</u>	<u>13,566</u>
	<u>\$ 5,362,525</u>	<u>\$ 5,236,835</u>

The changes in the Bank and its subsidiaries' property and equipment were as follows:

	Land	Buildings and Facilities	Machinery and Computer Equipment	Leasehold Improvements	Transportation Equipment	Miscellaneous Equipment	Prepayments for Acquisition of Equipment	Total
Cost								
Balance at January 1, 2024	\$ 3,267,808	\$ 2,249,848	\$ 759,630	\$ 600,228	\$ 3,390	\$ 141,149	\$ 8,757	\$ 7,030,810
Additions	-	14,806	63,149	17,910	-	9,537	65,218	170,620
Deduction	-	(13,680)	(105,068)	(30,221)	(3,318)	(15,167)	-	(167,454)
Reclassification	-	200	66,051	3,767	-	740	(60,409)	10,349
Effects of exchange rate changes	-	-	79	15	-	49	-	143
Balance at December 31, 2024	<u>3,267,808</u>	<u>2,251,174</u>	<u>783,841</u>	<u>591,699</u>	<u>72</u>	<u>136,308</u>	<u>13,566</u>	<u>7,044,468</u>
Accumulated depreciation and impairment								
Balance at January 1, 2024	(4,257)	(1,077,234)	(366,316)	(205,102)	(2,521)	(51,040)	-	(1,706,470)
Depreciation	-	(71,668)	(119,871)	(51,050)	(147)	(19,899)	-	(262,635)
Deduction	-	13,680	104,978	25,248	2,651	15,054	-	161,611
Reclassification	-	-	1,725	(1,569)	-	(156)	-	-
Effects of exchange rate changes	-	-	(76)	(16)	-	(47)	-	(139)
Balance at December 31, 2024	<u>(4,257)</u>	<u>(1,135,222)</u>	<u>(379,560)</u>	<u>(232,489)</u>	<u>(17)</u>	<u>(56,088)</u>	<u>-</u>	<u>(1,807,633)</u>
Balance at December 31, 2024, net	<u>\$ 3,263,551</u>	<u>\$ 1,115,952</u>	<u>\$ 404,281</u>	<u>\$ 359,210</u>	<u>\$ 55</u>	<u>\$ 80,220</u>	<u>\$ 13,566</u>	<u>\$ 5,236,835</u>
Cost								
Balance at January 1, 2025	\$ 3,267,808	\$ 2,251,174	\$ 783,841	\$ 591,699	\$ 72	\$ 136,308	\$ 13,566	\$ 7,044,468
Additions	-	26,760	100,185	30,504	-	14,375	142,143	313,967
Deduction	-	(27,981)	(133,672)	(7,727)	-	(8,867)	-	(178,247)
Reclassification	25,460	24,616	130,014	2,710	-	1,778	(72,380)	112,198
Effects of exchange rate changes	-	-	111	89	-	299	1,796	2,295
Balance at December 31, 2025	<u>3,293,268</u>	<u>2,274,569</u>	<u>880,479</u>	<u>617,275</u>	<u>72</u>	<u>143,893</u>	<u>85,125</u>	<u>7,294,681</u>
Accumulated depreciation and impairment								
Balance at January 1, 2025	(4,257)	(1,135,222)	(379,560)	(232,489)	(17)	(56,088)	-	(1,807,633)
Depreciation	-	(69,002)	(129,771)	(52,653)	(14)	(19,871)	-	(271,311)
Deduction	-	27,981	133,672	7,711	-	8,863	-	178,227
Reclassification	-	(9,316)	(22,100)	-	-	-	-	(31,416)
Effects of exchange rate changes	-	-	(10)	(1)	-	(12)	-	(23)
Balance at December 31, 2025	<u>(4,257)</u>	<u>(1,185,559)</u>	<u>(397,769)</u>	<u>(277,432)</u>	<u>(31)</u>	<u>(67,108)</u>	<u>-</u>	<u>(1,932,156)</u>
Balance at December 31, 2025, net	<u>\$ 3,289,011</u>	<u>\$ 1,089,010</u>	<u>\$ 482,710</u>	<u>\$ 339,843</u>	<u>\$ 41</u>	<u>\$ 76,785</u>	<u>\$ 85,125</u>	<u>\$ 5,362,525</u>

The above items of self-use property and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings and facilities	5-60 years
Machinery and computer equipment	4-10 years
Transportation equipment	5 years
Miscellaneous equipment	3-15 years
Leasehold improvements	Depends on the age or the durable life of the lease, whichever is shorter

For the information on property and equipment pledged as collateral by the Bank and its subsidiaries, please refer to Note 41.

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2025	2024
Carrying amounts		
Buildings and facilities	\$ 2,787,002	\$ 2,762,858
Transportation equipment	4,416	2,301
Computer equipment	837	1,890
Miscellaneous equipment	<u>621</u>	<u>305</u>
	<u>\$ 2,792,876</u>	<u>\$ 2,767,354</u>
	For the Year Ended December 31	
	2025	2024
Additions to right-of-use assets	<u>\$ 431,832</u>	<u>\$ 92,238</u>
Depreciation of right-of-use assets		
Buildings and facilities	\$ 373,653	\$ 358,898
Transportation equipment	3,042	2,948
Computer equipment	1,053	1,916
Miscellaneous equipment	<u>175</u>	<u>79</u>
	<u>\$ 377,923</u>	<u>\$ 363,841</u>

b. Lease liabilities

	December 31	
	2025	2024
Carrying amounts	<u>\$ 2,987,489</u>	<u>\$ 2,959,568</u>
	For the Year Ended December 31	
	2025	2024
Interest expense (other interest expenses)	<u>\$ 30,773</u>	<u>\$ 28,099</u>

Ranges of discount rates for lease liabilities were as follows:

	December 31	
	2025	2024
Buildings and facilities	0.64%-3.14%	0.64%-1.89%
Computer equipment	1.50%-1.60%	1.50%-1.60%
Transportation equipment	1.49%-1.83%	1.38%-1.71%
Miscellaneous equipment	1.03%-3.61%	1.03%

The maturity analysis of lease liabilities (undiscounted) was as follows:

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Less than 1 year	\$ 397,547	\$ 382,149
1 year to 5 years	1,311,507	1,377,380
Over 5 years	<u>1,441,840</u>	<u>1,327,619</u>
	<u>\$ 3,150,894</u>	<u>\$ 3,087,148</u>

c. Material leasing activities and terms

The Bank and its subsidiaries leases building and facilities, computer equipment, transportation equipment and miscellaneous equipment with lease terms of 1 to 15 years. In the contract, the Bank and its subsidiaries has options to lease the building at the end of the lease terms. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

d. Other lease information

For lease arrangements under operating leases for the leasing out of investment properties for the Bank and its subsidiaries, please refer to Notes 20.

	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Expenses relating to short-term leases	<u>\$ 21,378</u>	<u>\$ 11,204</u>
Expenses relating to low-value asset leases	<u>\$ 5,183</u>	<u>\$ 5,142</u>
Total cash outflow for leases	<u>\$ 413,746</u>	<u>\$ 395,440</u>

Short-term lease commitments with lease terms commencing after the balance sheet dates are as follows:

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Short-term lease commitments	<u>\$ 26,558</u>	<u>\$ 4,782</u>

20. INVESTMENT PROPERTY, NET

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Land	\$ 2,181,315	\$ 2,185,978
Buildings and facilities	<u>447,548</u>	<u>431,882</u>
	<u>\$ 2,628,863</u>	<u>\$ 2,617,860</u>

The changes in the Bank and its subsidiaries' investment properties were as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
<u>Cost</u>		
Beginning balance	\$ 3,494,918	\$ 3,602,238
Additions	131,115	33,878
Deductions	(48,342)	(141,198)
Reclassification	(46,639)	-
Ending balance	<u>3,531,052</u>	<u>3,494,918</u>
<u>Accumulated depreciation</u>		
Beginning balance	(361,071)	(345,986)
Depreciation	(17,811)	(17,227)
Deductions	1,593	2,142
Reclassification	9,316	-
Ending balance	<u>(367,973)</u>	<u>(361,071)</u>
<u>Accumulated impairment</u>		
Beginning balance	(515,987)	(516,000)
(Additions) deductions	<u>(18,229)</u>	<u>13</u>
Ending balance	<u>(534,216)</u>	<u>(515,987)</u>
Carrying amount, net	<u>\$ 2,628,863</u>	<u>\$ 2,617,860</u>

Investment property is depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings and facilities

Main building and parking spaces 30-60 years

The fair values of the Bank and its subsidiaries' investment properties were assessed by an external independent appraiser. The sales comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transactions, and the income approach takes the net operating income of the rent collected and divides it by the capitalization rate. Based on these valuations, the fair values of the Bank and its subsidiaries' investment properties as of December 31, 2025 and 2024 were \$3,481,181 thousand and \$3,429,124 thousand, respectively. Investment properties were categorized into Level 3.

The lease terms of the leasing of investment properties are 1 to 10 years. Some lessees have the priority to rent the leased property under the same terms after the leases have expired. The lessees do not have bargain purchase options to acquire the investment property at the expiry of the lease periods.

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

	December 31	
	2025	2024
Year 1	\$ 42,167	\$ 48,661
Year 2	39,556	33,326
Year 3	28,363	27,137
Year 4	16,219	15,802
Year 5	11,783	3,525
Over 5 years	<u>27,792</u>	<u>2,614</u>
	<u>\$ 165,880</u>	<u>\$ 131,065</u>

The above items of investment property under operating leases are depreciated on a straight-line basis over the estimated useful lives as follows:

	Estimated Useful Lives
Buildings and facilities	30-60 years

For the information on investment property pledged as collateral by the Bank and its subsidiaries, please refer to Note 41.

21. OTHER ASSETS, NET

	December 31	
	2025	2024
Guarantee deposits paid	\$ 11,855,138	\$ 7,486,774
Prepaid expenses	719,267	623,324
Prepaid pensions	160,066	157,946
Others	<u>265,862</u>	<u>340,848</u>
	<u>\$ 13,000,333</u>	<u>\$ 8,608,892</u>

For the information on other assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 41.

22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2025	2024
Call loans from banks	\$ 9,591,456	\$ 11,932,353
Deposits from Chunghwa Post Co., Ltd.	<u>180,556</u>	<u>180,556</u>
	<u>\$ 9,772,012</u>	<u>\$ 12,112,909</u>

23. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Corporate bonds	\$ 25,134,408	\$ 40,131,229
Bank debentures	11,795,458	13,243,269
Government bonds	9,522,205	12,948,798
Commercial papers	<u>5,500,941</u>	<u>3,831,964</u>
	<u>\$ 51,953,012</u>	<u>\$ 70,155,260</u>
Repurchase amounts	<u>\$ 52,464,826</u>	<u>\$ 70,918,325</u>

24. PAYABLES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Accrued expenses	\$ 1,658,240	\$ 1,490,318
Accrued interest	1,535,361	2,063,496
Accounts payable factoring	1,428,531	1,495,060
Acceptances	368,067	33,319
Others	<u>1,209,175</u>	<u>1,463,187</u>
	<u>\$ 6,199,374</u>	<u>\$ 6,545,380</u>

25. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Time deposits	\$ 296,614,000	\$ 282,431,058
Savings deposits	227,268,040	197,953,263
Demand deposits	142,264,968	139,721,314
Negotiable certificates of deposit	15,511,500	8,511,200
Checking deposits	3,941,434	3,119,791
Remittances	<u>67,758</u>	<u>155,946</u>
	<u>\$ 685,667,700</u>	<u>\$ 631,892,572</u>

26. BANK DEBENTURES PAYABLE

Name	December 31		Issuance Period	Method of Paying Principle and Interests	Interest Rate
	2025	2024			
P07 KGIB 1	\$ 3,000,000	\$ 3,000,000	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	3,350,000	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
P08 KGIB 1	3,100,000	3,100,000	2019.06.26-2034.06.26	Interest payable annually; principal due on maturity	1.40%
P09 KGIB 1	1,200,000	1,200,000	2020.03.05-2027.03.05	Interest payable annually; principal due on maturity	0.75%
P09 KGIB 2	4,800,000	4,800,000	2020.03.05-2030.03.05	Interest payable annually; principal due on maturity	0.80%
P09 KGIB 3	4,800,000	4,800,000	2020.08.07-2030.08.07	Interest payable annually; principal due on maturity	0.71%
P10 KGIB 1	4,300,000	4,300,000	2021.02.04-2031.02.04	Interest payable annually; principal due on maturity	0.57%
P14 KGIB 1	<u>2,870,000</u>	<u>-</u>	2025.12.30, no maturity date	Interest payable annually (Note)	4.50%
	27,420,000	24,550,000			
Valuation adjustments	<u>(734,986)</u>	<u>(887,705)</u>			
Net amount	<u>\$ 26,685,014</u>	<u>\$ 23,662,295</u>			

Note: The Bank has the right to redeem the bonds after 5 years and 1 month from the issue date if its self-owned capital adequacy ratio is still in compliance with the requirements set by the competent authority. The Bank is allowed to redeem the bonds based on the carrying value of each bond plus interest after approved by the competent authority.

27. OTHER FINANCIAL LIABILITIES

	December 31	
	2025	2024
Cumulative earnings on appropriated loan fund	\$ 9,987,092	\$ 6,029,043
Commercial paper payable	3,719,701	3,339,638
Short-term borrowings	<u>1,000,000</u>	<u>868,000</u>
	<u>\$ 14,706,793</u>	<u>\$ 10,236,681</u>
Commercial paper payable	1.76%-2.22%	1.98%-2.24%
Short-term borrowings	1.96%-2.30%	2.10%-2.19%

For the information on collateral for borrowings, please refer to Note 41.

28. PROVISIONS

	December 31	
	2025	2024
Provisions for guarantee liabilities	\$ 155,640	\$ 158,709
Provisions for loan commitments	99,219	88,077
Provisions for decommissioning, restoration and rehabilitation cost	69,636	52,288
Others	<u>73,000</u>	<u>73,382</u>
	<u>\$ 397,495</u>	<u>\$ 372,456</u>

29. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The pension plan adopted by the Bank and its domestic subsidiaries in accordance with the Labor Pension Act (LPA) is a state-managed defined contribution plan. Under the LPA, the Bank and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Total pension expenses recognized were \$164,306 thousand and \$148,833 thousand for the years ended December 31, 2025 and 2024, respectively.

b. Defined benefit plan

The pension plan adopted by the Bank and its domestic subsidiaries in accordance with the Labor Standards Act is a defined benefit pension plan. Pension benefits are calculated on the bases of the length of service and average monthly salaries and wages of employees at the time of retirement.

The Bank places its monthly contributions to the non-managers' pension fund at authorized ratios, which is deposited in the Bank of Taiwan and administered by the Employees' Pension Reserve Supervisory Committee. Managers' pension funds are managed by the Employee Retirement Fund Management Committee and deposited in KGI's Chungho Branch in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The amounts included in the consolidated balance sheets in respect of the Bank and its subsidiaries' defined benefit plans were as follows:

	December 31	
	2025	2024
Present value of defined benefit obligation	\$ 1,033,984	\$ 994,868
Fair value of plan assets	<u>(1,194,050)</u>	<u>(1,152,814)</u>
Net defined benefit assets	<u>\$ (160,066)</u>	<u>\$ (157,946)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2024	\$ 974,720	\$ (1,094,156)	\$ (119,436)
Service cost			
Current service cost	1,601	-	1,601
Net interest expense (income)	<u>13,364</u>	<u>(15,103)</u>	<u>(1,739)</u>
Recognized in profit or loss	<u>14,965</u>	<u>(15,103)</u>	<u>(138)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (52,626)	\$ (52,626)
Actuarial (gain) loss - changes in financial assumptions	(13,414)	-	(13,414)
Actuarial (gain) loss - experience adjustments	<u>43,310</u>	<u>-</u>	<u>43,310</u>
Recognized in other comprehensive income	<u>29,896</u>	<u>(52,626)</u>	<u>(22,730)</u>
Contributions from the employer	-	(15,642)	(15,642)
Benefits paid	<u>(24,713)</u>	<u>24,713</u>	<u>-</u>
Balance at December 31, 2024	<u>994,868</u>	<u>(1,152,814)</u>	<u>(157,946)</u>
Service cost			
Current service cost	1,349	-	1,349
Net interest expense (income)	<u>14,922</u>	<u>(17,401)</u>	<u>(2,479)</u>
Recognized in profit or loss	<u>16,271</u>	<u>(17,401)</u>	<u>(1,130)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(44,529)	(44,529)
Actuarial (gain) loss - changes in financial assumptions	13,654	-	13,654
Actuarial (gain) loss - experience adjustments	<u>45,386</u>	<u>-</u>	<u>45,386</u>
Recognized in other comprehensive income	<u>59,040</u>	<u>(44,529)</u>	<u>14,511</u>
Contributions from the employer	-	(15,501)	(15,501)
Benefits paid	<u>(36,195)</u>	<u>36,195</u>	<u>-</u>
Balance at December 31, 2025	<u>\$ 1,033,984</u>	<u>\$ (1,194,050)</u>	<u>\$ (160,066)</u>

(Concluded)

Through the defined benefit plans under the Labor Standards Act, the Bank and its subsidiaries are exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity/debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor 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 and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31</u>	
	2025	2024
Discount rates	1.200%-1.375%	1.500%
Expected rates of salary increase	2.500%-3.000%	2.500%-3.000%

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

	<u>December 31</u>	
	2025	2024
Discount rate		
0.25% increase	<u>\$ (26,513)</u>	<u>\$ (25,512)</u>
0.25% decrease	<u>\$ 27,447</u>	<u>\$ 26,446</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 26,562</u>	<u>\$ 25,610</u>
0.25% decrease	<u>\$ (25,795)</u>	<u>\$ (24,837)</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>	
	2025	2024
The expected contributions to the plan for the next year	<u>\$ 15,212</u>	<u>\$ 14,647</u>
The average duration of the defined benefit obligation	8 years - 12.22 years	8 years - 13.13 years

30. OTHER LIABILITIES

	<u>December 31</u>	
	2025	2024
Temporary receipts and suspense accounts	\$ 948,479	\$ 1,015,511
Guarantee deposits received	737,344	688,059
Others	<u>271,942</u>	<u>159,665</u>
	<u>\$ 1,957,765</u>	<u>\$ 1,863,235</u>

31. EQUITY

a. Capital

Common stock

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Number of shares authorized (in thousands) (Note)	<u>20,000,000</u>	<u>20,000,000</u>
Shares authorized	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>
Number of shares issued and fully paid (in thousands) (Note)	<u>4,703,625</u>	<u>4,703,625</u>
Shares issued	<u>\$ 47,036,254</u>	<u>\$ 47,036,254</u>

Note: Par value of shares is NT\$10.

On July 19, 2024, the Bank's board of directors approved to issue 97,463 thousand new shares as consideration for acquiring 100% equity interest in KGI Asset Management Co., Ltd., with November 1, 2024, set as the effective date of the capital increase.

b. Capital surplus

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Additional paid-in capital	\$ 7,825,977	\$ 7,825,977
Share-based payments	187,742	162,289
Change in capital surplus from investments in associates accounted for using equity method	35,255	35,255
Difference between consideration and carrying amount of subsidiaries acquired	<u>4,978</u>	<u>4,978</u>
	<u>\$ 8,053,952</u>	<u>\$ 8,028,499</u>

The premium of additional paid-in capital (share premium from issuance of common shares, treasury share transactions, and excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital once a year within a certain percentage of the Bank's capital surplus.

The capital surplus from investments under the equity method and share-based payments may not be used for any purpose.

c. Legal and special reserves

Under the Company Act, when the Bank incurs no loss, the shareholders' meeting may resolve to distribute legal reserve by issuing new shares or cash dividends, which is limited by the 25% balance of legal reserve minus capital. In addition, under the Banking Act, the Bank should retain 30% of its after-tax earnings as legal reserve before distributing these earnings. Further, if the amount of legal reserve is less than the total amount of capital, the maximum amount of earnings that may be distributed in cash should not exceed 15% of the total capital. However, this restriction will not apply if the amount of legal reserve equals or exceeds the amount of the total capital or if the Bank is in sound financial condition and is in compliance with the Company Act.

After applying IFRS Accounting Standards, the Bank recognizes and reverses special reserve according to Order No. 1010012865 and 1090150022 issued by the FSC and the rule of "Questions and Answers

on Special Reserves Appropriated Following the Adoption of IFRSs”.

Under Order No. 10510001510 issued by the FSC on May 25, 2016, the Public Bank shall appropriate 2016 to 2018 annual surplus which is based on 0.5% to 1% of net income for special reserve. From fiscal year of 2017, the Bank can reverse the amount of expenditure of employees’ transfer arising from financial technology development within the amount of the above special reserve. However, in response of the development of financial technology and the protection of the rights and interests of employees in the domestic banks, it is not applicable to appropriate special reserve in accordance with the Order No. 10802714560 issued by the FSC. When paying the expense of employees’ turnover or resettlement expenditures and the training in response of financial technology or business development of the bank, the Bank reverses the special reserve within the scope mentioned above.

d. Appropriation of earnings and dividends policy

In order to expand the Bank’s operations and consider the benefit of shareholders as well as comply with the Banking Act and relevant regulations, the Bank applies the residual dividends policy. In principle, the Bank pays dividends in the form of cash. The maximum cash distribution from earnings shall not exceed regulatory limit when legal reserve is less than paid-in capital.

The current year’s earnings will be first applied to offset the prior years’ losses as well as settle all taxes payable. After covering losses and settling taxes, the balance will then be used to appropriate legal reserve and special reserve and to reverse a special reserve in accordance with the Banking Act and relevant regulations. The remainder and the prior years’ adjusted unappropriated earnings are subject to the board of directors’ decision to propose a distribution plan to be submitted to the shareholders’ meeting for approval.

When the Bank’s legal reserve equals its paid-in capital, or when the Bank has complied with the FSC’s financial soundness requirements and has provided a legal reserve based on the Company Act and relevant regulations, the Bank is no longer subject to the requirement for legal reserve appropriation and to the aforementioned of paid-in capital limit on cash dividends distribution.

The appropriation of earnings should be presented for approval at the shareholders’ meeting in the year following and given effect to in the financial statements of the year following the year of earnings generation.

Under the Financial Holding Company Act, because the Bank has only one shareholder, KGIFH, the Company Act provisions on shareholders’ meetings do not apply to the Bank and the board of directors is thus entitled to exercise shareholders’ meeting functions.

The appropriations of the 2024 and 2023 earnings approved by Bank’s board of directors, who were authorized to execute shareholders’ meeting function on May 13, 2025 and April 24, 2024, respectively, were as follows:

	2024	2023
Legal reserve	\$ 2,005,479	\$ 1,649,590
Reversal of special reserve	(184,686)	(1,425)
Cash dividends	4,864,136	3,850,468

Related information can be accessed at the Market Observation Post System website of the Taiwan Stock Exchange.

32. NET INTEREST

	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Interest revenue</u>		
Discounts and loans	\$ 18,481,886	\$ 16,852,211
Securities	5,838,617	6,666,915
Due from and call loans to banks	979,830	1,552,123
Others	<u>1,197,082</u>	<u>1,378,674</u>
	<u>26,497,415</u>	<u>26,449,923</u>
<u>Interest expense</u>		
Deposits	12,021,155	13,709,240
Notes and bonds issued under repurchase agreements	1,855,873	2,781,777
Structured notes	1,204,030	1,496,560
Others	<u>1,059,579</u>	<u>1,144,059</u>
	<u>16,140,637</u>	<u>19,131,636</u>
	<u>\$ 10,356,778</u>	<u>\$ 7,318,287</u>

33. SERVICE FEE INCOME, NET

	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Service fee revenue</u>		
Trust	\$ 982,532	\$ 754,188
Insurance commission	893,943	685,422
Loans	660,941	693,531
Credit card	125,480	200,867
Others	<u>834,338</u>	<u>755,076</u>
	<u>3,497,234</u>	<u>3,089,084</u>
<u>Service fee expense</u>		
Agency	193,651	158,602
Interbank	134,009	121,499
Others	<u>168,778</u>	<u>186,285</u>
	<u>496,438</u>	<u>466,386</u>
	<u>\$ 3,000,796</u>	<u>\$ 2,622,698</u>

34. GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Year Ended December 31	
	2025	2024
<u>Realized gain</u>		
Derivative instruments	\$ 1,657,444	\$ 3,570,751
Bonds	377,556	491,069
Commercial paper	268,514	239,625
Others	<u>518,211</u>	<u>493,014</u>
	<u>2,821,725</u>	<u>4,794,459</u>
<u>Revaluation gain (loss)</u>		
Derivative instruments	92,673	(679,825)
Others	<u>27,756</u>	<u>27,747</u>
	<u>120,429</u>	<u>(652,078)</u>
	<u>\$ 2,942,154</u>	<u>\$ 4,142,381</u>

For the years ended December 31, 2025 and 2024, the realized gain or loss on the Bank and its subsidiaries' financial assets or liabilities at FVTPL included (a) disposal gain of \$2,508,696 thousand and \$4,502,565 thousand, respectively, (b) interest revenues of \$302,276 thousand and \$277,033 thousand, respectively, (c) dividend incomes of \$10,753 thousand and \$14,861 thousand, respectively.

35. REALIZED GAINS ON FINANCIAL ASSETS MEASURED AT FVTOCI

	For the Year Ended December 31	
	2025	2024
Gain on disposal of bonds	\$ 222,126	\$ 205,706
Dividend income	<u>37,084</u>	<u>282,336</u>
	<u>\$ 259,210</u>	<u>\$ 488,042</u>

36. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2025	2024
Employee benefit expense		
Salaries and wages	\$ 4,355,826	\$ 3,969,568
Employee insurance	337,503	288,000
Pension	163,176	148,695
Others	<u>431,551</u>	<u>374,697</u>
	<u>\$ 5,288,056</u>	<u>\$ 4,780,960</u>
Depreciation and amortization expenses	<u>\$ 989,532</u>	<u>\$ 945,519</u>

The Bank's Articles of Incorporation, which stipulates to distribute compensation of employees at the rates 0.01%-3% and remuneration of directors at the rates no higher than 1% of net profit before income tax and compensation of employees and remuneration of directors, however, if the Bank had incurred cumulative losses, the profit should be used to offset the losses first.

The distribution of the compensation of employees and remuneration of directors for 2025 and 2024 approved by the board of directors on March 3, 2026 and February 25, 2025 were as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
Compensation of employees	\$ 8,000	\$ 6,200
Remuneration of directors	79,000	61,000

There was no difference between the amounts resolved by the board of directors and the respective amounts recognized in the financial statements for the years.

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

The information on the proposed and approved compensation of employees and remuneration of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

37. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the Year Ended December 31</u>	
	2025	2024
Taxation	\$ 914,875	\$ 859,701
Computer information	538,653	491,862
Marketing	255,391	178,854
Commission	230,788	179,710
Insurance	164,419	151,269
Professional services	146,308	131,099
Others	<u>638,138</u>	<u>555,614</u>
	<u>\$ 2,888,572</u>	<u>\$ 2,548,109</u>

38. INCOME TAX

a. Income tax expense

	<u>For the Year Ended December 31</u>	
	2025	2024
Current income tax		
Current year	\$ 797,921	\$ 674,934
Prior year's adjustments	<u>751</u>	<u>(4,077)</u>
	798,672	670,857
Deferred income tax	<u>313,013</u>	<u>(12,649)</u>
Income tax expenses	<u>\$ 1,111,685</u>	<u>\$ 658,208</u>

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2025	2024
Income tax expenses calculated at the statutory rate	\$ 1,583,345	\$ 1,248,293
Effect of different tax rates applied to consolidated entities	27	(210)
Permanent difference	(544,810)	(536,343)
Additional income tax under the Alternative Minimum Tax Act	73,791	(38,840)
Prior year's adjustments	751	(4,077)
Others	<u>(1,419)</u>	<u>(10,615)</u>
Income tax expenses recognized in profit or loss	<u>\$ 1,111,685</u>	<u>\$ 658,208</u>

The corporate income tax rate used by the Bank and its subsidiaries in the ROC is 20%. The applicable tax rate used by subsidiaries in China is 25%.

b. Income tax recognized in other comprehensive income:

	For the Year Ended December 31	
	2025	2024
Current income tax		
Changes in fair value of equity instruments at FVTOCI	\$ -	\$ 164,506
Deferred income tax		
Changes in fair value of debt instruments at FVTOCI	88,712	(7,401)
Remeasurement of defined benefit plans	<u>(2,397)</u>	<u>3,819</u>
Income tax expense	<u>\$ 86,315</u>	<u>\$ 160,924</u>

c. The estimated receivables/payables resulting from the use of the linked-tax system on the Bank and its subsidiaries' consolidated tax returns were as follows:

	December 31	
	2025	2024
Taxes paid to the parent company	<u>\$ 1,393,477</u>	<u>\$ 1,448,211</u>

d. Deferred tax assets and liabilities

	December 31	
	2025	2024
<u>Deferred tax assets</u>		
Allowance for bad debts	\$ 481,777	\$ 475,861
Others	<u>27,119</u>	<u>51,724</u>
	<u>\$ 508,896</u>	<u>\$ 527,585</u>
<u>Deferred tax liabilities</u>		
Financial instruments valuation	\$ 509,595	\$ 114,338
Others	<u>62,458</u>	<u>77,076</u>
	<u>\$ 572,053</u>	<u>\$ 191,414</u>

e. Income tax assessments

Since 2015, the Bank used the linked-tax system in filing together its income tax and unappropriated earnings returns and those of its parent company and eligible subsidiaries.

The income tax returns of the Bank through 2019 have been examined by the tax authorities.

The income tax returns of CDIB Management Consulting Corporation and KGI Finance & Leasing Corporation through 2023 have been examined by the tax authorities, the income tax returns of KGI Asset Management Co., Ltd. through 2019 have been examined by the tax authorities.

39. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2025	2024
Earnings used in the computation of the EPS		
Profit for the year attributable to owners of parent	\$ 6,805,039	\$ 5,457,844
Profit for the year attributable to the former owner of business combination under common control	<u> -</u>	<u> 125,413</u>
	<u>\$ 6,805,039</u>	<u>\$ 5,583,257</u>
Weighted average number of common shares outstanding (shares in thousands)	<u> 4,703,625</u>	<u> 4,703,625</u>
Basic EPS (in dollars)	<u> \$ 1.45</u>	<u> \$ 1.19</u>

On November 1, 2024, the Bank acquired 100% equity interest in KGI Asset Management Co., Ltd. through a share exchange and recognized it as a subsidiary. This transaction constitutes a reorganization of entities under common control, and the earnings per share of prior periods were calculated based on the weighted average number of common shares outstanding retrospectively adjusted in accordance with share exchange ratio.

40. RELATED-PARTY TRANSACTIONS

The significant transactions and relationship with related parties (in addition to those disclosed in other notes) are summarized below:

<u>Name of Related Party</u>	<u>Relationship with the Bank and Its Subsidiaries</u>
KGI Financial Holding Co., Ltd.	Parent company
CDIB Capital Group and its subsidiaries	Subsidiary of the parent company
KGI Securities Co., Ltd. and its subsidiaries	Subsidiary of the parent company
KGI Life Insurance Co., Ltd	Subsidiary of the parent company
KGI Securities Investment Trust Co., Ltd.	Subsidiary of the parent company
Others	Other related parties

- a. Future contracts (recognized as cash and cash equivalents and financial assets at FVTPL)

Cash and cash equivalents

	Amount
December 31, 2025	\$ 85,260
December 31, 2024	153,629

Financial assets at FVTPL

	Amount
December 31, 2025	\$ 23,803

- b. Commercial paper (recognized as financial assets at FVTPL)

	Amount
December 31, 2025	\$ 698,827
December 31, 2024	249,613

- c. Service fee revenue receivables (recognized as receivables, net)

	Amount
December 31, 2025	\$ 6,032
December 31, 2024	12,791

- d. Credit card receivables (recognized as receivables, net)

	Amount
December 31, 2025	\$ 21,261
December 31, 2024	20,936

- e. Discounts and loans

	Amount	Interest Rate (%)
December 31, 2025	\$ 1,377,865	2.19-5.99
December 31, 2024	1,299,002	2.06-6.61

For the years ended December 31, 2025 and 2024, the interest revenues from discounts and loans were \$36,876 thousand and \$30,430 thousand, respectively.

The loan information for related parties were described below:

December 31, 2025

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Non-performing Loan	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	20	\$ 23,882	\$ 16,581	\$ 16,581	\$ -	None	Yes
Residential mortgage loans	71	1,053,787	839,132	839,132	-	Real estate	Yes
Others	10	630,619	522,152	522,152	-	None/Real estate	Yes

December 31, 2024

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Non-performing Loan	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	24	\$ 30,830	\$ 17,962	\$ 17,962	\$ -	None	Yes
Residential mortgage loans	71	887,246	755,379	755,379	-	Real estate	Yes
Others	9	537,084	525,661	525,661	-	None/Real estate	Yes

f. Purchase and sale of bonds

Purchase of Bonds

For the year ended December 31, 2024

Subsidiary of the parent company \$ 2,682,525

g. Call loans to security brokers (recognized as other financial assets, net)

December 31, 2025

Subsidiary of the parent company \$ 314,380

For the years ended December 31, 2025 and 2024, the interest revenues for call loans to security brokers were \$21,662 thousand and \$76,123 thousand, respectively.

h. Lease agreements

Acquisition for right-of-use assets

For the Year Ended December 31, 2025

Subsidiary of the parent company \$ 302,132

Lease liabilities

December 31

2025 2024

Subsidiaries of the parent company \$ 2,259,754 \$ 2,121,336

For the Year Ended December 31
2025 2024

Interest expense

Subsidiaries of the parent company	\$ 20,606	\$ 17,945
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Lease expense

Subsidiaries of the parent company	549	489
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The above rental price is determined based on the market price and paid monthly.

i. Guarantee deposits paid (recognized as other assets, net)

		Amount
December 31, 2025		\$ 61,088
December 31, 2024		48,142

j. Payable to parent (recognized as current tax liabilities)

	<u>December 31</u>	
	2025	2024
Parent company	\$ 1,393,477	\$ 1,448,211

The payables resulted from KGIFH and its eligible subsidiaries adopting the linked-tax system in the filing of tax returns.

k. Accrued interest (recognized as payables)

		Amount
December 31, 2025		\$ 34,516
December 31, 2024		39,436

l. Deposits

	Amount	Interest Rate (%)
December 31, 2025	\$ 44,340,202	0-8.88
December 31, 2024	43,079,890	0-10.00

For the years ended December 31, 2025 and 2024, the interest expenses for deposits were \$677,560 thousand and \$547,518 thousand, respectively.

m. Temporary receipts and suspense accounts (recognized as other liabilities)

	<u>December 31</u>	
	2025	2024
Subsidiaries of the parent company	\$ 509,395	\$ 669,491

The above account is temporary receipts of Automated Clearing House (ACH).

n. Service fee revenue

**For the Year
Ended
December 31**

2025

Subsidiaries of the parent company	\$ 472,643
Other related parties	1,795

2024

Subsidiaries of the parent company	395,948
Other related parties	10,198

Service fee revenue mainly comprised sale of insurance, funds, and trust affiliated business, etc.

o. Other miscellaneous revenue (recognized as other non-interest income, net)

**For the Year
Ended
December 31**

2025	\$ 8,298
2024	15,615

p. Insurance expenses (recognized as employee benefits expense)

**For the Year
Ended
December 31**

2025	\$ 37,449
2024	21,773

q. Donations (recognized as other general and administrative expenses)

**For the Year
Ended
December 31**

2025	\$ 29,750
2024	21,000

r. Other general and administrative expenses

**For the Year
Ended
December 31**

2025	\$ 159,733
2024	120,485

s. Outstanding derivative financial instruments

December 31, 2025

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	February 6, 2025 - August 11, 2026	\$ 33,027,890	\$ 813,926	Financial assets at FVTPL	\$ 1,022,434
	Cross-currency swap contracts	June 26, 2024 - May 26, 2026	214,879	5,263	Financial liabilities at FVTPL	208,508
					Financial liabilities at FVTPL	8,807

December 31, 2024

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	August 20, 2024 - March 24, 2025	\$ 40,648,440	\$ 1,114,345	Financial assets at FVTPL	\$ 1,114,345
	Cross-currency swap contracts	August 26, 2021 - May 26, 2026	526,335	(31,360)	Financial liabilities at FVTPL	64,482

t. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Salary and short-term employee benefits	\$ 331,790	\$ 275,161
Share-based payments	14,169	17,915
Post-employment benefits	<u>2,075</u>	<u>1,860</u>
	<u>\$ 348,034</u>	<u>\$ 294,936</u>

The terms of transactions with related parties were similar to those for unrelated parties, except for certain preferential interest rate on deposits for the Bank's employees with limited deposit amounts.

Based on Articles 32 and 33 of the Banking Act, except for consumer loans and government loans, credits extended by the Bank to any related party were fully secured, and the other terms for these credits were similar to those for unrelated parties.

41. PLEDGED ASSETS

The assets pledged as collateral for commercial paper payable, short-term borrowings, guarantees for provisional seizure, operating guarantee deposits, various reserves, day-term overdraft, U.S. dollar liquidation and other transactions of the guarantee of the Bank and its subsidiaries were as follows:

Assets	Object	<u>December 31</u>	
		<u>2025</u>	<u>2024</u>
Installment accounts and lease receivables	Notes receivable	\$ 810,651	\$ 899,194
Financial assets at FVTOCI	Government bonds	225,984	218,056
Debt investments measured at amortized cost	Negotiable certificates of deposit	22,200,000	21,240,000
Property and equipment, net	Real estate	7,305	7,515
Investment property, net	Investment property	28,332	29,620
Other financial assets, net	Time deposits	-	300
Other assets, net	Cash in banks - impound account	18,786	31,741

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Major Litigation

In December 2012, a third party filed a lawsuit claiming that the Bank fraudulently infringed upon the property rights of creditors on Dun Nan building. On February 14, 2014, the Taipei District Court adjudicated that the mortgage is cancelled, and the Bank has to return the amount of \$1,786,318 thousand. The Bank has appealed against this sentence on March 10, 2014. The original adjudication in favor of the third party was revoked by the High Court on July 26, 2017. The third party filed a new appeal, and the Supreme Court ordered the High Court to conduct a new trial on November 9, 2018. The High Court issued a judgment on August 17, 2021, upholding the original Taipei District Court's decision to revoke the part of the mortgage, and dismissed the third party's request for the Bank to pay the received money. The Bank and the third party each filed a third-instance appeal for losing part of the lawsuit. The Supreme Court reversed the original judgment on May 30, 2024 and remanded the case to the High Court. On October 28, 2025, the High Court rendered its judgment, setting aside the original decision and dismissing the claims of the third party, whereupon the third party filed an appeal with the Supreme Court. As of the date on which the board of directors approved the consolidation financial statements, the case remains under trial by the Supreme Court.

43. FAIR VALUE AND HIERARCHY INFORMATION

- a. The fair value hierarchy of financial instruments is defined as follows:
 - 1) Level 1 fair values are quoted prices in active markets for financial instruments.
 - 2) Level 2 fair values refer to directly or indirectly observable inputs other than Level 1 quoted prices, such as the quoted prices of similar financial instruments in active markets; in less active markets, fair values are quoted prices of the same or similar financial instruments or financial instruments that can be generated by using pricing models that use inputs such as interest rates and volatility rates, which are derived from or can be corroborated with observable market data.
 - 3) Level 3 refers to inputs that are not based on observable market data.

b. Financial instruments measured at fair value

1) The fair value hierarchy of financial instruments measured at fair value is as follows:

December 31, 2025

	Level 1	Level 2	Level 3	Total
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Commercial papers	\$ -	\$ 21,518,425	\$ -	\$ 21,518,425
Others	264,770	-	584,640	849,410
Financial assets at FVTOCI				
Stock investments	-	-	959,484	959,484
Bond investments	57,507,868	57,750,521	-	115,258,389
Others	-	2,496,685	-	2,496,685
Other financial assets				
Purchased debt receivables	-	-	107,818	107,818
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	28,574	21,474,835	929,680	22,433,089
Financial assets for hedging	-	103,094	-	103,094
Liabilities				
Financial liabilities at FVTPL	-	21,775,179	929,692	22,704,871
Financial liabilities for hedging	-	820,134	-	820,134

December 31, 2024

	Level 1	Level 2	Level 3	Total
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Commercial papers	\$ -	\$ 15,435,260	\$ -	\$ 15,435,260
Others	1,059,246	-	571,588	1,630,834
Financial assets at FVTOCI				
Stock investments	-	-	952,071	952,071
Bond investments	74,015,866	61,825,471	-	135,841,337
Others	-	3,348,686	-	3,348,686
Other financial assets				
Purchased debt receivables	-	-	140,662	140,662
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	-	29,514,638	1,602,401	31,117,039
Financial assets for hedging	-	559,311	-	559,311
Liabilities				
Financial liabilities at FVTPL	-	28,210,992	1,602,335	29,813,327
Financial liabilities for hedging	-	896,786	-	896,786

2) Valuation technique of fair value

For financial assets and liabilities at FVTPL and financial assets at FVTOCI, fair value is determined at quoted market prices. When market prices of the Bank's various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or the counterparties' transaction prices. The information used by the Bank for fair value estimation is consistent with that generally used in the market, and the pricing models used are commonly recognized by the industry as helpful tools in determining fair value. Related framework of the methodology can be outlined as analytical solution model (such as Black-Scholes model) and numeric method model (such as Monte Carlo simulation).

3) Fair value adjustment

a) The limitation of valuation techniques and uncertain inputs

Valuation techniques incorporate assumptions that depend on the financial instrument type and available market data. However, certain inputs used in valuation techniques may be less readily determinable. In these circumstances, a valuation model would use additional parameters and/or model assumptions-model risk, liquidity risk, and so on to make fair value adjustments. Thus, on the basis of its valuation management policies and relevant control procedures, the management considers valuation adjustments as necessary and appropriate. For the Bank and its subsidiaries to make appropriate valuation adjustments, all parameters and price information are evaluated thoroughly, and market conditions are taken into consideration.

b) Credit risk valuation adjustment

Credit risk valuation adjustment consists of credit valuation adjustment and debit valuation adjustment, and definitions are the following:

The credit valuation adjustment is an adjustment to the valuation of OTC derivative financial instruments contracts to reflect within fair value the possibility that the counterparty may default and that the Bank may not receive the full market value of the transactions.

The debit valuation adjustment is an adjustment to the valuation of OTC derivative financial instruments contracts to reflect within fair value the possibility that the Bank may default, and that the Bank may not pay full market value of the transactions.

The Bank does credit valuation adjustment using probability of default (PD) multiplied by loss given default (LGD) multiplied by exposure at default (EAD). To estimate the PD to be used as basis for the allowance for doubtful accounts, the Bank refers to the ratings published by international credit rating institutions, valuation models and valuation method specified in IFRS 9.

For EAD calculation, the market values of OTC derivative financial instruments are estimated in calculating EAD. The Bank uses PD no lower than 60%.

The above parameters used in risk valuation adjustment that is based on the fair values of financial instruments reflect the credit risks of counterparties and the credit quality of the Bank.

4) Transfer between Level 1 and Level 2

There was no transfer of financial instrument between Level 1 and Level 2 for the years ended December 31, 2025 and 2024.

5) Reconciliation of Level 3 items of financial instruments

The movements of financial assets with Level 3 fair value were as follows:

For the Year Ended December 31, 2025

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		Profit and Loss	Other Compare-pensive Income	Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL	\$ 2,173,989	\$ (615,148)	\$ -	\$ -	\$ -	\$ (44,521)	\$ -	\$ 1,514,320
Financial assets at FVTOCI	952,071	-	7,413	-	-	-	-	959,484
Other financial assets								
Purchased debt receivables	140,662	27,575	-	-	-	(60,419)	-	107,818

For the Year Ended December 31, 2024

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		Profit and Loss	Other Compare-pensive Income	Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL	\$ 1,677,228	\$ 549,715	\$ -	\$ -	\$ -	\$ (52,954)	\$ -	\$ 2,173,989
Financial assets at FVTOCI	943,307	-	8,914	-	-	(150)	-	952,071
Other financial assets								
Purchased debt receivables	160,766	24,757	-	-	-	(44,861)	-	140,662

The movements of financial liabilities with Level 3 fair value were as follows:

For the Year Ended December 31, 2025

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Profit and Loss	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL	\$ 1,602,335	\$ (629,249)	\$ -	\$ -	\$ (43,394)	\$ -	\$ 929,692

For the Year Ended December 31, 2024

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Profit and Loss	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL	\$ 1,160,272	\$ 491,116	\$ -	\$ -	\$ (49,053)	\$ -	\$ 1,602,335

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. As of December 31, 2025 and 2024, the gains and losses on assets and liabilities were gain of \$13,016 thousand and gain of \$54,705 thousand, respectively.

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

The table below lists quantitative unobservable inputs of financial instruments with Level 3 fair value:

	Fair Value at December 31, 2025	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTPL	\$ 584,640	Quoted price of counterparties Market approach	Liquidity discount ratios P/B, Lack of liquidity discount	Beyond estimation 1.00 26%	Fair value is inversely proportional to discount for liquidity discount ratios Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity
Financial assets at FVTOCI	959,484	Market approach Net asset method	P/B, Lack of liquidity discount Lack of liquidity discount and control discount	1.57 26% 10%-29%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity Fair value is inversely proportional to discount for lack of liquidity and control
Other financial assets Purchased debt receivables	107,818	Discounted cash flow	Discount rate	5.79%-8.00%	Assets at fair value is inversely proportional to discount rate.
Derivative financial instruments					
Financial assets at FVTPL	929,680	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios
Financial liabilities at FVTPL	929,692	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios

	Fair Value at December 31, 2024	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTPL	\$ 571,588	Quoted price of counterparties Market approach	Liquidity discount ratios P/B, Lack of liquidity discount	Beyond estimation 0.86 26%	Fair value is inversely proportional to discount for liquidity discount ratios Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity
Financial assets at FVTOCI	952,071	Market approach Net asset method	P/B, Lack of liquidity discount Lack of liquidity discount and control discount	1.45 27.20% 10%-29%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of liquidity Fair value is inversely proportional to discount for lack of liquidity and control
Other financial assets Purchased debt receivables	140,662	Discounted cash flow	Discount rate	5.79%-8.00%	Assets at fair value is inversely proportional to discount rate.
Derivative financial instruments					
Financial assets at FVTPL	1,602,401	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios
Financial liabilities at FVTPL	1,602,335	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information /beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios

7) Pricing process of Level 3 fair value

The Bank's risk management department is responsible for the pricing process of Level 3 fair value. The pricing models and conditions assumed are conform to market practice; the basis of the theory is commonly recognized by the industry as a basis of valuation in conducting measurement of fair value. Further, the department confirms whether the sources of the information are independent or not, reasonably reflecting the prices in normal circumstances, and examines and adjusts fair value periodically to ensure results of the valuation is reasonable.

c. Fair value of financial instruments not carried at fair value

1) Except for debt investments measured at amortized cost and bank debentures payable, the carrying amounts of the financial instruments not measured at fair value are approximate to their fair value; thus, their fair values are not disclosed.

2) Information of fair value hierarchy

December 31, 2025

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Debt investments measured at amortized cost	\$ -	\$ 82,715,295	\$ -	\$ 82,715,295
<u>Financial liabilities</u>				
Bank debentures payable	-	27,872,102	-	27,872,102

December 31, 2024

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Debt investments measured at amortized cost	\$ -	\$ 69,682,199	\$ -	\$ 69,682,199
<u>Financial liabilities</u>				
Bank debentures payable	-	24,551,640	-	24,551,640

3) Valuation techniques

- a) Because the maturity date is close to the balance sheet date, the fair value of the financial assets can be reasonably estimated by referring to their carrying amount in the balance sheet. The technique applies to cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, notes and bonds issued under repurchase agreements, payables, deposits and remittances, other financial liabilities and guarantee deposits received, etc.
- b) The floating rates are usually adopted as the interest of the loan, which reflects market interest; thus, it is reasonable to estimate the fair value of a loan by referring to its carrying amount together with the consideration in the collectability.
- c) The fair value of debt investments measured at amortized cost is estimated by referring to quote price from electronic bond trading system of Taipei Exchange or Bloomberg.
- d) The fair value of bank debentures payable is estimated by referring to the discounted expected cash flow, of which the discount rate is reference to interest rates with similar maturity date.

44. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Bank has an appropriate risk management system covering the main types of risks, such as market risks, credit risks, operating risks, and follows risk management procedures.

The Bank also analyzes, monitors and prepares reports on overall risk management. These reports are submitted to senior management, to committees with risk management functions and to the board of directors. Updates on actual risks encountered when there are significant changes in macroeconomic conditions or in the financial market are generated for more effective risk monitoring and handling.

The Bank's risk management focuses not only on individual departments but also the overall impact of risks on a corporate level.

The Bank identifies risks using consistent standard asset portfolio classifications, with classifications correlating with each other, and establishes a consistent measure applicable to the different types of exposure.

The Bank's risk management groupings are as follows:

1) Board of directors

The Bank's board of directors supervises the operation of a risk management structure and promotes a risk management culture, ensures the efficiency of risk management, reviews important risk control reports and bears the ultimate responsibility for risk management.

2) Risk management committee

The risk management committee supervises the implementation of risk management policies, inspects risk control reports and deals with related issues.

3) Business and management departments

The departments are responsible for ensuring compliance with risk management regulations while conducting operations to control daily risks.

4) Risk management department

The risk management department is a unit independent from business departments and is in charge of risk management planning and system operation and providing overall risk management information to senior management and the board of directors.

5) Audit department

The department is in charge of establishing all risk mechanisms and auditing the implementation of and compliance with these mechanisms.

Risk management is a joint duty of all the Bank's departments including business, legal, regulatory compliance, finance, accounting, administration, operating, audit department and so on, that should be done diligently through interdepartmental coordination in overall risk management.

b. Credit risk

1) Definition and source of credit risk

Credit risk is the risk of financial loss to the Bank if a creditor, debtor or counterparty fails to meet its contractual obligations or has negative changes in its credit quality. Credit risk management covers all operating activities that involve credit risk, including credit business, call loans to banks, banking book securities investment, derivatives financial instruments, repurchase and reverse repurchase agreement transactions and other operating activities.

2) Credit risk management policy

The Bank has standard control procedures for credit risk identification, measurement, and generation of disclosures and reports to be used for a rational identification, measurement, disclosure, and effective control of credit risk. These procedures include applying standard screening criteria for target clients, credit investigations for credit approval or rejection, careful deliberation of applications for certain exceptions, credit review, management of non-performing loans and requests, and control over all related documents and information. The Bank also adjusts the credit risk structure accordingly so that credit portfolios are within the Bank's risk appetite. Further, the Bank assesses the changes in the economy to adjust risk structure and develops strategies in response to these changes to raise shareholders' value and ensure the risk is bearable.

Based on the risk management policies, the management process is carried out as follows:

a) Credit investigation

In screening target clients, the Bank asks for all the necessary documents from the clients in order to get an accurate understanding of their background and control credit portfolios within the acceptable range.

b) Credit approval

Cases that have passed the credit investigation are reviewed by the credit authority of each level, which in accordance with the Bank's credit limit structure and authorization policies. The Bank's credit approval structure and policies are based not only on the Banking Act and other government rules for credit extended to the same person, single enterprise/group, industry, mortgage loans, investments in securities and country, but also on the professionalism of the Bank's credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities occasionally.

c) Post-lending loan review

The corporate banking segment of the Bank tracks the borrowers' financial and business conditions, generates risk assessment reports on credit asset portfolios regularly, operates a risk warning system and adjusts business development strategies as needed to cope with economic conditions and changes in asset quality through the use of an account management scheme and a regular-reassessment system. For consumer banking business, they track and control the changes in asset quality through the use of regular-assessment system and handle the changes in borrowers' credit quality instantly through the use of regular-reassessment system. For delinquent loans, the Bank uses the concentration management method, together with information systems and analysis models, to enhance and expedite the collection of non-performing loans.

d) Risk report and information disclosures

The risk management department is responsible for measuring risk, preparing various risk management index, analysis of changes in asset quality, etc., and prepares quarterly risk management report for submission to the risk management committee and board of directors.

3) Credit risk hedge or mitigation policies

Considering the asset hedge market and liquidity, the Bank takes the necessary risk reduction strategies, mainly on credit objects and hedge transactions involving assets with doubtful collectability or a long period of duration, including methods for increasing appropriate collateral with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Enterprise Credit Guarantee Fund of Taiwan to maximize the collateral. For determining the value of foreclosed collateral, liquid securities will be evaluated at their market value; other collateral will regularly be inspected by the appraisal institution to assess the current situation of the collateral and reassess its value as necessary to ensure the risk offset effect, which will be used as a basis for demanding additional collateral or adjusting the credit amount.

To mitigate the Bank's risks, in addition to strengthening the review and tracking of the borrowers and guarantors, if clients are found to have bad credit features, the Bank will take corresponding measures at the appropriate time, such as early repayment or additional collateral. In addition, the Bank sets different credit limits for counterparties involved in derivative financial instruments and enters into collateral agreements with major counterparties to ensure that risks are under control.

4) Maximum exposure to credit risk

The maximum exposure to credit risk from in-balance sheet financial assets, without considering collateral or other credit enhancements, was equal to their carrying values; without taking into collateral or other credit enhancements and unused revolving credit without credit card and cash card, the maximum exposure of credit risk from irrevocable off-balance sheet financial instruments was as follows:

Items	December 31	
	2025	2024
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	\$ 60,762,953	\$ 54,314,225

The Bank believes that stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure from their off-balance sheet items.

The Bank and its subsidiaries' carrying amount of maximum exposure credit risk for major credit assets were as follows:

	Discounts and Loans					Total
	December 31, 2025					
	Stage 1	Stage 2	Stage 3		The Adjustment	
	12 Months	Lifetime	Lifetime	Purchased or	under the	
	Expected Credit	Expected Credit	Expected Credit	Credit-impaired	Regulation/	
	Losses	Losses	Losses	Financial Asset	Discount	
Short-term loans	\$ 64,553,846	\$ 532,671	\$ 744,210	\$ -		\$ 65,830,727
Short-term secured loans	26,943,539	614	-	-		26,944,153
Medium-term loans	195,440,008	697,221	198,747	-		196,335,976
Medium-term secured loans	76,383,903	372,540	37,767	-		76,794,210
Long-term loans	33,739,205	591,184	1,279,487	-		35,609,876
Long-term secured loans	129,527,408	190,277	83,608	-		129,801,293
Overdue loans	-	-	758,109	-		758,109
Export negotiations	-	-	-	-		-
Total carrying amount	<u>526,587,909</u>	<u>2,384,507</u>	<u>3,101,928</u>	<u>-</u>		<u>532,074,344</u>
Allowance for bad debts	(1,078,189)	(597,813)	(604,821)	-		(2,280,823)
The adjustments under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					\$ (4,428,980)	(4,428,980)
Discounts on loans	-	-	-	-	(107,286)	(107,286)
Total	<u>\$ 525,509,720</u>	<u>\$ 1,786,694</u>	<u>\$ 2,497,107</u>	<u>\$ -</u>	<u>\$ (4,536,266)</u>	<u>\$ 525,257,255</u>

	Receivables					Total
	December 31, 2025					
	Stage 1	Stage 2	Stage 3		The Adjustment	
	12 Months	Lifetime	Lifetime	Purchased or	under the	
	Expected Credit	Expected Credit	Expected Credit	Credit-impaired	Regulation	
	Losses	Losses	Losses	Financial Asset	Regulation	
Credit card	\$ 4,253,392	\$ 186,726	\$ 167,308	\$ -		\$ 4,607,426
Accounts receivable - forfeiting	228,780	-	-	-		228,780
Accounts receivable factoring without recourse	9,289,487	-	16	-		9,289,503
Acceptances	368,067	-	-	-		368,067
Installment accounts and lease receivables	<u>5,004,091</u>	<u>77,138</u>	<u>69,207</u>	<u>-</u>		<u>5,150,436</u>
Total carrying amount	19,143,817	263,864	236,531	-		19,644,212
Allowance for bad debts	(44,982)	(23,605)	(70,805)	-		(139,392)
The adjustments under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					\$ (160,864)	(160,864)
Total	<u>\$ 19,098,835</u>	<u>\$ 240,259</u>	<u>\$ 165,726</u>	<u>\$ -</u>	<u>\$ (160,864)</u>	<u>\$ 19,343,956</u>

Discounts and Loans						
December 31, 2024						
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		The Adjustment under the Regulation/ Discount	Total
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset		
Short-term loans	\$ 66,239,031	\$ 575,455	\$ 691,027	\$ -		\$ 67,505,513
Short-term secured loans	19,880,851	-	-	-		19,880,851
Medium-term loans	181,623,759	246,593	209,811	-		182,080,163
Medium-term secured loans	81,702,576	450,679	42,892	-		82,196,147
Long-term loans	14,456,929	528,845	1,084,903	-		16,070,677
Long-term secured loans	110,366,447	211,191	104,630	-		110,682,268
Overdue loans	-	-	761,756	-		761,756
Export negotiations	7,487	-	-	-		7,487
Total carrying amount	474,277,080	2,012,763	2,895,019	-		479,184,862
Allowance for bad debts	(892,185)	(309,852)	(604,318)	-		(1,806,355)
The adjustments under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					\$ (4,312,952)	(4,312,952)
Discounts on loans					(99,186)	(99,186)
Total	\$ 473,384,895	\$ 1,702,911	\$ 2,290,701	\$ -	\$ (4,412,138)	\$ 472,966,369

Receivables						
December 31, 2024						
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3		The Adjustment under the Regulation	Total
			Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset		
Credit card	\$ 3,568,134	\$ 193,435	\$ 152,550	\$ -		\$ 3,914,119
Accounts receivable - forfeiting	1,751,570	-	-	-		1,751,570
Accounts receivable factoring without recourse	10,210,824	1	18	-		10,210,843
Acceptances	33,319	-	-	-		33,319
Installment accounts and lease receivables	4,632,896	126,631	57,520	-		4,817,047
Total carrying amount	20,196,743	320,067	210,088	-		20,726,898
Allowance for bad debts	(38,704)	(31,015)	(56,811)	-		(126,530)
The adjustments under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					\$ (185,258)	(185,258)
Total	\$ 20,158,039	\$ 289,052	\$ 153,277	\$ -	\$ (185,258)	\$ 20,415,110

Maximum exposures to credit risk of financial instruments not applicable to impairment were as follows:

	December 31	
	2025	2024
Financial assets at FVTPL		
Debt instruments	\$ 22,237,792	\$ 16,958,185
Derivatives instruments	22,433,089	31,117,039

5) Collateral and credit enhancements

The Bank and its subsidiaries' pledged collateral associated with credit include discounts, loans and receivables which contain real estate, movable property (e.g.: Machinery), rights certificates and securities (e.g.: Certificates of deposit, stocks), notes receivable arose from borrowing of business transactions, guarantees provided by government public authority at all levels, banks or guarantee institutions authorized by government (e.g.: SME credit guarantee fund and letter of credit guaranteed) and collateral set in accordance with the laws including pledge, registration of land rights. Financial assets held by the Bank are part of corporate bonds guaranteed by financial institutions as credit enhancement.

The Bank and its subsidiaries observe collateral's value of financial instruments closely and consider the recognition of impairment for financial assets with credit impairment. The Bank and its subsidiaries' financial assets with impairment, and collateral's values for mitigation of potential losses were as follows:

	December 31, 2025			
	Total Carrying Amount	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collateral Value
Impaired asset:				
Receivables	\$ 236,531	\$ 70,805	\$ 165,726	\$ -
Discounts and loans	<u>3,101,928</u>	<u>604,821</u>	<u>2,497,107</u>	<u>537,295</u>
Total amount of impaired asset	<u>\$ 3,338,459</u>	<u>\$ 675,626</u>	<u>\$ 2,662,833</u>	<u>\$ 537,295</u>
	December 31, 2024			
	Total Carrying Amount	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collateral Value
Impaired asset:				
Receivables	\$ 210,088	\$ 56,811	\$ 153,277	\$ -
Discounts and loans	<u>2,895,019</u>	<u>604,318</u>	<u>2,290,701</u>	<u>534,480</u>
Total amount of impaired asset	<u>\$ 3,105,107</u>	<u>\$ 661,129</u>	<u>\$ 2,443,978</u>	<u>\$ 534,480</u>

The amount of the Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount are \$1,113,845 thousand and \$1,456,472 thousand for the years ended December 31, 2025 and 2024.

6) Concentration of credit risk

Concentration of credit risk arise when there is only one counterparty, or when there is more than one counterparty, but they have comparable economic characteristics, or when such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise from a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, due from and call loans to banks, investments, receivables and derivatives, etc. The Bank maintained a diversified loan portfolio to mitigate the credit risk concentration to same customers; total transactions of same customers in discounts and loans are not material. To manage credit risk concentration, the Bank maintains a diversified portfolio and monitors its exposure continually. The Bank's most significant concentrations of credit risk are summarized as follows:

a) By industry

	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Public and private enterprises	\$ 310,570,858	58.37	\$ 281,741,179	58.80
Natural persons	221,503,486	41.63	197,243,683	41.16
Non-profit organizations	-	-	200,000	0.04
Total	\$ 532,074,344	100.00	\$ 479,184,862	100.00

b) By region

	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Domestic	\$ 428,938,144	80.62	\$ 387,936,937	80.96
Overseas	103,136,200	19.38	91,247,925	19.04
Total	\$ 532,074,344	100.00	\$ 479,184,862	100.00

c) By collateral

	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Credit	\$ 289,572,944	54.42	\$ 266,103,908	55.53
Secured				
Real estate	212,459,528	39.93	198,256,172	41.37
Guarantees	3,206,650	0.60	3,702,386	0.77
Financial collateral	20,892,122	3.93	6,644,549	1.39
Other	5,943,100	1.12	4,477,847	0.94
Total	\$ 532,074,344	100.00	\$ 479,184,862	100.00

7) Management policies on foreclosed collateral

Foreclosed collateral of the Bank is recorded at cost, using lower at cost or net fair value as of the balance sheet date. If collateral were not disposed of within the statutory period, the Bank should apply for an extension of the disposal period and increase its provision for possible losses, if competent authority requires.

	December 31	
	2025	2024
Foreclosed collateral	\$ 588,985	\$ 588,985
Allowance for impairment	<u>(588,985)</u>	<u>(588,985)</u>
	<u>\$ -</u>	<u>\$ -</u>

Foreclosed collateral will be sold when it is actually available for sale. The foreclosed collateral is classified as other assets in balance sheet. The difference amount between the disposition price and the carrying amount is recognized as net other non-interest income.

8) Disclosures required under the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of non-performing loans and overdue receivables

Items		December 31, 2025					
		Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 366,828	\$ 97,038,564	0.38%	\$ 1,310,122	357.15%	
	Unsecured	61,334	228,348,758	0.03%	2,565,915	4,183.54%	
Consumer banking	Mortgage (Note 4)	23,857	105,900,025	0.02%	1,590,484	6,666.71%	
	Cash card	105,989	9,670,402	1.10%	145,584	137.36%	
	Micro credit (Note 5)	370,499	60,118,139	0.62%	770,149	207.87%	
	Others (Note 6)	Secured	6,426	30,988,692	0.02%	327,450	5,096.09%
		Unsecured	-	9,764	-	99	-
Total		934,933	532,074,344	0.18%	6,709,803	717.68%	
		Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	
Credit card		\$ 34,709	\$ 4,607,426	0.75%	\$ 87,503	252.11%	
Accounts receivable factoring without recourse (Note 7)		11	9,289,503	0.00%	122,992	1,131,894.25%	

Items		December 31, 2024					
		Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate banking	Secured	\$ 381,108	\$ 93,184,596	0.41%	\$ 1,224,474	321.29%	
	Unsecured	77,276	202,782,788	0.04%	2,383,745	3,084.71%	
Consumer banking	Mortgage (Note 4)	29,191	89,479,965	0.03%	1,343,119	4,601.17%	
	Cash card	119,202	10,235,768	1.16%	154,904	129.95%	
	Micro credit (Note 5)	353,136	53,005,404	0.67%	689,590	195.28%	
	Others (Note 6)	Secured	20,146	30,481,044	0.07%	322,467	1,600.71%
		Unsecured	862	15,297	5.64%	1,008	117.03%
Total		980,921	479,184,862	0.20%	6,119,307	623.83%	
		Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	
Credit card		\$ 44,322	\$ 3,914,119	1.13%	\$ 83,660	188.75%	
Accounts receivable factoring without recourse (Note 7)		12	10,210,843	0.00%	136,249	1,149,778.72%	

Note 1: Non-performing loans are reported in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. Overdue credit card receivables are regulated by Order No. 0944000378 announced by the FSC on July 6, 2005.

Note 2: NPL ratio = $NPL \div Total\ loans$. For credit card business: Delinquency ratio = $Overdue\ credit\ card\ receivables \div Credit\ card\ receivables\ balance$.

Note 3: Coverage ratio = $LLR \div NPL$. Coverage ratio of credit receivables: $Allowance\ for\ credit\ losses \div Overdue\ credit\ card\ receivables$.

Note 4: Residential mortgage refers to financing obtained to buy, build, or fix houses owned by the borrower or the borrower’s spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Order No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Order No. 0945000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable factoring without recourse.

b) Exemption on non-performing loans and overdue receivables

Items	December 31, 2025		December 31, 2024	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 826	\$ 36	\$ 1,276	\$ 45
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	81,915	8,695	73,718	7,945
Total	\$ 82,741	\$ 8,731	\$ 74,994	\$ 7,990

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

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letters dated September 15, 2008 (Order No. 09700318940) and dated September 20, 2016 (Order No. 10500134790).

c) Concentration of credit risk

December 31, 2025

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	A Group - Advertising	\$ 8,919,348	11.37
2	B Group - manufacture of other electronic parts and components	6,600,090	8.41
3	C Group - real estate activities for sale and rental	5,868,478	7.48
4	D Group - real estate development activities	5,570,247	7.10
5	E Group - real estate development activities	5,540,000	7.06
6	F Group - manufacture of liquid crystal panel and components	5,405,447	6.89
7	G Group - real estate development activities	5,261,970	6.71
8	H Group - manufacture of other optoelectronic materials and components	4,565,098	5.82
9	I Group - real estate development activities	4,518,943	5.76
10	J Group - wastewater and sewage treatment	4,157,839	5.30

December 31, 2024

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	B Group - manufacture of other electronic parts and components	\$ 6,235,472	8.43
2	I Group - real estate development activities	6,169,386	8.34
3	C Group - real estate activities for sale and rental	6,139,448	8.30
4	D Group - real estate development activities	6,020,050	8.14
5	F Group - manufacture of liquid crystal panel and components	5,550,426	7.50
6	A Group - other real estate activities	5,108,065	6.90
7	K Group - real estate activities for sale and rental	4,727,582	6.39
8	H Group - manufacture of liquid crystal panel and components	4,619,895	6.24
9	L Group - power supply business	3,819,688	5.16
10	M Group - securities dealer	3,721,523	5.03

Note 1: According to the total credit balance ranking of borrowers, the names of the top ten corporate borrowers - excluding all government entities and state-owned enterprises - are disclosed. If a borrower is part of a corporate group, the total credit amount of the group should be consolidated and listed. The disclosure of corporate group's total credit includes a code and the industry category (for example, Company A (or Group) manufacture of liquid crystal panel and components). For corporate groups, the industry category with the largest exposure to the group should be disclosed. The industry category should be based on the subclass level defined in the standard industry classification of the Directorate-General of Budget, Accounting and Statistics.

Note 2: "Group" refers to those that meet the definition specified in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Credit balance means the sum of all the loan (including import bill negotiated, export bills negotiated, bills and notes discounted, overdrafts, short-term loans, short-term secured loans, margin loans receivable, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and overdue loans), exchange bills negotiated, accounts receivable factoring without recourse, acceptances receivable, and guarantees issued.

9) Judgments of a significant increase in credit risk since initial recognition

Credit business

The Bank assesses changes in credit quality during the expected lifetime of various types of credit assets on each reporting date to determine if there has been a significant increase in credit risk since initial recognition, main indicators considered and supporting information (including prospective information) were as follows:

a) Quantitative index

When the contractual payments are overdue for more than 30 days, the credit risk of the credit assets are considered to be significantly increased since the initial recognition.

b) Qualitative index

- i. Changes in the current or predicted operating, financial, or economic conditions that are expected to cause a significant change in the ability of the borrower to perform debt obligations.
- ii. Actual or expected significant changes in borrower's operating results.
- iii. The credit risk of other credit contracts of the same borrower has increased significantly.
- iv. After evaluation, it can be included if the borrowers do not suffer from difficulties at the time of negotiation in individual credit assets.

The various types of credit assets of the Bank which are not regarded as low credit risk can be assumed that the credit risk of such assets has not increased significantly since initial recognition.

10) Definition of default and credit impaired financial assets

The definition of financial assets in default of the Bank is the same as that of the credit impaired financial assets. If one or more of the following conditions are met, the Bank determines that the financial asset is in default and credit impaired:

a) Quantitative index

- i. When the borrower's payment of the contract is overdue for more than 90 days.
- ii. Changes in external rating of guarantor or issuer of the notes or bonds.

b) Qualitative index

For credit assets, if there is evidence that the borrower will be unable to settle the loan, or has significant financial difficulties, such as:

- i. Borrower has been bankrupt or may file a petition for bankruptcy or financial restructuring.
- ii. Borrower's loan contract has been reclassified to non-performing loans or has been written off as bad debts by the Bank.
- iii. Due to financial or contractual reasons related to the financial difficulties of the borrower, the creditor gives the borrower concessions that would not have been considered or agreed (agreements).
- iv. For cases involving the sale of non-performing loans and suits.
- v. Payment by the Bank to fulfill off-balance sheet financial contracts (e.g., guarantee advances).

The aforementioned definition of default and credit impairment applied to the credit assets held by the Bank is consistent with the definition used for internal credit risk management purposes, and is used in the relevant impairment assessment model.

The credit asset will be restored to the state of compliance and is not considered as the credit asset of default and credit impairment if it no longer meets the definition of default and credit impairment.

The debt instrument investment may also be deemed to have a credit impairment if the rating of the notes or bonds of the guarantor or issuer downgrade significantly, for example, from an investment grade to a junk bond rating, or if one or more of the following conditions are met:

- i. The guarantor or issuer cannot repay the principal or interest on the maturity date of the note or bond.
- ii. Before the maturity of the note or bond, it can be objectively determined that the guarantor or issuer may not be able to repay the principal and interest on time.
- iii. Before the maturity of the note or bond, the guarantor or issuer is in bankruptcy or in reorganization or taken over due to financial difficulties.
- iv. Before the maturity of the note or bond, the guarantor or issuer closes down or is in the process of other financial restructuring.

11) Write-off policy

The Bank shall write off non-performing loans and overdue receivables that meet at least one of the following requirements:

- a) When the timing for statutory write-off is reached.
- b) There is a need to expedite the reduction of non-performing loans or for certain businesses that need to comply with the requirements of the governing authorities.
- c) Written off by the governing authorities or the financial inspection authorities.
- d) If it is difficult to dispose of the collateral or it may take a long time to recover the loan, the creditor's balance shall be written off as bad debt within the period which is specified in a).
- e) Obtaining the debt certificate or supporting documents with the assessment that credit assets evaluated as impossible to obtain repayment.

12) Amendment of contract cash flows of financial assets

The Bank may amend the contract cash flows of loans as a result of financial difficulties of borrowers or improvement of problematic debtors' recovery rates, etc. The amendments to contract cash flows include the extension of the contract period, interest payment time modification, contract interest modification, or exemption of part of the debts.

13) Measurement of expected credit losses

For the purpose of measuring expected credit losses, the Bank divides credit assets into the following groups: for corporate banking, they are grouped according to scale, while for consumer banking, they are grouped according to product characteristics:

Business	Group	Definition
Corporate banking	Large enterprises + Stage 1	Credit risk has not increased significantly
	Small and medium enterprises + Stage 1	
	Large enterprises + Stage 2	Credit risk has increased significantly
	Small and medium enterprises + Stage 2	
	Large enterprises + Stage 3	Credit impaired
	Small and medium enterprises + Stage 3	
Consumer banking	Product + Stage 1	Credit risk has not increased significantly
	Product + Stage 2	Credit risk has increased significantly
	Product + Stage 3	Credit impaired

The Bank measures the allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model. For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses, the Bank takes into account the borrower's probability of default (PD) for the next 12 months and the period of existence, and includes the loss given default (LGD) and exposure at default (EAD), taking into account the impact of the time value of money when calculating the 12 month and lifetime expected credit losses, respectively.

Probability of default is the probability of default of a borrower or counterparty over a period of time; the loss given default refers to the probability of loss of the borrower or counterparty due to inability to recover the debt at the end of the reminder procedures. The probability of default and loss given default used in the impairment assessment of the Bank's credit business are based on internal historical information (such as credit loss experience, etc.) of each group, adjusted based on the current observable data and forward-looking general economic information (such as GDP and employment rate, etc.) which are used to calculate the probability of default on expected losses.

The exposure at default means that the Bank can claim compensation for the carrying amount held by borrowers or the counterparty after borrowers or the counterparty have defaulted. The Bank has taken into account the amount of credits that have been used and the amounts that may be used in the future for the exposure at default amount. The amount of credits is used as an assessment of exposure at default of on-balance sheet credits; off-balance sheet or committed credits that are not yet used are based on the corresponding credit conversion factor (CCF) which considered the credits that are expected to be used within 12 months or expected lifetime, to calculate exposure at default of expected credit loss.

14) Considerations of forward-looking information

The Bank incorporates forward-looking information when measuring expected credit losses on loans and receivables. Based on the business characteristics, the Bank selected the overall indicators that are appropriate as adjustment parameters for default probability of lending. Based on the type of business, the Bank used different overall indicators. The Corporate banking business takes the economic growth rate (GDP) as an adjustment parameter; the consumer banking business takes employment rate variation as adjustment parameter. The Bank also makes reference to external information (the forecast values from well-known domestic and foreign economic forecasting institutions) or group expert assessments to provide forecasting information on economic factors

quarterly, such as using the change of the Leading Index and Money Flow Index as basic economic conditions; it contains the best estimate of the economic situation in the next five years.

The measurement of expected credit loss of the Bank's debt instruments is based an external credit migration matrix method to calculate the Probability of default (PD), which is incorporated in the information of forward-looking factors.

15) Changes of provisions for off-balance-sheet guarantees and loan commitments

For the year ended December 31, 2025:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance at January 1	\$ 90,731	\$ 64	\$ -	\$ 13	\$ -	\$ 90,808	\$ 156,164	\$ 246,972
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	-	-	-	-	-	-	-	-
Transferred to credit-impaired financial assets	-	-	-	-	-	-	-	-
Transferred to 12 months ECL	57	(57)	-	-	-	-	-	-
Derecognized financial assets in the current period	(13,559)	(90)	-	(21)	-	(13,670)	-	(13,670)
Purchased or originated new financial assets	18,739	97	-	6	-	18,842	-	18,842
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	-	-	(1,147)	(1,147)
Effect of exchange rate changes and others	3,972	7	-	14	-	3,993	-	3,993
Balance at December 31	\$ 99,940	\$ 21	\$ -	\$ 12	\$ -	\$ 99,973	\$ 155,017	\$ 254,990

There was no significant increase in the expected credit loss of the Bank and its subsidiaries' off-balance-sheet guarantees and loan commitments for the year ended December 31, 2025. The increase of loan commitments in reporting period resulted in abovementioned provisions increased by \$8,018 thousand in comparison to the beginning of period.

For the year ended December 31, 2024:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance at January 1	\$ 86,033	\$ 91	\$ -	\$ 2	\$ -	\$ 86,126	\$ 154,967	\$ 241,093
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(14)	14	-	-	-	-	-	-
Transferred to credit-impaired financial assets	-	-	-	-	-	-	-	-
Transferred to 12 months ECL	17	(17)	-	-	-	-	-	-
Derecognized financial assets in the current period	(19,048)	(166)	-	(2)	-	(19,216)	-	(19,216)
Purchased or originated new financial assets	29,987	125	-	-	-	30,112	-	30,112
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	-	-	1,197	1,197
Effect of exchange rate changes and others	(6,244)	17	-	13	-	(6,214)	-	(6,214)
Balance at December 31	\$ 90,731	\$ 64	\$ -	\$ 13	\$ -	\$ 90,808	\$ 156,164	\$ 246,972

There was no significant increase in the expected credit loss of the Bank and its subsidiaries' off-balance-sheet guarantees and loan commitments for the year ended December 31, 2024. The increase of loan commitments in reporting period resulted in abovementioned provisions increased by \$5,879 thousand in comparison to the beginning of period.

c. Liquidity risk

1) Definition and source of liquidity risk

Liquidity risk of the Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management policies of liquidity risk

To control liquidity risk, the Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The Bank also actively deconcentrates funding sources, due dates of funding settlement, and the counterparties to the due from other banks and call loans to other banks, as well as maintains an adequate amount of corporate cash in banks to enhance its liquidity position.

3) Financial assets held for liquidity management and maturity analysis of non-derivative financial liabilities

a) Financial assets held for liquidity management

The Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, financial assets at FVTOCI, securities purchased under resell agreements, receivables and discounts and loans, etc.

b) Maturity analysis of non-derivative financial liabilities

The following tables show the cash outflows on the Bank's non-derivative financial liabilities based on contract maturities. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the balance sheets.

Maturity analysis of non-derivative financial liabilities (NTD)

December 31, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 23,296	\$ -	\$ -	\$ 157,260	\$ -	\$ 180,556
Notes and bonds issued under repurchase agreements	9,020,941	-	-	-	-	9,020,941
Deposits and remittances	76,098,848	130,650,697	93,092,056	138,095,375	62,973,980	500,910,956
Borrowings	-	133,334	45,713	496,000	36,732,045	37,407,092
Other capital outflow on maturity	4,516,305	678,976	581,981	2,333,648	2,800,673	10,911,583
Total	\$ 89,659,390	\$ 131,463,007	\$ 93,719,750	\$ 141,082,283	\$ 102,506,698	\$ 558,431,128

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 7,023,296	\$ -	\$ -	\$ 157,260	\$ -	\$ 7,180,556
Notes and bonds issued under repurchase agreements	8,488,789	-	-	-	-	8,488,789
Deposits and remittances	46,303,385	98,862,938	76,621,527	146,076,607	42,892,202	410,756,659
Borrowings	-	-	666,667	205,833	29,706,543	30,579,043
Other capital outflow on maturity	3,532,174	555,763	476,742	2,286,508	3,049,919	9,901,106
Total	\$ 65,347,644	\$ 99,418,701	\$ 77,764,936	\$ 148,726,208	\$ 75,648,664	\$ 466,906,153

Maturity analysis of non-derivative financial liabilities (USD)

(In Thousands of U.S. Dollars)

December 31, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 132,000	\$ 110,000	\$ -	\$ -	\$ -	\$ 242,000
Notes and bonds issued under repurchase agreements	341,936	804,649	-	-	-	1,146,585
Deposits and remittances	1,514,976	1,505,228	477,560	1,638,890	333	5,136,987
Other capital outflow on maturity	70,988	25,170	7,897	921	18,228	123,204
Total	\$ 2,059,900	\$ 2,445,047	\$ 485,457	\$ 1,639,811	\$ 18,561	\$ 6,648,776

(In Thousands of U.S. Dollars)

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ -	\$ 145,000	\$ -	\$ -	\$ -	\$ 145,000
Notes and bonds issued under repurchase agreements	410,696	1,145,417	-	-	-	1,556,113
Deposits and remittances	2,041,576	2,434,922	498,963	1,081,259	1,891	6,058,611
Other capital outflow on maturity	35,220	33,124	11,513	3,038	15,652	98,547
Total	\$ 2,487,492	\$ 3,758,463	\$ 510,476	\$ 1,084,297	\$ 17,543	\$ 7,858,271

4) Maturity analysis of derivative instruments

Contractual maturities were assessed to have an understanding of derivative instruments presented in the consolidated balance sheet. Amounts disclosed in the table were based on contractual cash flows; however, some of these amounts did not match those in the balance sheets.

Maturity analysis of derivative instruments (NTD)

December 31, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (128,690,815)	\$ (125,712,543)	\$ (109,091,655)	\$ (143,608,817)	\$ (21,299,450)	\$ (528,403,280)
Cash inflow	119,631,972	133,080,396	109,806,459	134,160,264	21,413,450	518,092,541
Interest rate derivatives instruments						
Cash outflow	(469,153)	(912,655)	-	(5,639)	(21,602,569)	(22,990,016)
Cash inflow	434,588	864,866	-	-	-	1,299,454
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(63,755)	-	-	-	(63,755)
Cash inflow	-	80,765	-	39,805	-	120,570
Cash outflow subtotal	(129,159,968)	(126,688,953)	(109,091,655)	(143,614,456)	(42,902,019)	(551,457,051)
Cash inflow subtotal	120,066,560	134,026,027	109,806,459	134,200,069	21,413,450	519,512,565
Net cash flow	\$ (9,093,408)	\$ 7,337,074	\$ 714,804	\$ (9,414,387)	\$ (21,488,569)	\$ (31,944,486)

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (241,815,615)	\$ (348,771,624)	\$ (85,423,927)	\$ (129,379,476)	\$ (8,615,100)	\$ (814,005,742)
Cash inflow	212,031,521	335,865,188	80,908,017	111,861,254	9,017,000	749,682,980
Interest rate derivatives instruments						
Cash outflow	(362,943)	(706,744)	-	-	(21,819,662)	(22,889,349)
Cash inflow	1,062,905	655,467	-	-	-	1,718,372
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(63,221)	-	-	-	(63,221)
Cash inflow	-	80,765	-	39,805	-	120,570
Cash outflow subtotal	(242,178,558)	(349,541,589)	(85,423,927)	(129,379,476)	(30,434,762)	(836,958,312)
Cash inflow subtotal	213,094,426	336,601,420	80,908,017	111,901,059	9,017,000	751,521,922
Net cash flow	\$ (29,084,132)	\$ (12,940,169)	\$ (4,515,910)	\$ (17,478,417)	\$ (21,417,762)	\$ (85,436,390)

Maturity analysis of derivative instruments (USD)

(In Thousands of U.S. Dollars)

December 31, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (4,481,669)	\$ (4,516,723)	\$ (3,751,888)	\$ (4,550,682)	\$ (809,663)	\$ (18,110,625)
Cash inflow	5,439,325	4,433,660	3,698,240	4,812,464	809,663	19,193,352
Interest rate derivatives instruments						
Cash outflow	(14,751)	(21,270)	(3,463)	(107,440)	(300,186)	(447,110)
Cash inflow	1,586	12,136	126	3,315	535	17,698
Others						
Cash outflow	(871)	-	-	-	-	(871)
Cash inflow	1,253	-	-	-	-	1,253
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(677)	(3,805)	(6,021)	(4,402)	-	(14,905)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(4,497,968)	(4,541,798)	(3,761,372)	(4,662,524)	(1,109,849)	(18,573,511)
Cash inflow subtotal	5,442,164	4,445,796	3,698,366	4,815,779	810,198	19,212,303
Net cash flow	\$ 944,196	\$ (96,002)	\$ (63,006)	\$ 153,255	\$ (299,651)	\$ 638,792

(In Thousands of U.S. Dollars)

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (8,189,081)	\$ (10,970,020)	\$ (2,791,429)	\$ (3,703,410)	\$ (300,000)	\$ (25,953,940)
Cash inflow	9,803,128	11,322,712	3,014,469	4,225,449	290,000	28,655,758
Interest rate derivatives instruments						
Cash outflow	(18,227)	(28,029)	(10,911)	(11,233)	(499,639)	(568,039)
Cash inflow	3,323	12,717	1,012	3,597	334	20,983
Others						
Cash outflow	(137)	-	-	-	-	(137)
Cash inflow	287	-	-	-	-	287
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(679)	(4,447)	(6,367)	(6,045)	-	(17,538)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(8,208,124)	(11,002,496)	(2,808,707)	(3,720,688)	(799,639)	(26,539,654)
Cash inflow subtotal	9,806,738	11,335,429	3,015,481	4,229,046	290,334	28,677,028
Net cash flow	\$ 1,598,614	\$ 332,933	\$ 206,774	\$ 508,358	\$ (509,305)	\$ 2,137,374

5) Maturity analysis of off-balance sheet items

The table below shows the Bank's maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the financial guarantee contracts issued, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period.

December 31, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	\$ 5,692,802	\$ 4,749,776	\$ 4,848,856	\$ 10,174,300	\$ 35,297,219	\$ 60,762,953

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	\$ 8,245,550	\$ 4,593,422	\$ 4,505,047	\$ 6,719,038	\$ 30,251,168	\$ 54,314,225

6) Summary of required disclosures under the Regulations Governing the Preparation of Financial Reports by Public Banks:

a) Maturity analysis of assets and liabilities of the Bank (NTD)

December 31, 2025	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 121,611,683	\$ 142,247,396	\$ 205,160,221	\$ 170,012,556	\$ 212,778,174	\$ 322,075,309	\$ 1,173,885,339
Main capital outflow on maturity	79,546,669	159,301,230	293,184,976	255,396,077	354,062,118	396,333,797	1,537,824,867
Gap	42,065,014	(17,053,834)	(88,024,755)	(85,383,521)	(141,283,944)	(74,258,488)	(363,939,528)

December 31, 2024	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 193,804,873	\$ 164,493,758	\$ 399,786,682	\$ 131,315,299	\$ 185,832,060	\$ 290,935,559	\$ 1,366,168,231
Main capital outflow on maturity	161,099,631	174,119,137	500,664,205	209,272,046	340,901,102	356,464,075	1,742,520,196
Gap	32,705,242	(9,625,379)	(100,877,523)	(77,956,747)	(155,069,042)	(65,528,516)	(376,351,965)

b) Maturity analysis of assets and liabilities of the Bank (USD)

(In Thousands of U.S. Dollars)

December 31, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 6,871,553	\$ 5,096,588	\$ 3,952,755	\$ 5,136,167	\$ 4,313,905	\$ 25,370,968
Main capital outflow on maturity	6,779,142	7,429,392	4,910,649	7,839,777	4,643,891	31,602,851
Gap	92,411	(2,332,804)	(957,894)	(2,703,610)	(329,986)	(6,231,883)

(In Thousands of U.S. Dollars)

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 10,783,824	\$ 12,056,759	\$ 3,278,810	\$ 4,562,626	\$ 3,774,066	\$ 34,456,085
Main capital outflow on maturity	11,000,817	15,371,359	4,029,600	6,032,589	4,044,429	40,478,794
Gap	(216,993)	(3,314,600)	(750,790)	(1,469,963)	(270,363)	(6,022,709)

d. Market risk

1) Definition and source of market risk

Market risk is defined as the fluctuation in market risk factors (such as interest rates, exchange rates, stock prices or commodity prices), which may cause a potential loss of on- and off- balance sheet items.

2) Risk management policies

In order to adopt a common language for managing, defining, communicating and measuring market risk, and to comply with the requirements of the governing authorities, the Bank has developed “Market Risk Management Standard” based on the Methods for calculating Bank’s regulatory capital and Risk weighted Assets-sections 5 market risk announced by the FSC, international standards, and KGIFH’s Risk Management Policy, Market Risk Management Standard and Bank’s Risk Management Policy.

The “Market Risk Management Standard” is applicable to “Trading Book” positions defined by the Methods for calculating Bank’s regulatory capital and Risk weighted Assets-sections 5 market risk and the Bank’s book management approach to financial instrument handling.

Following the “Market Risk Management Standard”, the Bank has established the “Market Risk Management Regulation of Financial Trading” to manage market risk. This procedure includes risk identification and assessment, risk measurement, risk monitoring, risk reporting and contingency management processes.

3) Procedures for market risk measuring, monitoring, and reporting

The Bank’s market risk limits include position analysis of risk sensitivity factors limits, loss limits and value-at-risk (VaR).

Risk factors analyzed through the Bank’s risk measurement systems are sufficient to determine all market risks of trading positions on the balance sheet, including interest rate risk, foreign exchange risk, equity securities risk, and price of commodity risks, as well as volatility risks which arise out of the option transactions.

The Bank’s market risk reports include profit or loss on trading positions, limit usage, stress testing, and trading portfolio risk assessment, as well as significant exceptions if any.

The risk management department of the Bank independently performs daily market risk limit controls, and regularly reports to both the Risk Management Committee and KGIFH’s Risk Management Committee. Besides, the above reports are presented to the board of directors quarterly for reference.

4) Mitigation of risks or hedging of market risk

The Bank’s market risk positions or hedging positions are marked to market on a daily basis through techniques such as model valuation. All market parameters are updated at least daily in accordance with changes in market conditions to conduct value assessment of products. Market Risk Limits are reviewed and controlled based on the valuation results of risk value, position sensitivity and profit and loss figure on a daily basis.

5) Valuation techniques of market risk

The Bank uses the VaR model and stress testing to evaluate the potential and extreme risk on trading portfolios. Through variations of the assumptions on market conditions, these techniques are used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

	For the Year Ended December 31, 2025			For the Year Ended December 31, 2024		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	\$ 9,511	\$ 23,466	\$ 4,643	\$ 9,229	\$ 27,796	\$ 4,684
Equity securities risk	28	1,884	-	2,812	17,997	-
Foreign exchange risk	6,253	14,221	3,024	8,295	21,983	3,172

6) Interest rate risk in the banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the Bank’s banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank’s interest rate risk exposures every day. The interest rate risk management processes include risk identification, risk measurement, risk control, risk monitoring and others. The unit monitoring the banking book interest rate risks reports interest rate risk exposures regularly to ALMCO and adjusts the structure of assets and liabilities according to the reports, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs and analysis reports, which is provided to the interest rate risk execution units and senior management. If risk missing or excess of limit occur from monitor, written notices will be passed to the interest rate risk assessment units to adjust and improve the program reported to ALMCO.

8) Concentration of foreign currency risk information

The financial assets and liabilities denominated in foreign currencies and with material influence on the Bank and its subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2025		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,100,123	31.44	\$ 191,775,670
AUD	964,920	21.03	20,292,268
HKD	3,589,977	4.04	14,499,918
CNY	1,828,364	4.50	8,222,884
ZAR	4,227,578	1.90	8,011,261
EUR	91,924	36.90	3,391,989
CHF	49,069	39.64	1,945,085
SGD	67,244	24.45	1,644,115
JPY	7,753,321	0.20	1,556,867
GBP	33,215	42.31	1,405,345
Investments accounted for using the equity method			
CNY	2,259,415	4.50	10,161,491
<u>Financial liabilities</u>			
Monetary items			
USD	7,139,046	31.44	224,437,340
CNY	3,077,840	4.50	13,842,280
AUD	366,000	21.03	7,696,974
JPY	19,627,203	0.20	3,941,142
ZAR	2,073,240	1.90	3,928,789
EUR	93,808	36.90	3,461,509
HKD	633,208	4.04	2,557,528
GBP	7,189	42.31	304,150
SGD	9,650	24.45	235,933
CAD	8,939	22.94	205,054
NZD	8,211	18.15	149,027

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2024		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,851,797	32.78	\$ 191,827,766
AUD	918,418	20.39	18,726,540
HKD	4,381,092	4.22	18,496,970
ZAR	4,736,766	1.75	8,294,077
EUR	198,600	34.13	6,778,212
CNY	1,281,179	4.48	5,736,735
GBP	33,638	41.17	1,384,874
JPY	5,431,870	0.21	1,139,606
SGD	27,966	24.12	674,539
CHF	4,241	36.28	153,877
Investments accounted for using the equity method			
CNY	1,992,067	4.48	8,919,879
<u>Financial liabilities</u>			
Monetary items			
USD	8,510,009	32.78	278,966,593
AUD	597,595	20.39	12,184,957
CNY	2,587,195	4.48	11,584,684
EUR	189,695	34.13	6,474,296
JPY	18,045,171	0.21	3,785,877
ZAR	1,885,160	1.75	3,300,915
HKD	167,052	4.22	705,292
SGD	7,156	24.12	172,596
GBP	4,064	41.17	167,316
CAD	5,536	22.81	126,284

9) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Analysis of interest rate-sensitive assets and liabilities (NTD)

December 31, 2025

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 499,086,084	\$ 32,511,821	\$ 32,101,975	\$ 57,512,766	\$ 621,212,646
Interest rate-sensitive liabilities	224,742,188	250,249,260	49,844,244	39,570,481	564,406,173
Interest rate sensitivity gap	274,343,896	(217,737,439)	(17,742,269)	17,942,285	56,806,473
Net worth					76,299,840
Ratio of interest rate-sensitive assets to liabilities (%)					110.06
Ratio of interest rate-sensitive gap to net worth (%)					74.45

December 31, 2024

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 470,852,951	\$ 27,415,662	\$ 25,090,325	\$ 63,413,163	\$ 586,772,101
Interest rate-sensitive liabilities	178,085,331	211,452,493	51,740,321	33,099,753	474,377,898
Interest rate sensitivity gap	292,767,620	(184,036,831)	(26,649,996)	30,313,410	112,394,203
Net worth					74,164,239
Ratio of interest rate-sensitive assets to liabilities (%)					123.69
Ratio of interest rate-sensitive gap to net worth (%)					151.55

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities in New Taiwan dollars).

b) Analysis of interest rate-sensitive assets and liabilities (USD)

December 31, 2025

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 3,364,102	\$ 259,760	\$ 114,188	\$ 1,747,090	\$ 5,485,140
Interest rate-sensitive liabilities	6,343,469	311,004	265,340	333	6,920,146
Interest rate sensitivity gap	(2,979,367)	(51,244)	(151,152)	1,746,757	(1,435,006)
Net worth					68,530
Ratio of interest rate-sensitive assets to liabilities (%)					79.26
Ratio of interest rate-sensitive gap to net worth (%)					(2,093.98)

December 31, 2024

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 2,855,562	\$ 183,399	\$ 173,284	\$ 2,132,766	\$ 5,345,011
Interest rate-sensitive liabilities	7,381,849	449,374	437,114	1,891	8,270,228
Interest rate sensitivity gap	(4,526,287)	(265,975)	(263,830)	2,130,875	(2,925,217)
Net worth					(2,701)
Ratio of interest rate-sensitive assets to liabilities (%)					64.63
Ratio of interest rate-sensitive gap to net worth (%)					-

Note 1: The above amounts included only U.S. dollar amounts held by the Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (Interest rate-sensitive assets and Interest rate-sensitive liabilities in U.S. dollars).

e. Transfers of financial assets

Transferred financial assets not qualifying for full derecognition

Among daily operations of the Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As the Bank's right to receive cash flows of the financial assets transferred to the counterparties and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. The Bank does not derecognize it entirely because the Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition are listed below:

December 31, 2025					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	\$ 3,641,590	\$ 3,396,729	\$ 3,559,759	\$ 3,396,729	\$ 163,030
Financial assets at FVTPL	5,490,082	5,500,941	5,490,082	5,500,941	(10,859)
Financial assets at FVTOCI	44,311,693	43,055,342	44,311,693	43,055,342	1,256,351

December 31, 2024					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	\$ 3,806,313	\$ 3,443,495	\$ 3,584,222	\$ 3,443,495	\$ 140,727
Financial assets at FVTPL	3,895,774	3,895,618	3,895,774	3,895,618	156
Financial assets at FVTOCI	64,279,492	62,816,147	64,279,492	62,816,147	1,463,345

f. Offsetting financial assets and financial liabilities

The Bank and its subsidiaries have enforceable master netting arrangements or similar agreements signed with counterparty but do not meet the offsetting criteria, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

Related information of offsetting of financial assets and financial liabilities are as follows:

December 31, 2025						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 35,924,465	\$ -	\$ 35,924,465	\$ 35,924,465	\$ -	\$ -
Derivative financial instruments (Note 2)	22,536,183	-	22,536,183	7,411,873	571,543	14,552,767
Total	\$ 58,460,648	\$ -	\$ 58,460,648	\$ 43,336,338	\$ 571,543	\$ 14,552,767

December 31, 2025						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	\$ 51,953,012	\$ -	\$ 51,953,012	\$ 51,506,562	\$ 446,450	\$ -
Derivative financial instruments (Note 2)	23,525,005	\$ -	23,525,005	8,909,179	10,733,259	3,882,567
Total	\$ 75,478,017	\$ -	\$ 75,478,017	\$ 60,415,741	\$ 11,179,709	\$ 3,882,567

December 31, 2024						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 59,218,588	\$ -	\$ 59,218,588	\$ 59,218,588	\$ -	\$ -
Derivative financial instruments (Note 2)	31,676,350	-	31,676,350	7,304,899	508,060	23,863,391
Total	\$ 90,894,938	\$ -	\$ 90,894,938	\$ 66,523,487	\$ 508,060	\$ 23,863,391

December 31, 2024						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	\$ 70,155,260	\$ -	\$ 70,155,260	\$ 69,436,381	\$ 718,879	\$ -
Derivative financial instruments (Note 2)	30,710,113	-	30,710,113	7,156,055	6,252,428	17,301,630
Total	\$ 100,865,373	\$ -	\$ 100,865,373	\$ 76,592,436	\$ 6,971,307	\$ 17,301,630

Note 1: Financial instruments include netting settlement arrangements and non-cash financial collaterals.

Note 2: Derivative financial instruments include hedging derivative financial instruments.

45. CAPITAL MANAGEMENT

a. Objective of capital management

The calculation methods of self-owned capital should be conducted according to the regulations of authorities. The basic management objective includes sufficient capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite.

In order to undertake all kinds of risk, the Bank conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

The Bank had met the authorities' requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital is calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

c. Capital adequacy ratio

Year		December 31, 2025	December 31, 2024	
Items				
Eligible capital	Common equity Tier 1 capital		\$ 72,062,239	\$ 68,533,389
	Additional Tier 1 capital		5,566,079	2,707,338
	Tier 2 capital		12,700,422	12,036,433
	Eligible capital		90,328,740	83,277,160
Risk-weighted assets	Credit risk	Standardized approach	580,528,541	580,453,762
		Internal rating-based approach	-	-
		Securitization	295,488	231,840
	Operational risk	New standardized approach/basic indicator approach	23,562,963	27,663,836
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	21,106,875	18,411,663
		Internal model approach	-	-
	Total risk-weighted assets		625,493,867	626,761,101
	Capital adequacy ratio		14.44%	13.29%
Ratio of common equity to risk-weighted assets		11.52%	10.93%	
Ratio of Tier 1 capital to risk-weighted assets		12.41%	11.37%	
Leverage ratio		7.78%	7.29%	

- Note: 1) Eligible capital = Common equity capital+ Additional Tier 1 capital + Tier 2 capital.
- 2) Total risk-weighted asset = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirements for market risk) × 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.
- 4) Ratio of common equity capital to risk-weighted assets = Common equity capital ÷ Total risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity capital + Additional Tier 1 capital) ÷ Total risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

46. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

The balance sheets and income statements of the trust accounts and trust property accounts were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	December 31		Trust Liabilities	December 31	
	2025	2024		2025	2024
Bank deposits	\$ 2,910,817	\$ 5,672,157	Payables	\$ 84,589	\$ 85,403
Short-term investments			Accounts payable on securities		
Funds	39,326,982	33,662,340	under custody	1,642,874	1,965,965
Bonds	16,144,556	14,618,141	Other liabilities	46,980	52,159
Stocks	331,097	266,567	Trust capital	77,154,211	71,166,848
Structured notes	2,244,058	426,547	Accumulated profits and losses	124,456	73,302
Securities under custody	1,642,874	1,965,965			
Real estate					
Land	15,417,223	15,702,860			
Buildings	15,321	7,578			
Intangible assets - surface					
rights	984,534	984,534			
Others	35,648	36,988			
Total	<u>\$ 79,053,110</u>	<u>\$ 73,343,677</u>	Total	<u>\$ 79,053,110</u>	<u>\$ 73,343,677</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2025	2024
Trust income and gains		
Interest income	\$ 3,187,074	\$ 2,374,798
Dividend income	68,890	38,606
Rental income	24,543	26,227
Other income	7,079	4,801
Total trust income and gains	<u>3,287,586</u>	<u>2,444,432</u>
Trust expenses		
Property transaction losses	(1,117,297)	(1,071,063)
Administrative expenses	(1,637)	(1,448)
Other expenses	(8,428)	(8,861)
Total trust expenses	<u>(1,127,362)</u>	<u>(1,081,372)</u>
Net income	<u>\$ 2,160,224</u>	<u>\$ 1,363,060</u>

The above income from trust operations were excluded from the Bank' s income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31	
	2025	2024
Bank deposits	\$ 2,910,817	\$ 5,672,157
Short-term investments		
Funds	39,326,982	33,662,340
Bonds	16,144,556	14,618,141
Stocks	331,097	266,567
Structured notes	2,244,058	426,547
Securities under custody	1,642,874	1,965,965
Real estate		
Land	15,417,223	15,702,860
Buildings	15,321	7,578
Intangible assets - surface rights	984,534	984,534
Other assets	<u>35,648</u>	<u>36,988</u>
Total	<u>\$ 79,053,110</u>	<u>\$ 73,343,677</u>

47. ALLOCATION OF REVENUE, COST, EXPENSE, PROFITS AND LOSSES RESULTING FROM INTERCOMPANY COOPERATION AND RESOURCE SHARING

a. Business or trading behaviors

Please refer to Note 40 for related-party transactions.

b. Integration of business activities

The Bank has become a full-functioning financial platform for customers by conducting cross-selling activities with the subsidiaries of the parent company through the banking, securities and life insurance channels.

c. Cross utilization of information or locations and business utilities

In compliance with Article 43 of the “Financial Holding Companies Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Standards” and other related regulations from the FSC, the Bank has advocated cross-selling activities among the subsidiaries of the parent company. In addition, the Bank, which joined the cross-selling business, discloses protection measures of customer information on the official website to limit the use of the data and secure customer information and related rights when handling cross-selling activities.

d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits and losses arising from integrated business activities among the Bank and the subsidiaries of the parent company are allocated to each counterparty based on the cross-selling contract or other reasonable allocation methods.

48. PROFITABILITY

(%)

Items		December 31, 2025	December 31, 2024
Return on total assets	Before income tax	0.86	0.73
	After income tax	0.74	0.66
Return on net worth	Before income tax	10.39	8.63
	After income tax	8.93	7.72
Profit margin		38.20	34.79

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

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

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

Note 4: Income before (after) income tax means income accumulated in the current year.

Note 5: Return on total assets and return on net worth are expressed on an annual basis.

49. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

- 1) Financing provided: The Bank: Not applicable. For subsidiaries' information: None.
- 2) Endorsements/guarantees provided: The Bank: Not applicable. For subsidiaries' information: None.
- 3) Marketable securities held: The Bank: Not applicable. For subsidiaries' information: Table 1 (attached).
- 4) Derivative transactions: The Bank: Not applicable. For subsidiaries' information: None.
- 5) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the issued capital (for subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT\$300 million or 10% of the issued capital): None.
- 6) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the issued capital: None.
- 7) Disposal of individual real estate at price of at least NT\$300 million or 10% of the issued capital: None.
- 8) Discount on service fees received from related parties amounting to NT\$5 million: None.
- 9) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: None.
- 10) Sale of non-performing loans: None.

11) Financial asset securitization: None.

12) Other significant transactions which may affect the decisions of the consolidated financial statements users: None.

- b. Related information and proportionate share in investees: Table 2 (attached).
- c. Information on investments in Mainland China: Table 3 (attached).
- d. Business relationships and significant transactions among the Bank and its subsidiaries: Table 4 (attached).

50. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance according to the characteristics of the business and profits and losses. The reportable segments of the Bank and its subsidiaries were as follows:

- a. Retail banking segment: The segment mainly provides cash cards, credit cards, personal loans, mortgages, deposits, remittances, wealth management, etc.
- b. Corporate banking segment: The segment mainly provides services such as processing deposits and credit business of large-scale enterprises and small and medium enterprises.
- c. Global markets segment: The segment's services include the distribution of funds, issuance of bank debentures, commodities, equity, handling money market and bond market transactions, foreign exchange handling, and dealing with other financial market-related products (such as derivative instruments) and transactions.
- d. Others: Mainly include the administration segment of head office and summarized of other non-independent segments.

The accounting policies of the operating segments are the same as the accounting policies described in Note 4. The Bank and its subsidiaries use income before income tax as the measurement for segment profit and the basis of performance assessment. The net revenue and income before income tax, assets and liabilities of an operating division, including items directly attributable to an operating segment, are reasonable.

Segment revenues and results

The following is an analysis of the Bank and its subsidiaries' revenue and results of operations by reportable segment:

	Retail Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
<u>For the year ended December 31, 2025</u>					
Interest revenue (expense), net	\$ 6,908,239	\$ 5,163,635	\$ 289,827	\$ (2,004,923)	\$ 10,356,778
Non-interest profits and gains, net	2,372,997	1,823,461	946,115	2,314,980	7,457,553
Net revenue	9,281,236	6,987,096	1,235,942	310,057	17,814,331
Provision for bad debts expense, commitments, and guarantee liability provision	(575,714)	(76,127)	-	(79,606)	(731,447)
Operating expenses	(5,439,764)	(1,768,069)	(611,905)	(1,346,422)	(9,166,160)
Income (loss) before income tax	3,265,758	5,142,900	624,037	(1,115,971)	7,916,724
Income tax expense	-	-	-	(1,111,685)	(1,111,685)
Net income (loss)	<u>\$ 3,265,758</u>	<u>\$ 5,142,900</u>	<u>\$ 624,037</u>	<u>\$ (2,227,656)</u>	<u>\$ 6,805,039</u>

(Continued)

	Retail Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
<u>For the year ended December 31, 2024</u>					
Interest revenue (expense), net	\$ 6,360,246	\$ 4,826,379	\$ (3,757,458)	\$ (110,880)	\$ 7,318,287
Non-interest profits and gains, net	<u>2,060,016</u>	<u>1,785,291</u>	<u>4,361,743</u>	<u>525,269</u>	<u>8,732,319</u>
Net revenue	8,420,262	6,611,670	604,285	414,389	16,050,606
Provision for bad debts expense, commitments, and guarantee liability provision	(880,843)	(594,991)	(905)	(57,814)	(1,534,553)
Operating expenses	<u>(4,854,178)</u>	<u>(1,662,878)</u>	<u>(662,158)</u>	<u>(1,095,374)</u>	<u>(8,274,588)</u>
Income (loss) before income tax	2,685,241	4,353,801	(58,778)	(738,799)	6,241,465
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(658,208)</u>	<u>(658,208)</u>
Net income (loss)	<u>\$ 2,685,241</u>	<u>\$ 4,353,801</u>	<u>\$ (58,778)</u>	<u>\$ (1,397,007)</u>	<u>\$ 5,583,257</u>

(Concluded)

a. Geographical information

The revenue of the Bank and its subsidiaries from external customers by location of operations are detailed below.

	<u>For the Year Ended December 31</u>	
	2025	2024
Taiwan	\$ 17,791,492	\$ 16,049,534
Others	<u>22,839</u>	<u>1,072</u>
	<u>\$ 17,814,331</u>	<u>\$ 16,050,606</u>

b. Information about major customers

No single customer contributed 10% or more to the total revenue of the Bank and its subsidiaries.

KGI BANK CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Holding Company	Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2025				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
CDIB Management Consulting Corporation	<u>Stock</u> KGI Finance & Leasing Corporation CDIB International Leasing Corporation	Subsidiary Subsidiary	Investments accounted for using equity method	76,704,787	\$ 904,803	100.00	\$ 904,803	
			Investments accounted for using equity method	-	157,740	100.00	157,740	
KGI Finance & Leasing Corporation	<u>Stock</u> Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at FVTOCI	546,231	13,843	0.07	13,843	
KGI Asset Management Co., Ltd.	<u>Stock</u> IBF Securities Co., Ltd. Chinfon Commercial Bank Pine Street Asset Management Corp.	- - -	Financial assets at FVTPL	10,712,984	130,043	0.93	130,043	
			Financial assets at FVTPL	5,026,269	-	0.86	-	
			Financial assets at FVTOCI	3,886,190	20,444	12.25	20,444	

Note 1: The Bank and its subsidiaries recognized the related income or loss of investees as required by regulations.

Note 2: No securities were treated as collateral or pledge.

Note 3: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

KGI BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Balance as of December 31, 2025			Consolidated Investment (Note 1)				Note
			Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Shares Currently Held	Virtual Shares (Note 2)	Number of Shares	Percentage of Ownership (%)	
<u>Financial industry - related</u> Taipei Foreign Exchange Inc.	Taipei City, Taiwan	Foreign exchange trading, financial derivatives trading	0.40	\$ 3,617	\$ 712	80,000	-	80,000	0.40	
Taiwan Futures Exchange	Taipei City, Taiwan	Futures exchange and settlement	0.51	170,259	7,970	44,178,579	-	44,178,579	6.12	
Financial Information Service Co., Ltd.	Taipei City, Taiwan	Telecommunication service, information system service	1.23	244,757	22,500	9,166,528	-	9,166,528	1.23	
Taiwan Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions' loans	0.57	83,359	3,900	6,000,000	-	6,000,000	0.57	
Sunlight Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions' loans	5.74	4,167	405	344,476	-	344,476	5.74	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Communication and IT service	1.00	3,522	-	600,000	-	600,000	1.00	
Taiwan Financial Asset Service Company	Taipei City, Taiwan	Other activities auxiliary to financial service activities	2.94	48,915	1,050	5,000,000	-	5,000,000	2.94	
CDIB Management Consulting Corporation	Taipei City, Taiwan	Management consultancy activities	100.00	1,215,684	41,975	153,171,873	-	153,171,873	100.00	
Next Commercial Bank Co., Ltd.	Taipei City, Taiwan	Commercial banking	5.15	366,601	-	51,499,000	-	51,499,000	5.15	
Suyin KGI Consumer Finance Co., Ltd.	China	Consumer finance service	37.63	10,161,491	1,157,884	-	-	-	37.63	
KGI Asset Management Co., Ltd.	Taipei City, Taiwan	Trading and management of nonperforming loans of financial institution	100.00	1,501,330	223,710	113,360,000	-	113,360,000	100.00	
<u>Non-financial industry - related</u> CDIB & Partners Investment Holding Corp.	Taipei City, Taiwan	General investment corporation	4.95	1,181,757	73,354	367,200,000	-	367,200,000	33.66	

Note 1: All present shares or virtual shares of the Bank, directors, supervisors, the Bank's managers, and affiliates should be included.

Note 2: (1) virtual shares refer to equity-type securities or derivative financial instrument contracts that are not transferred to common shares. Based on the transaction terms and the holding purposes of the Bank, the two types of instruments are linked to the equity of investees and are recognized as investments accounted, in accordance with Article 74 of the Securities and Exchange Act. (2) The equity securities, such as convertible bonds and warrants, are regulated by Article 11 Paragraph 1 of the Securities and Exchange Act Enforcement Rules. (3) The derivative instrument contracts are those defined under IFRS 9, such as stock options.

Note 3: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

KGI BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Net Gain of the investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025
					Outflow	Inflow						
Suyin KGI Consumer Finance Co., Ltd.	Consumer financial service	CNY 4,200,000 thousand	Note 1 (a)	CNY 1,580,487 thousand	\$ -	\$ -	CNY 1,580,487 thousand	\$ 3,077,024	37.63	\$ 1,157,884 (Note 2 (b) 1)	\$ 10,161,491	\$ -
CDIB International Leasing Corporation	Financial leasing and management business consulting	CNY 187,750 thousand	Note 1 (a)	US\$ 30,000 thousand	-	-	US\$ 30,000 thousand	554	100.00	554 (Note 2 (b) 2)	157,740	-

Accumulated Investment in Mainland China as of December 31, 2025	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
\$8,051,222	\$8,051,222	\$47,075,290

Note 1: The investment types are as follows:

- a. Direct investments.
- b. Reinvested through an investee company in a third area.
- c. Others.

Note 2: In the column "Investment Gain"

- a. If it is in preparation and there is no investment gain, it should state clearly.
- b. Investment gain should be based on the following and should state clearly.
 - 1) Financial statements audited/reviewed by an international CPA firm having a cooperative relation with CPA firms in the ROC;
 - 2) Financial statements audited/reviewed by the CPA firm of the parent company in Taiwan;
 - 3) Other.
- c. If the current profit and loss information of the investee company cannot be obtained, it should state clearly.

Note 3: Exchange rate as of reporting date of the financial statement was used in translating foreign currency.

KGI BANK CO., LTD. AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Trading Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	KGI Bank Co., Ltd.	KGI Finance & Leasing Corporation	1	Deposit and remittances	\$ 50,352	Note 4	0.01
1	KGI Finance & Leasing Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	50,352	Note 4	0.01
0	KGI Bank Co., Ltd.	CDIB Management Consulting Corporation	1	Deposit and remittances	152,918	Note 4	0.02
2	CDIB Management Consulting Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	152,918	Note 4	0.02
0	KGI Bank Co., Ltd.	KGI Asset Management Co., Ltd.	1	Deposit and remittances	83,258	Note 4	0.01
3	KGI Asset Management Co., Ltd.	KGI Bank Co., Ltd.	2	Cash and cash equivalents	83,258	Note 4	0.01

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - "0"; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the annual/Total consolidated revenue.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT\$10 million.

Note 6: The above transactions and balances were eliminated from the consolidated financial statements.