

2809

KING'S TOWN BANK CO., LTD.

Financial Statements and Independent Auditors' Report

January 1 to December 31, 2025 and 2024

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Notice to Readers

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

Financial Statements

Table of Contents

Item	Page
I. Cover Page	1
II. Table of Contents	2
III. Independent Auditors' Report	3~7
IV. Balance Sheets	8~9
V. Statements of Comprehensive Income	10
VI. Statements of Changes in Equity	11
VII. Statements of Cash Flows	12
VIII. Notes to the Financial Statements	
(I) Company History	13
(II) Approval Date and Procedures of the Financial Statements	13
(III) Application of New, Revised, and Amended Standards and Interpretations	13~18
(IV) Summary of Significant Accounting Policies	19~42
(V) Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties	42~44
(VI) Descriptions of Material Accounting Items	44~73
(VII) Related Party Transactions	74~82
(VIII) Pledged Assets	82
(IX) Significant Contingent Liabilities and Unrecognized Contract Commitments	83
(X) Contents and Amount of Trust Business Handled in Accordance with the Provisions of the Trust Enterprise Act	83~84
(XI) Significant Disaster Losses	85
(XII) Significant Subsequent Events	85
(XIII) Fair Value and Grade Information of Financial Instruments	85~92
(XIV) Financial Risk Management	93~135
(XV) Capital Management	136~138
(XVI) Supplementary Disclosure	
1. Information on significant transactions	138
2. Information on reinvestment	139、141~146
3. Setting up branches and investments in Mainland China	139
4. Information on major shareholders	139
5. Disclosure of other supplementary information	140、147~161
(XVII) Department Information	140
(XVIII) Schedule of Major Accounting Items	162~179

Independent Auditors' Report

To the Shareholders of King's Town Bank Co., Ltd.:

Opinion

We have audited the parent company only balance sheets of King's Town Bank Co., Ltd. (the "Company") as of December 31, 2025 and 2024, and the related parent company only statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2025 and 2024, and the notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matters paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and its financial performance and its cash flows for the years ended December 31, 2025 and 2024, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the ruling No. 10802731571 issued by the Financial Supervisory Commission, and the Standards on Auditing. Our responsibilities under those standards are further described in the section of our report titled Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements. We are independent of King's Town Bank Co., Ltd. (the "Company") in accordance with the Norm of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of King's Town Bank Co., Ltd. for the year ended December 31, 2025. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financial Instruments Valuation

The Company invests in various types of financial assets. As of December 31, 2025, financial assets measured at fair value amounted to NT\$70,893,082 thousand, representing approximately 20% of total assets. Among these, investments classified as Level 2 in the fair value hierarchy, including bonds and derivative financial instruments such as foreign exchange swaps, amounted to NT\$35,738,617 thousand, representing approximately 50% of financial assets measured at fair value. The valuation of Level 2 financial instruments involves the use of internal valuation models, with key inputs such as yield rates and exchange rates. These inputs have a significant impact on the determination of fair value. Accordingly, the valuation of these financial instruments requires significant judgment and estimation, and therefore has been identified as a key audit matter.

Our audit procedures included, but were not limited to, evaluating and testing the effectiveness of internal controls related to the valuation of financial instruments, including controls over management's determination and approval of valuation models and the underlying assumptions. On a sample basis, we obtained an understanding of and assessed the reasonableness of key assumptions, performed independent valuation calculations, and involved our internal valuation specialists to compare their valuation results with those prepared by management and to assess whether any differences were within an acceptable range.

The disclosures relating to financial assets are presented in Notes 5, 6, 13 and 14 to the parent company only financial statements.

Allowance for Loan Losses

As of December 31, 2025, the Company's loans amounted to NT\$225,060,646 thousand, representing approximately 62% of total assets. The allowance for loan losses is therefore material to the parent company only financial statements and is determined in accordance with IFRS 9 and the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Set Aside Loss Reserves and to Deal with Non-performing/Non-accrual Loans. Management applies significant judgment in estimating expected credit losses, including the determination of whether there has been a significant increase in credit risk, whether a financial asset is credit-impaired, the selection and assessment of forward-looking information, and the estimation of key parameters such as probability of default and loss given default. Accordingly, this matter has been identified as a key audit matter.

Our audit procedures included, but were not limited to, evaluating and testing the effectiveness of internal controls over the calculation of expected credit losses. We also assessed whether the ECL models had been appropriately approved by management, evaluated the sources of data used in the models, and involved our internal specialists to assess the reasonableness of the ECL models. On a sample basis, we tested the appropriateness and reasonableness of key model inputs and assumptions, including probability of default and loss given default. We also assessed whether management has complied with the relevant regulations and rulings issued by the competent authorities to ensure that loan classification and the recognition of allowance for loan losses are in compliance with applicable requirements.

The disclosures relating to the allowance for loan losses are presented in Notes 5, 6 and 14 to the parent company only financial statements.

Other Matters – Reference to the Audit of Other Auditors

Certain investees included in the parent company only financial statements of King's Town Bank Co., Ltd. were not audited by us and were audited by other auditors. Accordingly, our opinion on the parent company only financial statements, insofar as it relates to the amounts of these investees, is based solely on the reports of other auditors. The investments in these investees accounted for using the equity method amounted to NT\$430,002 thousand and NT\$1,122,859 thousand as of December 31, 2025 and 2024, respectively, representing 0.12% and 0.30% of total assets, respectively. The related shares of profit or loss of associates and joint ventures recognized under the equity method for 2025 and 2024 were NT\$25,534 thousand and NT\$70,951 thousand, respectively, representing 0.53% and 1.10% of profit before tax, respectively. The shares of other comprehensive income of associates and joint ventures recognized under the equity method were NT\$(4,250) thousand and NT\$16,533 thousand, respectively, representing (1.90)% and 0.59% of net other comprehensive income, respectively.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for maintaining such internal control as is necessary to ensure that the parent company only financial statements are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is also responsible for assessing the ability of King's Town Bank Co., Ltd. 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of King's Town Bank Co., Ltd. (including the Audit Committee or supervisors) are responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

The objectives of our audit of the parent company only financial statements are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error. Misstatements 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 parent company only financial statements.

In performing our audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also perform the following procedures:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain sufficient and appropriate audit evidence to provide a basis for our audit 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 King's Town Bank Co., Ltd..
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude, based on the audit evidence obtained, on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of King's Town Bank Co., Ltd. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only 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 auditor's report. However, future events or conditions may cause King's Town Bank Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including the related notes), and whether the parent company only financial statements present the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit, and for forming the 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 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 parent company only financial statements of King's Town Bank Co., Ltd. for the year ended December 31, 2025 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Taiwan
Approved by the Securities and Futures Bureau,
Financial Supervisory Commission, to audit and
certify the financial reports of public companies

Approval Reference Nos.:
Jin-Guan-Zheng-Shen-Zi No. 1100352201
Jin-Guan-Zheng-Shen-Zi No. 1050043324

Guo-Sen Hong

Certified Public Accountant

Sheng-An Hsieh

February 23, 2026

King's Town Bank Co., Ltd.
Balance Sheet
December 31, 2025, and December 31, 2024

Unit: NTD thousand

ASSETS			December 31, 2025		December 31, 2024	
Code	Account Item	Note	Amount	%	Amount	%
10000	ASSETS					
11000	Cash and cash equivalents	IV/VI.1	\$2,654,449	1	\$3,753,248	1
11500	Due from the Central Bank and call loans to other banks	IV/VI.2	33,226,999	9	23,509,367	6
12000	Financial assets measured at FVTPL	IV/VI.3/VIII	29,516,536	8	41,429,790	11
12100	Financial assets measured at FVOCI	IV/VI.4, 26/VIII	41,376,546	12	45,874,260	12
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 26	19,470,062	5	13,378,484	4
13000	Receivables - net	IV/VI.6, 26	1,572,187	-	1,305,648	-
13300	Assets held for sale - net	IV/VI.7	1,642,974	-	-	-
13500	Discounts and loans - net	IV/V/VI.8, 26	225,060,646	62	239,967,404	63
15000	Investments accounted for using equity method - net	IV/VI.9	430,002	-	3,830,293	1
15500	Other financial assets - net	IV/VI.10	1,652	-	433	-
18500	Property and equipment - net	IV/VI.11	4,857,237	2	4,994,081	2
18600	Right-of-use assets - net	III/IV/VI.27	199,513	-	231,061	-
18700	Investment property	IV/VI.12	241,737	-	17,733	-
19300	Deferred income tax assets	IV/VI.30	315,381	-	291,050	-
19500	Other assets - net	VI.13	2,361,219	1	1,631,923	-
	Total Assets		<u>\$362,927,140</u>	<u>100</u>	<u>\$380,214,775</u>	<u>100</u>

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Stephen OUYANG

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.
Balance Sheets (continued)
December 31, 2025, and December 31, 2024

Unit: NTD thousand

LIABILITIES AND EQUITY			December 31, 2025		December 31, 2024	
Code	Account Item	Note	Amount	%	Amount	%
20000	Liabilities					
21000	Deposits from the Central Bank and other banks	IV/VI.14	\$7,958,532	2	\$16,365,383	5
22000	Financial liabilities measured at FVTPL	IV/VI.15	26,447	-	16,271	-
22500	Liabilities related to repurchase agreements for securities and bonds	IV/VI.16	5,844,491	2	8,769,996	2
23000	Accounts payable	VI.17	1,951,534	1	1,576,145	-
23200	Current income tax liabilities	IV/VI.30	424,316	-	741,369	-
23500	Deposits and remittances	VI.18	291,504,327	80	297,503,968	79
25600	Provisions for liabilities	IV/VI.19, 20, 26	133,302	-	156,481	-
26000	Lease liabilities	III/IV/VI.27	207,462	-	238,439	-
29300	Deferred income tax liabilities	IV/VI.30	58,153	-	51,054	-
29500	Other liabilities	VI.21	178,070	-	169,520	-
	Total liabilities		<u>308,286,634</u>	<u>85</u>	<u>325,588,626</u>	<u>86</u>
31000	Equity	VI.22				
31100	Capital stock		11,112,343	3	11,112,343	3
31500	Capital surplus		55,192	-	55,192	-
32000	Retained earnings					
32001	Legal capital reserve		18,199,225	5	16,686,722	4
32003	Special capital reserve		120,039	-	120,039	-
32011	Unappropriated earnings		20,864,397	6	22,578,194	6
32500	Others	IV	4,289,310	1	4,073,659	1
	Total equity		<u>54,640,506</u>	<u>15</u>	<u>54,626,149</u>	<u>14</u>
	Total liabilities and equity		<u>\$362,927,140</u>	<u>100</u>	<u>\$380,214,775</u>	<u>100</u>

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Stephen OUYANG

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.
Statements of Comprehensive Income
January 1 to December 31, 2025 and 2024

Unit: NTD thousand

Code	Account Item	Note	2025		2024	
			Amount	%	Amount	%
41000	Interest income	IV	\$10,005,749	119	\$10,178,174	120
51000	Less: Interest expenses	IV	(3,923,834)	(47)	(4,779,215)	(56)
	Net interest income	VI.23	6,081,915	72	5,398,959	64
	Non-interest net income					
49100	Net service fee income	IV/VI.24	1,982,030	24	2,740,056	32
49200	Gain (loss) on financial assets and liabilities at FVTPL	IV/VI.25	822,469	10	(3,519)	-
49310	Realized (loss) gain on financial assets measured at FVOCI	IV	(1,053,856)	(13)	136,899	2
49600	Net exchange gain (loss)	IV	(9,126)	-	195,439	2
47003	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	IV	25,534	-	70,951	1
49700	Gain (loss) on reversal of impairment of assets	IV/VI.26	549,751	7	(69,991)	(1)
49800	Other non-interest net income	IV	25,042	-	30,690	-
	Net income		8,423,759	100	8,499,484	100
58200	Allowance for doubtful accounts, commitments and guarantees liability reserve reversals (provisions)	IV/VI.6, 8, 19, 26	451,802	5	(279,647)	(3)
58400	OPERATING EXPENSES					
58500	Employee benefits expenses	VI.20, 28	(1,835,004)	(22)	(1,205,206)	(14)
59000	Depreciation and amortization expenses	IV/VI.11, 12, 27	(129,006)	(1)	(127,356)	(2)
59500	Other business and administrative expenses	IV	(1,001,778)	(12)	(990,095)	(12)
61001	Net income before tax from continuing operations		5,909,773	70	5,897,180	69
61003	Income tax (expense)	IV/VI.30	(1,067,157)	(13)	(1,423,347)	(16)
61000	Net profit after tax from continuing operations		4,842,616	57	4,473,833	53
62500	Profit or loss from discontinued operations	IV/VI.7	(1,051,483)	(12)	549,834	6
64000	Net income after tax		3,791,133	45	5,023,667	59
65000	Other comprehensive income					
65200	Items that will not be reclassified to profit or loss	IV/VI.29, 30				
65201	Remeasurements of the defined benefit plan		9,467	-	22,513	-
65204	Gain or loss on valuation of equity instruments measured at FVOCI		(1,287,922)	(15)	2,848,066	34
65207	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - items that will not be reclassified to profit or loss		(4,250)	-	16,533	-
65219	Other items that will not be reclassified to profit or loss		52,986	1	(30,150)	-
65220	Income tax expenses related to items that will not be reclassified to profit or loss		(1,894)	-	(4,502)	-
65300	Items that may be reclassified subsequently to profit or loss	IV/VI.29, 30				
65301	Exchange differences on translation of financial statements of foreign operations		38,069	-	(16,320)	-
65308	Gain or loss from debt instruments measured at FVOCI		1,424,382	17	(17,785)	-
65320	Income tax related to components that may be reclassified to profit or loss		(7,614)	-	3,264	-
	Other current comprehensive income (after tax)		223,224	3	2,821,619	34
66000	Total current comprehensive income (after tax)		\$4,014,357	48	\$7,845,286	93
	Earnings per share (NTD)	VI.31				
	from continuing and discontinued operations					
67500	Basic EPS		\$3.41		\$4.52	
67700	Diluted EPS		\$3.41		\$4.52	
	from continuing operations	VI.31				
67501	Basic EPS		\$4.36		\$4.03	
67701	Diluted EPS		\$4.36		\$4.03	

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Stephen OUYANG

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.
Statement of Changes in Equity
January 1 to December 31, 2025 and 2024

Unit: NTD thousand

Item	Capital stock	Capital surplus	Retained earnings			Others			Total equity
			Legal capital reserve	Special capital reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized gain (loss) on financial assets measured at FVOCI	Equity directly related to assets held for sale	
Balance on January 1, 2024	\$11,112,343	\$55,192	\$14,831,519	\$1,540,617	\$21,304,844	\$2,011	\$1,268,040	\$-	\$50,114,566
Allocation and distribution of earnings for 2023									
Legal reserve appropriated	-	-	1,855,203	-	(1,855,203)	-	-	-	-
Reversal of special reserve	-	-	-	(1,420,578)	1,420,578	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(3,333,703)	-	-	-	(3,333,703)
Net income from January 1 to December 31, 2024	-	-	-	-	5,023,667	-	-	-	5,023,667
Other comprehensive income from January 1 to December 31, 2024	-	-	-	-	18,011	(13,056)	2,816,664	-	2,821,619
Total comprehensive income from January 1 to December 31, 2024	-	-	-	-	5,041,678	(13,056)	2,816,664	-	7,845,286
Balance on December 31, 2024	11,112,343	55,192	16,686,722	120,039	22,578,194	(11,045)	4,084,704	-	54,626,149
Allocation and distribution of earnings for 2024									
Legal reserve appropriated	-	-	1,512,503	-	(1,512,503)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(4,000,000)	-	-	-	(4,000,000)
Net income from January 1 to December 31, 2025	-	-	-	-	3,791,133	-	-	-	3,791,133
Other comprehensive income from January 1 to December 31, 2025	-	-	-	-	7,573	30,455	185,196	-	223,224
Total comprehensive income from January 1 to December 31, 2025	-	-	-	-	3,798,706	30,455	185,196	-	4,014,357
Reclassified to equity related to disposal groups held for sale	-	-	-	-	-	-	69,442	(69,442)	-
Balance on December 31, 2025	\$11,112,343	\$55,192	\$18,199,225	\$120,039	\$20,864,397	\$19,410	\$4,339,342	\$(69,442)	\$54,640,506

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Stephen OUYANG

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.
Statement of Cash Flows
January 1 to December 31, 2025 and 2024

Unit: NTD thousand

	2025	2024		2025	2024
Item	Amount	Amount	Item	Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax from continuing operations	\$5,909,773	\$5,897,180	Purchase of property and equipment	(135,269)	(103,193)
Net profit or loss from discontinued operations	(1,051,483)	549,834	Proceeds from disposal of property and equipment	2,930	-
Profit before income tax	4,858,290	\$6,447,014	Capital reduction and return of capital from investee companies accounted for using equity method	670,000	-
Adjustments for:			Net cash inflow (outflow) from investing activities	<u>537,661</u>	<u>(103,193)</u>
Non-cash income and expense items			Cash flows from financing activities:		
Expected credit impairment loss (gain on reversal) /bad debt expense provision (gain on reversal)	(451,802)	279,647	Securities sold under agreement to repurchase (decrease) Additions	(2,925,505)	1,671,053
Impairment (Gain) Loss of Assets	(549,751)	69,991	Cash dividends paid	(4,000,000)	(3,333,703)
Depreciation and amortization expenses	129,006	127,356	Repayment of the principal amount of lease liabilities	(86,328)	(87,559)
Net interest income	(6,081,915)	(5,398,959)	Net cash inflow (outflow) from financing activities	<u>(7,011,833)</u>	<u>(1,750,209)</u>
Share of profit or loss of subsidiaries accounted for using equity method	1,025,949	(620,785)	Effect of Exchange Rate Changes On Cash And Cash Equivalents	<u>38,069</u>	<u>(16,320)</u>
Gain (loss) on disposal and scrap of property, plant, and equipment	(1,191)	19	Net (decrease) increase in cash and cash equivalents	8,978,733	(2,977,116)
Disposal of other leases (benefit)	(95)	-	Cash and cash equivalents, beginning of period	<u>17,205,031</u>	<u>20,182,147</u>
Loss on disposal of investment property	20	-	Cash and cash equivalents, end of period	<u>\$26,183,764</u>	<u>\$17,205,031</u>
Changes in operating assets and liabilities			Composition of cash and cash equivalents		
Due from the Central Bank and call loans to other banks (increase)	359,900	(901,230)	Cash and cash equivalents recorded on the balance sheet	\$2,654,449	\$3,753,248
Decrease in financial assets measured at FVTPL	11,905,580	984,319	Compliance with IAS No. 7 Cash and Cash Equivalents as endorsed by the Financial Supervisory Commission	23,529,315	13,451,783
Receivables (increase)	(463,027)	(68,906)	Deposits with central banks and interbank call loans meeting the definition as defined in IAS No. 7		
Discount and loan (increase)	15,342,582	(10,222,479)	Compliance with IAS No. 7 Cash and Cash Equivalents as endorsed by the Financial Supervisory Commission	-	-
Decrease (increase) in financial assets measured at FVOCI	5,093,048	(3,872,596)	Defined repurchase agreements and bond investments		
Debt instrument investments measured at amortized cost (increase) decrease	(6,092,390)	6,019,999	Cash and Cash Equivalents, End Of Period	<u>\$26,183,764</u>	<u>\$17,205,031</u>
Other financial assets (increase)	(1,219)	(64)			
Other assets (increase) decrease	(716,501)	380,798			
Increase (decrease) of deposits from the Central Bank and other banks	(8,406,851)	3,057,097			
Increase (decrease) in financial liabilities measured at fair value through profit or loss	10,176	(19,665)			
Payables increase (decrease)	427,974	(1,409,030)			
Deposits and remittances (decrease)	(5,999,641)	(321,651)			
Provisions for liabilities (decrease)	(7,507)	(33,918)			
Other liabilities increase (decrease)	8,550	(3,984)			
Interest received	10,199,215	10,080,002			
Dividends received	209,467	233,286			
Interest paid	(3,972,081)	(4,803,644)			
Income tax paid	(1,410,950)	(1,110,011)			
Net cash inflow (outflow) from operating activities	<u>15,414,836</u>	<u>(1,107,394)</u>			

(Please refer to the Notes to the Individual Financial Statements)

Chairman: Stephen OUYANG

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd.
Notes to the Financial Statements
Year 2025 and 2024
(Unless otherwise provided, Unit: NTD Thousand)

I. Company History

1. King's Town Bank Co., Ltd. (hereinafter referred to as "the Company") was restructured from Tainan District Joint Saving Co., Ltd, on January 1, 1978. The Company had applied for restructuring into a commercial bank according to the resolution reached in the extraordinary Shareholders' Meeting on November 29, 2005 and was renamed as "King's Town Bank Co., Ltd." The Company started trading on the Taiwan Stock Exchange Corporation in July 1983. The place of registration and the general management office are located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches are set up nationwide.
2. The Company's main business services are: (1) accepting check deposits, (2) accepting other deposits, (3) issuing financial bonds, (4) handling loans, (5) handling bill discounts, (6) handling various investment businesses, (7) handling domestic and foreign exchange, (8) handling draft acceptance, (9) issuing domestic and foreign letters of credit, (10) handling domestic and foreign guarantees, (11) handling collections and advances, (12) handling the depository and agency services related to the various businesses listed above, and (13) other business chartered by the government.
3. The Company, by resolution of the extraordinary shareholders' meeting held on March 3, 2025, approved a share swap with SinoPac Financial Holdings Company Limited (hereinafter referred to as "SinoPac Financial Holdings"). Under the agreement, SinoPac Financial Holdings will issue common shares and pay cash to the shareholders of the Company as consideration for acquiring 100% ownership of the Company. Upon completion of the share swap, the Company will become a wholly owned subsidiary of SinoPac Financial Holdings. The aforementioned share conversion plan was approved by the Financial Supervisory Commission in the letter No. 1140139788 dated June 19, 2025. The boards of directors of both parties have mutually agreed to set the merger date as October 1, 2025.
4. The ultimate parent of the Company and the ultimate controller is SinoPac Holdings, which holds 100% of the Corporation's common stock.

II. Approval Date and Procedures of the Financial Statements

The financial statements of the Company as of December 31, 2025 and 2024 were approved for publication by the Board of Directors on February 23, 2026.

III. Application of New and Revised International Financial Reporting Standards

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

The Company has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Notices that have been approved by the Financial Supervisory Commission (hereinafter referred to as the "FSC") for application after January 1, 2025. The first-time application has no significant impact on the Company.

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

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	IFRS 17 "Insurance Contracts"	January 1, 2023
2	Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	January 1, 2026
3	Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
4	Contracts involving reliance on natural power (Amendments to IFRS 9 and IFRS 7)	January 1, 2026

(1) IFRS 17 "Insurance Contracts"

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

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

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

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

This amendment includes:

- A. A clarification that financial liabilities are to be removed from balance sheet on the settlement date, and the proper accounting treatment for financial liabilities that are settled using electronic payment before the settlement date.
- B. A clarification on how to assess the cash flow characteristics of financial assets that are linked to environment, social, and governance (ESG) issues or other financial assets of similar contingent characteristics.
- C. Clarify the treatment of non-recourse assets and contract-linked instruments.
- D. IFRS 7 requires additional disclosures for financial assets or liabilities that carry special conditions or characteristics (including ESG linkage) and equity investments at fair value through other comprehensive income.

(3) Annual Improvements to IFRS Accounting Standards - Volume 11

- A. Amendments to IFRS 1
- B. Amendments to IFRS 7
- C. Amendments to IFRS 7 Implementation Guidance
- D. Amendments to IFRS 9
- E. Amendments to IFRS 10
- F. Amendments to IAS 7

(4) Contracts involving reliance on natural power (Amendments to IFRS 9 and IFRS 7)

This amendment includes:

- A. A clarification on applicable regulations of “own use”.
- B. When contracts are used as hedging instruments, hedge accounting is permitted.
- C. The regulations of disclosure in the notes are increased to help investors understand the effects of such contracts on the entity’s financial performance and cash flows.

The aforementioned newly issued and amended standards are applicable for the annual period beginning on or after January 1, 2026. After evaluation, there is no significant impact on the Corporation.

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

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 10 “Consolidated Financial Statements,” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by International Accounting Standards Board
2	IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027 (Note)
3	Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures (IFRS 19)	January 1, 2027
4	Translation into a Presentation Currency in Hyperinflationary Economies (Amendments to IAS 21 and IAS 29)	January 1, 2027

Note: The FSC issued a press release on September 25, 2025, announcing that our country will adopt IFRS 18 in 2028.

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

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

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

(2) IFRS 18 "Presentation and Disclosure in Financial Statements"

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

A. Enhanced comparability of the income statement

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

B. Improved transparency of management performance measures

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

C. Useful aggregation of financial statement information

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

(3) Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures (IFRS 19)

This newly issued standard and its amendments simplify disclosures for subsidiaries without public accountability and allow qualifying subsidiaries to elect to apply this standard.

(4) Translation into a Presentation Currency in Hyperinflationary Economies (Amendments to IAS 21 and IAS 29)

This amendment includes:

- A. Clarify that when the functional currency of a reporting entity is not a hyperinflationary economy and it is translated into a presentation currency of a hyperinflationary economy, its operating results and financial position should be translated at the closing exchange rate of the most recent financial statement date.
- B. In the case described above, when the subsequent presentation currency is no longer in a hyperinflationary economy, the reporting entity should not restate the prior period amounts.
- C. When both the functional currency and presentation currency are in a hyperinflationary economy, the reporting entity should perform the relevant accounting treatment in accordance with paragraph 34 of IAS 29.

The aforementioned standards or interpretations have been issued by the IASB but have yet to be approved by the FSC. The actual date of application is subject to the requirements of the FSC. The Corporation, except for currently evaluating the potential impact of item (2), has determined that the remaining standards or interpretations have no significant impact on the Company.

IV. Summary of Significant Accounting Policies

1. Statement of Compliance

The Company's financial reports as of January 1 to December 31, 2025 and 2024 are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of Preparation

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

3. Foreign currency transactions

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

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

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

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

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

4. Translation of financial statements in foreign currency

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

5. Cash and cash equivalents

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

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

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

7. Financial instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

Financial assets at amortized costs

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

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

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

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

- A. For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.

- B. Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of the financial assets.

Financial assets measured at FVOCI

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

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

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

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

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

Financial assets at FVTPL

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

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

(2) Impairments of financial assets

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

performing/Non-accrual Loans.”

The Company measures expected credit losses to reflect the following:

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

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

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

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

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

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

(3) Derecognizing financial assets

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

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

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

(4) Financial liabilities and equity instruments

Classification of liability or equity

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

Equity instruments

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

Hybrid instruments

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

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

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

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

- A. The designation can eliminate or significantly reduce the inconsistency of measurement or recognition; or

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

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

Financial liabilities measured at the amortized cost

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

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

De-recognition of financial liabilities

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

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

(5) Offsetting of financial assets and financial liabilities

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

8. Derivatives

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

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

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

9. Fair value measurement

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

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

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

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

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

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

10. Impairment of non-financial assets

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

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

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

11. Collateral accepted

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

12. Noncurrent assets held for sale and discontinued operations

Non-current assets or disposal groups held for sale refer to those that, under current circumstances, can be sold immediately under general terms and commercial practices, with a high likelihood of completing the sale within a year. Non-current assets classified as held for sale and disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

The income and expenses of discontinued units are reported in the comprehensive income statement for the reporting period and the comparative period of the previous year on an after-tax basis, separately from the income and expenses of continuing operations, even if the Group retains a non-controlling interest after the disposal of a subsidiary. The after tax related profit or loss of the discontinued unit is presented separately in the statements of comprehensive income.

Once property, plant and equipment and intangible assets are classified as held for sale, they are no longer subject to depreciation or amortization.

13. Investments accounted for using equity method

The Company's investment in subsidiaries is presented, valued and adjusted in accordance with the "Investment Accounted for using the equity method" as defined in Article 21 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" in order to have had the current profit and loss and other comprehensive profit and loss in the financial statements equivalent to the amortization amount of the current profit and loss and other comprehensive profit and loss in the financial statements that is attributable to the shareholders of the parent company; also, the shareholder's equity amount in the financial statements is same as the equity attributable to the shareholders of the parent company in the financial statements. Such adjustments are mainly based on the difference between having the "investment in subsidiaries" processed in accordance with IAS 27 "Separate Financial Statements" and IFRSs that is for different reporting entities; also, the said difference is debited or credited to the account of "Investment Accounted for using the equity method," "Profit and loss of the subsidiaries under the equity method, associates, and Joint Ventures" or "Other comprehensive profit and loss of the subsidiaries under the equity method, associates and Joint Ventures."

The Company's investment in associates, except for those classified as assets for sale, is processed in accordance with the equity method. Affiliates are business entities that are significantly influenced by the Company.

Under the equity method, the investment in associates is booked in the balance sheet for an amount equivalent to the cost plus the amount of the change in the associate's net assets recognized proportionally to the shareholding ratio. When the book value of the investment in associates and other related long-term equity under the equity method is with a zero balance, additional loss and liability is recognized within the scope of the statutory obligations, constructive obligations, or payments on behalf of associates incurred. Unrealized gains and losses arising from the transactions conducted between the Company and associates are written off proportionally to the equity ratio in associates.

When the change in the equity of an associate does not occur as a result of profit or loss and other comprehensive profit and loss; also, such change does not affect the Company's shareholding ratio, the Company recognizes the relevant changes in equity ownership proportionally to the shareholding ratio. Therefore, the recognized additional paid-in capital will be transferred to profit or loss proportionally to the disposal amount when the associate is subsequently disposed.

When the associate issued new shares, the Company did not subscribe it proportionally to the shareholding ratio, causing the Company's investment ratio and net asset ratio in the associate changed, so, such change is adjusted to the "additional paid-in capital" and "Investment accounted for using the equity method." When the change in the investment ratio is reduced, the relevant items previously recognized in other comprehensive profit or loss should be reclassified to "profit or loss" or other appropriate accounts proportionally to the reduction ratio. The previously recognized additional paid-in capital is transferred to the profit or loss proportionally to the disposal ratio when the associate is disposed.

The financial statements of associates are prepared for the same reporting period as the Company and adjusted to have its accounting policies in line with the Company's accounting policies.

The Company confirms whether or not there is objective evidence indicating impairment of the investment in associates in accordance with the requirements of International Accounting Standards (IAS) No. 28 "Investment in Associates and Joint Ventures" at the end of each reporting period. If there is objective evidence of impairment, the Company shall calculate the impairment amount based on the difference between the recoverable amount and the book value of the associate in accordance with the requirements of IAS 36 "Impairment of Assets" and recognize such amount in the profit or loss from the associate. If the aforementioned recoverable amount is the investment value, the Company will determine the investment value according to the following estimates:

- (1) The present value of the estimated future cash flow of the associate attributable to the Company includes the cash flow generated by the associate in business operations and the proceeds from the investment disposed; or
- (2) The present value of the expected dividends and future cash flows generated from the investment disposed ultimately.

As the items that constitute the book value of the associate's goodwill are not separately recognized, it is not subject to the requirements of IAS 36 "Impairment of Assets" goodwill impairment test.

Upon the loss of significant impact on associates, the Company has the retained investment amount measured and recognized at fair value. Upon the loss of significant impact, the difference between the book value of the investment in associate and the fair value of the retained investment plus the proceeds from the disposal is recognized as profit or loss.

14. Property, plant, and equipment

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

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

Buildings and structures	3 to 60 years
Computer and machinery equipment	3 to 5 years
Transportation equipment	3 to 5 years
Other equipment	3 to 5 years

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

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

15. Investment properties

The Corporation's self-owned investment properties are measured at their original cost, including the transaction costs of acquiring the asset. The carrying amount of investment properties includes costs incurred for repairs or additions to existing investment properties, provided they meet the criteria for cost recognition. However, regular maintenance expenses are not included as part of these costs. Unless classified as properties held for sale (or included in the category held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," investment properties are accounted for using the cost model under IAS 16 "Property, Plant and Equipment" after the initial recognition. However, such properties are accounted for using IFRS 16, if they are held as right-of-use assets and recognized as properties held for sale by the lessee in accordance with IFRS 5.

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

Buildings and structures	3 to 60 years
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The Corporation determines the transfer of real estate into or out of investment properties based on the actual use of the assets.

When the real estate meets or no longer meets the definition of investment properties and there is evidence indicating a change in use, the Corporation will transfer the real estate into or out of investment properties.

16. Leases Modifications

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

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

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

The Company is the lessee

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

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

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

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

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

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

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

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

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

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

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

17. Employee benefits

(1) Retirement benefits plan

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

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

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

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

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

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

(2) Employees preferential deposit benefit

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

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

18. Treasury stock

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

19. Recognition of revenue

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

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

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

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

20. Share-based payment arrangements

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

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

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

21. Income tax

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

Current income tax

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

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

Deferred income tax

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

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

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

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

- (1) The original recognition of an asset or liability that does not arise from a business combination transaction and does not affect accounting profit or taxable income (loss) at the time of the transaction, and does not give rise to equal taxable and deductible temporary differences at the time of the transaction;
- (2) It is related to the deductible temporary differences arising from the investment in subsidiaries, associates, and the joint equity. It is recognized within the range of probable reversal in the foreseeable future and there is sufficient taxable income at the time the temporary difference occurred.

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

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

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

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

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

Estimation and assumption

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

1. Loan impairment loss

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

2. Fair value of financial instruments

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

3. Retirement benefits plan

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

4. Income tax

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

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

VI. Descriptions of Material Accounting Items

1. Cash and cash equivalents

	<u>2025.12.31</u>	<u>2024.12.31</u>
Cash on hand	\$1,359,144	\$2,679,587
Foreign currency on hand	38,567	42,273
Notes and checks for clearing	245,282	278,069
Due from Central Bank and other banks	<u>1,011,456</u>	<u>753,319</u>
Total	<u><u>\$2,654,449</u></u>	<u><u>\$3,753,248</u></u>

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

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

	<u>2025.12.31</u>	<u>2024.12.31</u>
Cash and cash equivalents recorded on the balance sheet	\$2,654,449	\$3,753,248
Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	23,529,315	13,451,783
Investments in bills and bonds purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	-	-
Cash and cash equivalents recorded on the balance sheet	<u>\$26,183,764</u>	<u>\$17,205,031</u>

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

	<u>2025.12.31</u>	<u>2024.12.31</u>
Reserve for deposits - Type A	\$8,324,056	\$5,059,823
Reserve for deposits - Type B	9,697,684	10,057,584
Reserve for deposits - Foreign currency	40,259	41,960
Call loans to other banks	<u>15,165,000</u>	<u>8,350,000</u>
Total	<u>\$33,226,999</u>	<u>\$23,509,367</u>

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

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

3. Financial assets at FVTPL

	<u>2025.12.31</u>	<u>2024.12.31</u>
Mandatorily measured at fair value through profit or loss:		
Stock	\$-	\$2,063,500
Beneficiary certificate	2,113,308	-
Domestic and foreign bonds	27,348,007	39,307,405
Derivatives	14,465	9,235
Convertible bonds	40,756	49,650
Total	<u>\$29,516,536</u>	<u>\$41,429,790</u>

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

4. Financial assets measured at FVOCI

	<u>2025.12.31</u>	<u>2024.12.31</u>
Debt instrument investments measured at FVOCI:		
Government bonds	\$10,073,747	\$6,147,007
Corporate bonds	21,162,194	32,424,257
Financial bonds	3,570,574	2,248,071
Subtotal (total book value)	34,806,515	40,819,335
Valuation adjustment	289,472	(1,720,107)
Subtotal	<u>35,095,987</u>	<u>39,099,228</u>
Equity instrument investments measured at FVOCI:		
TWSE/TPEX-listed stocks	768,453	-
Non-TWSE/TPEX-listed stocks	5,512,106	6,775,032
Subtotal	<u>6,280,559</u>	<u>6,775,032</u>
Total	<u>\$41,376,546</u>	<u>\$45,874,260</u>

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

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

Dividend income recognized from investments in equity instruments measured at FVOCI amounted to NT\$157,652 thousand and NT\$135,876 thousand for the years ended December 31, 2025 and 2024, respectively. Of these amounts, NT\$157,652 thousand and NT\$135,876 thousand relate to investments still held at the reporting date; the remainder relates to investments derecognized during the respective years.

The Corporation did not dispose of any equity instruments measured at fair value through other comprehensive income during the period from January 1 to December 31, 2025 and 2024.

5. Financial assets at amortized costs

	<u>2025.12.31</u>	<u>2024.12.31</u>
Convertible certificate of deposit (Total book value)	\$16,780,000	\$13,380,000
Government bonds	1,831,452	-
Financial bonds	860,938	-
Subtotal	19,472,390	13,380,000
Less: Loss allowance	(2,328)	(1,516)
Total	<u>\$19,470,062</u>	<u>\$13,378,484</u>

The Company classifies certain financial assets into financial assets measured at amortized cost. Please refer to Note VI for the information provided on allowances for loss. Also, refer to Note XIV for information related to credit risk, and see Note VIII for information on the provision of guarantees.

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

6. Receivables, net

	2025.12.31	2024.12.31
Accounts receivable and notes	\$53,720	\$42,815
Interests receivable	991,179	1,184,645
Clearing amount receivable	475	54,031
Other receivables	531,739	27,879
Subtotal (total book value)	1,577,113	1,309,370
Less: Loss allowance	(4,926)	(3,722)
Net	<u>\$1,572,187</u>	<u>\$1,305,648</u>

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

7. Assets held for sale, net

	2025.12.31	2024.12.31
Assets held for sale, net	<u>\$1,642,974</u>	<u>\$-</u>

On December 26, 2025, the Company's Board of Directors approved the disposal of 100% of the equity interest in King's Town Bank International Leasing Corporation and entered into a share purchase agreement. Closing is expected to take place in January 2026. As the transaction meets the criteria of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the assets and results of King's Town Bank International Leasing Corporation have been reclassified as assets held for sale and discontinued operations, respectively.

8. Discounts and loans, net

	2025.12.31	2024.12.31
Overdrafts	\$51,744	\$21,501
Loans	228,104,566	243,069,514
Collections of overdue loans	40,916	44,971
Total amount	228,197,226	243,135,986
Less: allowance for bad debt	(3,136,580)	(3,168,582)
Net	<u>\$225,060,646</u>	<u>\$239,967,404</u>

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

9. Investments accounted for using equity method

	2025.12.31		2024.12.31	
	Carrying amount	Shareholding (%)	Carrying amount	Shareholding (%)
Invested companies:				
Kings Town Bank International Lease Corporation(Note 3)	\$-	100.00	\$2,707,434	100.00
King's Town Securities Co, Ltd. (Notes 1, 2)	430,002	100.00	1,122,859	100.00
Total	<u>\$430,002</u>		<u>\$3,830,293</u>	

The gains and losses of the investment in subsidiaries under the equity method for the years ended December 31, 2025 and 2024 were recognized for an amount of NTD25,534 thousand and NTD620,785 thousand, respectively.

In the first half of 2025, King's Town Securities Co., Ltd. carried out a cash capital reduction, returning capital in the amount of NTD 670,000 thousand to shareholders based on their shareholding ratio. This has been approved by the competent authority.

Due to significant changes in operations, the Corporation, through a resolution passed by the Board of Directors on June 9, 2025, decided to sell 100% equity of its subsidiary, Kings Town Securities Co., Ltd., to JKOS Network Financial Technology Co., Ltd. (hereinafter referred to as "JKOS Network Financial Technology"). The transaction amount is NTD408,717 thousand, and the sale is pending approval from the Department of Investment Review of the Ministry of Economic Affairs.

The Corporation, through a resolution passed by the Board of Directors on December 26, 2025, has approved the disposal of 100% equity in its subsidiary, Kings Town Bank International Lease Corporation, and signed a share purchase agreement, with the transfer scheduled to be completed in January 2026. Thus, processing complies with the provisions of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

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

10. Other financial assets, net

	2025.12.31	2024.12.31
Short-term advance	\$1,652	\$433
Subtotal (total book value)	1,652	433
Less: Loss allowance	-	-
Total	\$1,652	\$433

11. Property, plant, and equipment

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

	Land	Buildings and structures	Computer and machinery equipment	Transport equipment	Other equipment	Construction in progress and prepayments	Total
Cost:							
2025.01.01	\$4,407,174	\$1,216,820	\$-	\$18,610	\$282,000	\$173,134	\$6,097,738
Additions	-	1,260	210	-	30,868	102,931	135,269
Disposal	-	(63,671)	(12,122)	(6,271)	(3,598)	-	(85,662)
Transfer	-	68,762	-	-	-	(68,762)	-
Reclassifications	(194,780)	(97,073)	252,184	-	(252,184)	-	(291,853)
2025.12.31	\$4,212,394	\$1,126,098	\$240,272	\$12,339	\$57,086	\$207,303	\$5,855,492
2024.01.01	\$4,422,949	\$1,226,196	\$-	\$15,460	\$269,696	\$87,267	\$6,021,568
Additions	-	-	-	3,150	14,176	85,867	103,193
Disposal	-	-	-	-	(1,872)	-	(1,872)
Reclassifications	(15,775)	(9,376)	-	-	-	-	(25,151)
2024.12.31	\$4,407,174	\$1,216,820	\$-	\$18,610	\$282,000	\$173,134	\$6,097,738
Depreciation and impairment:							
2025.01.01	\$-	\$841,832	\$-	\$14,060	\$247,765	\$-	\$1,103,657
Depreciation	-	19,573	6,572	1,569	18,222	-	45,936
Disposal	-	(63,377)	(12,049)	(5,031)	(3,466)	-	(83,923)
Reclassifications	-	(67,415)	213,626	-	(213,626)	-	(67,415)
2025.12.31	\$-	\$730,613	\$208,149	\$10,598	\$48,895	\$-	\$998,255
2024.01.01	\$-	\$830,413	\$-	\$12,320	\$227,993	\$-	\$1,070,726
Depreciation	-	18,837	-	1,740	21,625	-	42,202
Disposal	-	-	-	-	(1,853)	-	(1,853)
Reclassifications	-	(7,418)	-	-	-	-	(7,418)
2024.12.31	\$-	\$841,832	\$-	\$14,060	\$247,765	\$-	\$1,103,657
Net book value:							
2025.12.31	\$4,212,394	\$395,485	\$32,123	\$1,741	\$8,191	\$207,303	\$4,857,237
2024.12.31	\$4,407,174	\$374,988	\$-	\$4,550	\$34,235	\$173,134	\$4,994,081

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

On October 1, 2025, The Corporation became a wholly-owned subsidiary of SinoPac Financial Holdings. To comply with the group's accounting policy consistency principle, (1) the portion of self-owned real estate with leased areas was reclassified to investment properties; (2) miscellaneous equipment, including machinery and computer hardware, was reclassified to machinery and computer equipment.

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

12. Investment properties

Investment properties include the Corporation's self-owned investment properties.

	Land	Buildings	Total
Cost:			
2025.01.01	\$15,775	\$9,376	\$25,151
Disposal	-	(229)	(229)
Transfer to property, plant, and equipment	194,780	97,073	291,853
2025.12.31	<u>\$210,555</u>	<u>\$106,220</u>	<u>\$316,775</u>
2024.01.01	\$-	\$-	\$-
Transfer to property, plant, and equipment	15,775	9,376	25,151
2024.12.31	<u>\$15,775</u>	<u>\$9,376</u>	<u>\$25,151</u>
Depreciation and impairment:			
2025.01.01	\$-	\$7,418	\$7,418
Current depreciation	-	414	414
Transfer to property, plant, and equipment	-	67,415	67,415
Disposal	-	(209)	(209)
2025.12.31	<u>\$-</u>	<u>\$75,038</u>	<u>\$75,038</u>
2024.01.01	\$-	\$ -	\$-
Transfer to property, plant, and equipment	-	7,418	7,418
2024.12.31	<u>\$-</u>	<u>\$7,418</u>	<u>\$7,418</u>
Net book value:			
2025.12.31	<u>\$210,555</u>	<u>\$31,182</u>	<u>\$241,737</u>
2024.12.31	<u>\$15,775</u>	<u>\$1,958</u>	<u>\$17,733</u>

On October 1, 2025, The Corporation became a wholly-owned subsidiary of SinoPac Financial Holdings. To comply with the group's accounting policy consistency principle, the portion of self-owned real estate with leased areas was reclassified to investment properties.

The Corporation's investment properties have not been used as collateral.

The investment properties held by the Corporation are not measured at fair value, but only disclose the information of their fair value, which falls under Level 3 of the fair value hierarchy. The fair value of the investment properties held by the Corporation as of December 31, 2025 and 2024 was NTD490,298 thousand and NTD49,448 thousand, respectively. The aforementioned fair values were not evaluated by independent appraisers but were estimated by the Corporation with reference to market evidence of similar real estate transactions.

13. Other assets, net

	<u>2025.12.31</u>	<u>2024.12.31</u>
Prepayments	\$19,035	\$10,566
Prepaid pension expenses	12,795	-
Inter-bank clearing fund	1,027,488	1,000,665
Refundable deposits	216,233	343,901
Collateral accepted	1,080,553	262,138
Others	5,115	14,653
Net	<u>\$2,361,219</u>	<u>\$1,631,923</u>

As of December 31, 2025 and 2024, the accumulated impairment loss under other assets – others amounted to NT\$3,280 thousand for both years.

14. Deposits from the Central Bank and banks

	<u>2025.12.31</u>	<u>2024.12.31</u>
Deposits of other banks	\$2,779	\$2,914
Call loans to other banks	7,955,753	16,362,469
Total	<u>\$7,958,532</u>	<u>\$16,365,383</u>

15. Financial liabilities at FVTPL

	<u>2025.12.31</u>	<u>2024.12.31</u>
Available-for-sale financial liabilities:		
Derivatives	<u>\$26,447</u>	<u>\$16,271</u>

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

16. Securities and bonds sold under agreement to repurchase

	2025.12.31	2024.12.31
Government bonds	\$3,254,931	\$1,851,666
Corporate bonds	266,185	6,592,559
Financial bonds	2,323,375	325,771
Total	<u>\$5,844,491</u>	<u>\$8,769,996</u>

The Company's liabilities of bonds and securities sold under repurchase agreements were processed at the agreed price for an amount of NTD5,868,183 thousand and NTD8,803,126 thousand as of December 31, 2025 and 2024, respectively.

17. Accounts payable

	2025.12.31	2024.12.31
Accrued expenses	\$923,625	\$422,486
Interest payable	252,128	304,713
Notes and checks in clearing	245,282	278,069
Clearing amount payable	-	61,214
Other payables - taxation	18,482	33,536
Others	512,017	476,127
Total	<u>\$1,951,534</u>	<u>\$1,576,145</u>

18. Deposits and remittances

	2025.12.31	2024.12.31
Check deposits	\$3,647,908	\$3,191,969
Demand deposits	64,229,934	59,959,016
Time deposits	44,011,091	60,546,940
Savings deposit	179,592,242	173,785,011
Remittances	23,152	21,032
Total	<u>\$291,504,327</u>	<u>\$297,503,968</u>

19. Provisions for liabilities

	2025.12.31	2024.12.31
Retirement benefits plan	\$-	\$6,449
Reserve for guarantee liability	109,214	125,214
Provision for commitment of financing	21,818	24,818
Liabilities for decommissioning, restoration, and rehabilitation costs	2,270	-
Total	<u>\$133,302</u>	<u>\$156,481</u>

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

	2025	2024
Balance, beginning of period	\$125,214	\$161,214
Amount (reversed) in the current period	(16,000)	(36,000)
Effect of exchange rate changes	-	-
Balance, end of period	<u>\$109,214</u>	<u>\$125,214</u>

The changes in the financing commitment reserve are as follows:

	2025	2024
Balance, beginning of period	\$24,818	\$44,818
Amount (reversed) in the current period	(3,000)	(20,000)
Effect of exchange rate changes	-	-
Balance, end of period	<u>\$21,818</u>	<u>\$24,818</u>

20. Retirement benefits plan

Defined contribution plans

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

The amount of the Company's defined contribution pension plan for the years ended December 31, 2025 and 2024 were NTD41,498 thousand and NTD37,703 thousand, respectively.

Defined benefit plans

The employee retirement plan established by the Company in accordance with the Labor Standards Act is considered a defined benefit plan. Pension payments for employees are calculated in accordance with the base of service years rendered and the average salaries or wages of one month after the retirement is approved. For service years up to and including fifteen years, two units are awarded for each year completed. For service years beyond fifteen years, one unit is awarded for each additional year completed, with a maximum accumulation capped at 45 units. In accordance with the Labor Standards Act, the Company contributes on a monthly basis of the total salary (wages) as the pension fund from 8% to 15% since March 2012, which is deposited in a designated account of the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Fund. In addition, prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.

The Ministry of Labor allocates ASSETS based on the management and utilization regulations of the Labor Retirement Fund. The Fund's investments are conducted through both self-management and entrusted management, adopting a medium to long-term investment strategy using both active and passive management approaches. Considering market, credit, liquidity, and other risks, the Ministry of Labor sets risk limits and control plans for the Fund, providing enough flexibility to achieve target returns without taking on excessive risks. The minimum yield allocated from the annual settlement of the fund's operation shall not be less than the yield calculated based on the local bank's two-year time deposits. If there is any shortfall, it shall be supplemented by the national treasury upon approval by the competent authorities. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19.142. As of December 31, 2025, the Corporation's defined benefit plans are expected to contribute NTD 4,730 thousand in the next year.

As of December 31, 2025 and 2024, the Corporation's defined benefit plans are expected to mature in 2029.

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

The table below summarizes the cost recognized in profit or loss for defined benefit plans:

	2025	2024
Current service cost	\$-	\$116
Net interest of net defined benefit	6,337	5,340
Expected return on plan assets	(6,506)	(4,771)
Total	<u>\$ (169)</u>	<u>\$ 685</u>

The reconciliation of the present value of the defined benefit obligations and the fair value of the plan assets is as follows:

	2025.12.31	2024.12.31
Defined benefit obligations	\$464,996	\$455,570
The fair value of plan assets	(477,791)	(449,121)
Provisions for liabilities - Net defined benefit liability (Other assets - Prepaid pension expenses) book value	<u>\$ (12,795)</u>	<u>\$ 6,449</u>

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

The reconciliation of net defined benefit liability (asset):

	Defined benefit obligations	The fair value of plan assets	Net defined benefit liability (asset)
2024.01.01	\$457,521	\$(394,641)	\$62,880
Current service cost	116	-	116
Interest expense (Revenue)	5,340	(4,771)	569
Subtotal	462,977	(399,412)	63,565
Re-measurement of defined			
Actuarial gains and losses	12,233	-	12,233
Experience adjustment	-	-	-
Re-measurement of defined	-	(34,745)	(34,745)
Subtotal	12,233	(34,745)	(22,512)
Benefits paid	(19,640)	19,640	-
Employer contribution amount	-	(34,604)	(34,604)
2024.12.31	\$455,570	\$(449,121)	\$6,449
Current service cost	-	-	-
Interest expense (Revenue)	6,337	(6,506)	(169)
Subtotal	461,907	(455,627)	6,280
Re-measurement of defined			
Actuarial gains and losses	21,637	-	21,637
Experience adjustment	-	-	-
Re-measurement of defined	-	(31,105)	(31,105)
Subtotal	21,637	(31,105)	(9,468)
Benefits paid	(18,548)	13,608	(4,940)
Employer contribution amount	-	(4,667)	(4,667)
2025.12.31	\$464,996	\$(477,791)	\$(12,795)

The following main assumptions are used to determine the Corporation's defined benefit plans:

	2025.12.31	2024.12.31
Discount rate	1.35%	1.50%
Expected salary growth rate	3.00%	2.00%

Sensitivity analysis for each significant actuarial assumption:

	2025		2024	
	Additions to defined benefit obligations	Decrease in defined benefit obligations	Additions to defined benefit obligations	Decrease in defined benefit obligations
Discount rate increases by 0.25%	\$-	\$(2,614)	\$-	\$(2,660)
Discount rate decreases by 0.25%	2,670	-	2,721	-
Expected salary growth rate of 0.5%	5,498	-	5,655	-
Expected salary growth rate decreases by 0.5%	-	(5,329)	-	(5,460)

When conducting the aforementioned sensitivity analysis, it is assumed that other assumptions remain unchanged, while analyzing the potential impact on defined benefit obligations due to a reasonably possible change in a single actuarial assumption (e.g., discount rate or expected salary). Due to the interrelationship between certain actuarial assumptions, it is rare in practice for only a single actuarial assumption to change, which poses a limitation to this analysis.

The methods and assumptions used in the sensitivity analysis for this period are no different from those of the previous period.

21. Other liabilities

	2025.12.31	2024.12.31
Deposits received	\$25,355	\$29,376
Advance income	26,033	52,114
Temporary receipts and accounts to be carried over	126,350	82,665
Others	332	5,365
Total	<u>\$178,070</u>	<u>\$169,520</u>

22. Equity

(1) Common stock

As of December 31, 2025, and December 31, 2024, the authorized capital stock of the Corporation amounted to NTD 18,000,000 thousand for both periods, with the issued capital stock amounting to NTD 11,112,343 thousand for each period. Each share has a par value of NTD 10, and there are 1,111,234 thousand shares issued. Each share is entitled to one voting right and the right to receive dividends.

(2) Capital surplus

	2025.12.31	2024.12.31
Common stock premium	\$52,563	\$52,563
Others	2,629	2,629
Total	<u>\$55,192</u>	<u>\$55,192</u>

The various capital reserve balances as of December 31, 2025 and December 31, 2024 are adjusted as follows:

	Common stock premium	Treasury stock transactions	Others	Total
2025.01.01 Balance	\$52,563	\$-	\$2,629	\$55,192
Share-based payment arrangements	-	-	-	-
Transfer of treasury stock	-	-	-	-
Adjustment based on percentage of ownership	-	-	-	-
2025.12.31 Balance	<u>\$52,563</u>	<u>\$-</u>	<u>\$2,629</u>	<u>\$55,192</u>
2024.01.01 Balance	\$52,563	\$-	\$2,629	\$55,192
Share-based payment arrangements	-	-	-	-
Transfer of treasury stock	-	-	-	-
Adjustment based on percentage of ownership	-	-	-	-
2024.12.31 Balance	<u>\$52,563</u>	<u>\$-</u>	<u>\$2,629</u>	<u>\$55,192</u>

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

(3) Earnings allocation and dividend policy

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

Payment of all taxes and dues.

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

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

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

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

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

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

As of January 1, 2025 and 2024, the special reserve at the first-time adoption amounted to NTD45,549 thousand. Additionally, the Corporation did not utilize, dispose of, or reclassify relevant assets from January 1 to December 31, 2025, and from January 1 to December 31, 2024, resulting in the reversal of the special reserve to undistributed earnings. As of December 31, 2025 and 2024, the special reserve at the first-time adoption amounted to NTD 45,549 thousand.

At the board meeting on February 23, 2026, and the extraordinary general meeting of shareholders on December 26, 2025, the Corporation proposed and resolved on the earnings appropriation and distribution and the dividend per share for the year 2025 and 2024, respectively, as outlined below:

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

	Distribution of retained earnings		Dividends per share (NTD)	
	2025	2024	2025	2024
Legal Capital Reserve	\$1,139,612	\$1,512,503		
Cash dividends on ordinary shares	3,791,133	4,000,000	\$3.4	\$3.6
Total	<u>\$4,930,745</u>	<u>\$5,512,503</u>		

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

23. Net interest income

	2025	2024
<u>Interest income</u>		
Discount and loan interest income	\$7,648,251	\$7,773,153
Due from bank and interbank offered interest income	295,653	240,395
Security investment interest income	1,665,613	2,072,932
Other interest incomes	396,232	91,694
Subtotal	<u>10,005,749</u>	<u>10,178,174</u>
	2025	2024
<u>Interest expense</u>		
Deposits Interest expenses	(3,526,028)	(3,949,536)
Interest expense of funds borrowed from Central Bank and other banks	(279,080)	(520,202)
Interest expense of the RP bonds	(114,388)	(305,998)
Others	(4,338)	(3,479)
Subtotal	<u>(3,923,834)</u>	<u>(4,779,215)</u>
Total	<u>\$6,081,915</u>	<u>\$5,398,959</u>

24. Net service fee income

	2025	2024
Service fee income	\$2,061,533	\$2,801,487
Service fee expenses	(79,503)	(61,431)
Total	<u>\$1,982,030</u>	<u>\$2,740,056</u>

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

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

	2025	2024
Stock investment	\$(9,333)	\$(125,604)
Bond investment	802,112	208,627
Derivatives	24,729	(104,327)
Others	4,961	17,785
Total	<u>\$822,469</u>	<u>\$(3,519)</u>

26. Gain (loss) on reversal of assets impairment and reversal (provision) of allowances for bad debts, commitments, and guarantee liability

	2025	2024
Financial assets measured at FVOCI	\$550,563	\$(70,611)
Financial assets at amortized costs	(812)	620
Subtotal	<u>549,751</u>	<u>(69,991)</u>
Provision (reversal) for bad debts on loans and receivables	432,802	(335,647)
Reversal of allowances for guarantees	16,000	36,000
Reversal of allowances for financing commitments	3,000	20,000
Subtotal	<u>451,802</u>	<u>(279,647)</u>
Total	<u>\$1,001,553</u>	<u>\$(349,638)</u>

Please refer to Note XIV for credit risk related information.

27. Leases Modifications

(1) The Company is the lessee

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

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

A. Amount recognized on the balance sheet

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

a. Right-of-use assets

The book value of the right-of-use assets

	<u>2025.12.31</u>	<u>2024.12.31</u>
Buildings and structures	\$195,675	\$227,501
Transportation and transportation equipment	1,278	-
Other equipment	2,560	3,560
Total	<u>\$199,513</u>	<u>\$231,061</u>

The Company had added right-of-use assets for the amounts for the years ended December 31, 2025 and 2024 were NTD51,013 thousand and NTD35,380 thousand, respectively.

b. Lease liabilities

	<u>2025.12.31</u>	<u>2024.12.31</u>
Lease liabilities	<u>\$207,462</u>	<u>\$238,439</u>
Current	<u>\$207,462</u>	<u>\$238,439</u>

The interest expenses of the Company's lease liabilities for the years ended December 31, 2025 and 2024 were NTD4,338 thousand and NTD3,478 thousand, respectively. For the maturity analysis of the lease liabilities as of December 31, 2025 and 2024, please refer to Note XIV.4 Liquidity Risk Management.

(2) Amount recognized in the statements of comprehensive income

Depreciation of the right-of-use assets

	<u>2025</u>	<u>2024</u>
Buildings and structures	\$81,038	\$83,818
Transportation and transportation equipment	116	-
Other equipment	1,502	1,336
Total	<u>\$82,656</u>	<u>\$85,154</u>

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

(3) The lessee and the lease activity related income, expense, and loss

	2025	2024
Short-term lease expense	\$2,548	\$3,473
Low-value asset lease expense (excluding the low-value assets lease expense of the short-term leases)	2,887	3,013
Income from subleasing right-of- use assets	2,931	2,961

(4) The lessee and the lease activity related cash outflow

The total cash outflow for the lease of the Company for the years ended December 31, 2025 and 2024 were NTD91,763 thousand and NTD94,045 thousand, respectively.

28. Operating expenses

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

	2025	2024
Employee benefits expenses		
Salaries	\$1,121,380	\$999,607
Labor and health insurance premiums	91,099	83,605
Pension expenses	41,498	38,388
Remuneration to directors	30,339	32,731
Other employee benefit expenses	52,178	50,875
Severance benefits (Note)	498,510	-
Depreciation	129,006	127,356
Total	\$1,964,010	\$1,332,562

Note: The employee placement plan arising from the company's merger with SinoPac Financial Holdings Company Limited has been approved by the Board of Directors, and the related expenses have been recognized. For details regarding the merger, please refer to Note 1.

According to the Articles of Incorporation, if there is a profit in a given year, no less than 0.01% shall be allocated as employee remuneration, and no more than 2% shall be allocated as director remuneration. Of the employee remuneration, no less than 30% must be reserved for distribution to ordinary employees. However, when there are accumulated losses, an equivalent amount should be appropriated to make up for losses. The aforementioned remuneration to employees is to be paid in the form of shares or cash. Approval for such benefits should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of all Board members. The results should be reported during Shareholders' Meeting. Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange Corporation for information on employee remuneration and remuneration to directors resolved by the Board of Directors.

Based on the Company's profit for the years ended December 31, 2025 and 2024, the Company appropriates 0.01% of the earnings to be remuneration to employees, which were NTD486 thousand and NTD650 thousand, respectively, and were listed in the "salary expense" account.

The Corporation's Board of Directors resolved on February 23, 2026 to distribute the 2025 profit sharing bonus to employees and compensation to directors at the amounts of NTD486 thousand and NTD0, respectively, which was not significantly different from the expenses booked in the 2025 financial report.

The Corporation's Board of Directors resolved on February 24, 2025 to distribute the 2024 profit sharing bonus to employees and compensation to directors at the amounts of NTD650 thousand and NTD0, respectively, which was not significantly different from the expenses booked in the 2024 financial report.

There is no significant difference between the actual employees' remuneration and remuneration to directors distributed in 2025 and the expenses booked in the 2024 financial report.

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

29. Other comprehensive income

The components of other comprehensive income for the year 2025 are as follows:

	Accrued in the current year	Current reclassification adjustment	Other Comprehensive income (loss)	Income tax benefit	After-tax amount
Items that will not be reclassified subsequently to profit or loss:					
Gain or loss on evaluation of equity instruments at FVOCI	\$(1,287,922)	\$-	\$(1,287,922)	\$-	\$(1,287,922)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(4,250)	-	(4,250)	-	(4,250)
Re-measurement of defined benefit plans	9,467	-	9,467	(1,894)	7,573
Others of items that will not be reclassified subsequently to profit or loss	52,986	-	52,986	-	52,986
Items that may be reclassified subsequently to income:					
Foreign Currency Translation Reserve	38,069	-	38,069	(7,614)	30,455
Gains or loss from debt instrument investment measured at FVOCI	212,874	1,211,508	1,424,382	-	1,424,382
Total	<u>\$(978,776)</u>	<u>\$1,211,508</u>	<u>\$232,732</u>	<u>\$(9,508)</u>	<u>\$223,224</u>

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

The components of other comprehensive income for the year 2024 are as follows:

	Accrued in the current year	Current reclassification adjustment	Other Comprehensive income (loss)	Income tax benefit	After-tax amount
Items that will not be reclassified subsequently to profit or loss:					
Gain or loss on evaluation of equity instruments at FVOCI	\$2,848,066	\$-	\$2,848,066	\$-	\$2,848,066
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	16,533	-	16,533	-	16,533
Re-measurement of defined benefit plans	22,513	-	22,513	(4,502)	18,011
Others of items that will not be reclassified subsequently to profit or loss	(30,150)	-	(30,150)	-	(30,150)
Items that may be reclassified subsequently to income:					
Foreign Currency Translation Reserve	(16,320)	-	(16,320)	3,264	(13,056)
Gains or loss from debt instrument investment measured at FVOCI	(16,762)	(1,023)	(17,785)	-	(17,785)
Total	<u>\$2,823,880</u>	<u>\$(1,023)</u>	<u>\$2,822,857</u>	<u>\$(1,238)</u>	<u>\$2,821,619</u>

The Corporation's debt instrument investment measured at fair value through other comprehensive income for the years ended December 31, 2025 and 2024 are reclassified to profit or loss from the cumulative other comprehensive income at the time of de-recognition for an amount of NTD(1,211,508) thousand and NTD1,023 thousand, respectively.

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

30. Income tax

The main composition of income tax expenses (benefits) is as follows:

Income tax expense recognized in profit or loss

	<u>2025</u>	<u>2024</u>
Current income tax expenses:		
Current income tax liabilities	\$1,099,693	\$1,323,478
The income tax of the previous years adjusted in the current period	(5,796)	(3,204)
Deferred income tax (benefit) expense:		
Deferred income tax expense (benefit) related to the original generation of temporary difference and its reversal.	(26,740)	103,073
INCOME TAX EXPENSE	<u><u>\$1,067,157</u></u>	<u><u>\$1,423,347</u></u>

Income tax recognized in the other comprehensive income

	<u>2025</u>	<u>2024</u>
Deferred income tax expense (benefit):		
Foreign Currency Translation Reserve	\$7,614	\$(3,264)
Actuarial (loss) from defined benefit plan	1,894	4,502
The other comprehensive income related income tax	<u><u>\$9,508</u></u>	<u><u>\$1,238</u></u>

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

The reconciliation of the amount of income tax expense and accounting profit multiplied by the applicable income tax rate

	<u>2025</u>	<u>2024</u>
Net income before tax of the continuing business units	<u>\$5,909,773</u>	<u>\$5,897,180</u>
Tax amount calculated at the domestic tax rate applicable to the income of the relevant country		
Tax amount	\$1,181,954	\$1,179,436
Income tax effects of tax-exempt income	(126,360)	233,016
Income tax effects of non-deductible expenses on tax returns	127	154
Income tax effect of deferred income tax assets/liabilities	17,232	(104,311)
Surtax on undistributed earnings	-	118,256
The income tax of the previous years adjusted in the current period	<u>(5,796)</u>	<u>(3,204)</u>
Total income tax expense recognized in profit or loss	<u>\$1,067,157</u>	<u>\$1,423,347</u>

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

Deferred income tax assets (liabilities) balances related to the following items

2025

	Balance, beginning of period	Recognized in profit or loss	Recognized in other comprehensive income or loss	Balance, end of period
Temporary differences:				
Financial assets valuation				
measured at FVTPL	\$1,407	\$989	\$-	\$2,396
Allowance for bad debt	142,969	29,376	-	172,345
Impairment of Assets	120,710	(3)	-	120,707
Employees' leave benefits				
liabilities	6,664	-	-	6,664
Compensation payable	1,903	-	-	1,903
Reserve for guarantee liability	13,033	(1,667)	-	11,366
Net determined benefit liability				
- non-current	1,603	(1,955)	(1,894)	(2,246)
Conversion difference of the				
financial statements of foreign				
institutions	2,761	-	(7,614)	(4,853)
Gain on bargain purchase	(919)	-	-	(919)
Deferred income tax benefit		<u>26,740</u>	<u>(9,508)</u>	
Net deferred income tax assets	<u>\$290,131</u>			<u>\$307,363</u>
The information expressed on the				
balance sheet is as follows:				
Deferred income tax assets	<u>\$291,050</u>			<u>\$315,381</u>
Deferred income tax liabilities	919			8,018
Deferred income tax liabilities				
- land value incremental tax				
reserve	<u>50,135</u>			<u>50,135</u>
Total	<u>\$51,054</u>			<u>\$58,153</u>

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

2024

	Balance, beginning of period	Recognized in profit or loss	Recognized in other comprehensive income or loss	Balance, end of period
Temporary differences:				
Financial assets valuation				
measured at FVTPL	\$(3,383)	\$4,790	\$-	\$1,407
Allowance for bad debt	243,155	(100,186)	-	142,969
Impairment of Assets	120,710	-	-	120,710
Employees' leave benefits				
liabilities	6,428	236	-	6,664
Compensation payable	1,903	-	-	1,903
Reserve for guarantee liability	14,162	(1,129)	-	13,033
Net determined benefit liability				
- non-current	12,889	(6,784)	(4,502)	1,603
Conversion difference of the				
financial statements of foreign				
institutions	(503)	-	3,264	2,761
Gain on bargain purchase	(919)	-	-	(919)
Deferred income tax benefit		(103,073)	(1,238)	
Net deferred income tax assets	<u>\$394,442</u>			<u>\$290,131</u>
The information expressed on the				
balance sheet is as follows:				
Deferred income tax assets	<u>\$399,247</u>			<u>\$291,050</u>
Deferred income tax liabilities	4,805			919
Deferred income tax liabilities				
- land value incremental tax				
reserve	<u>50,135</u>			<u>50,135</u>
Total	<u>\$54,940</u>			<u>\$51,054</u>

Income tax declaration and audit

The Corporation's income tax returns before 2023 (inclusive) had already been assessed and approved by the tax authority.

31. Earnings per share

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

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

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

	<u>2025</u>	<u>2024</u>
Basic EPS		
Net profit of continuing operations for the period (thousand NTD)	<u>\$4,842,616</u>	<u>\$4,473,833</u>
Profit and loss of discontinued operations (thousand NTD)	<u>(1,051,483)</u>	<u>549,834</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	<u>1,111,234</u>	<u>1,111,234</u>
From continuing operations (in dollars)	4.36	4.03
From discontinued operations (in dollars)	(0.95)	0.49
Total basic earnings per share (NTD)	<u>\$3.41</u>	<u>\$4.52</u>
Diluted EPS		
Net profit of continuing operations for the period (thousand NTD)	<u>\$4,842,616</u>	<u>\$4,473,833</u>
Profit and loss of discontinued operations (thousand NTD)	<u>(1,051,483)</u>	<u>549,834</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	1,111,234	1,111,234
Dilutive effect	-	-
Weighted average number of common stock shares after adjusting the dilutive effect(thousand shares)	<u>1,111,234</u>	<u>1,111,234</u>
From continuing operations (in dollars)	4.36	4.03
From discontinued operations (in dollars)	(0.95)	0.49
Diluted earnings per share (NT\$)	<u>\$3.41</u>	<u>\$4.52</u>

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

VII. Related Party Transactions

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

<u>Related Party Name</u>	<u>Relationship with the Group</u>
SinoPac Financial Holdings Co., Ltd. (SinoPac Financial Holdings)	The parent company of the Corporation
Bank SinoPac Co., Ltd. (Bank SinoPac)	Subsidiaries of SinoPac Financial Holdings
SinoPac Securities Co., Ltd. (SinoPac Securities)	Subsidiaries of SinoPac Financial Holdings
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiaries of SinoPac Financial Holdings
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiaries of SinoPac Financial Holdings
SinoPac Leasing Co., Ltd. (SinoPac Leasing)	Subsidiaries of SinoPac Financial Holdings
SinoPac Securities Investment Service Co., Ltd. (SinoPac Investment Service)	Subsidiary of SinoPac Securities
SinoPac Securities Venture Capital Co., Ltd. (SinoPac Securities Venture Capital)	Subsidiary of SinoPac Securities
SinoPac Securities (Asia) Co., Ltd. (SinoPac Securities (Asia))	Subsidiary of SinoPac Securities
SinoPac Futures Co., Ltd. (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac International Leasing Co., Ltd. (SinoPac International Leasing)	Subsidiary of SinoPac Leasing
SinoPac Capital International (Hong Kong) Co., Ltd. (SinoPac Capital International (Hong Kong))	Subsidiary of SinoPac Leasing
Global Unichip Corporation (GUC)	Businesses Related to the Spouse of the Chairman of SinoPac Financial Holdings Co., Ltd.
Hsinex International Co., Ltd. (Hsinex International)	Corporate Director of SinoPac Financial Holdings Co., Ltd.
Xing Yuan Investment Co., Ltd. (Xing Yuan Investment)	Corporate Director of SinoPac Financial Holdings Co., Ltd.

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

Related Party Name	Relationship with the Group
Hsin Yi Foundation	Corporate Director of SinoPac Financial Holdings Co., Ltd.
Yong Hsin Yi Enterprise Co., Ltd. (Yong Hsin Yi Enterprise)	Corporate Director of SinoPac Financial Holdings Co., Ltd.
Fu Hua Development Enterprise Co., Ltd. (Fu Hua Development)	Corporate Director of SinoPac Financial Holdings Co., Ltd.
He Zeyi Enterprise Co., Ltd. (He Zeyi Enterprise)	Corporate Director of SinoPac Financial Holdings Co., Ltd.
E Ink Holdings Inc. (E Ink)	Businesses Related to the Spouse of the Chairman of SinoPac Financial Holdings Co., Ltd.
China Color Printing Co., Ltd. (China Color Printing)	Businesses Related to the Spouse of the Corporate Director of SinoPac Financial Holdings Co., Ltd.
YFY Biotech Management Company Ltd. (YFY Biotech)	Businesses Related to the Spouse of the Corporate Director of SinoPac Financial Holdings Co., Ltd.
YFY Biotech Management Company Ltd. (YFY Biotech)	Businesses Related to the Corporate Director of SinoPac Financial Holdings Co., Ltd.
System Solutions Corp.	Substantial related party
System Corporation	Substantial related party
Taiwan Glass Industry Corporation	Businesses Related to the Directors of SinoPac Securities Co., Ltd.
WaWoo Co., Ltd.	Substantial related party
Mercuries Data Systems Ltd.	Businesses Related to the Spouse of the Executive Officers of SinoPac Financial Holdings Co., Ltd.
United Taste International Co., Ltd.	Businesses Related to the Executive Officers of SinoPac Financial Holdings Co., Ltd.
Forest Investment Co., Ltd.	Businesses Related to the Executive Officers of SinoPac Securities Co., Ltd.
Kings Town Bank International Lease Corporation (Kings Town Lease)	Subsidiaries of the Company

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

Related Party Name	Relationship with the Group
Kings Town Intl. Construction Management Corporation (Kings Town Construction Management)	Sub-subsidiary of the Company
Kings Town Securities Co., Ltd. (Kings Town Securities)	Subsidiaries of the Company
Hosun Universal Co., Ltd.	Businesses Related to the Children of the Directors and Executive Officers of The Corporation.
Taiwan Pulp & Paper Co., Ltd.	Businesses Related to the Siblings of the Executive Officers of The Corporation.
Morley Industrial Co., Ltd.	Businesses Related to the Executive Officers of The Corporation.
Mentex Enterprise Co., Ltd.	Businesses Related to the Executive Officers of The Corporation.
AdvanPak Inc. Ltd.	Businesses Related to the Executive Officers of The Corporation.
U-Tan Precision Co., Ltd.	Businesses Related to the Spouses of the Executive Officers of The Corporation.
Pei Yu Co., Ltd.	Businesses Related to the Executive Officers of The Corporation.
Souliday Studio	Businesses Related to the Spouses of the Executive Officers of The Corporation.
Xutong Management Corporation	Businesses Related to the Chairman of the Subsidiary.
Jiwan Investment Co., Ltd.	Businesses Related to the Chairman of the Subsidiary.
Anwang Investment Co., Ltd.	Businesses Related to the Chairman of the Subsidiary.
Taiwan Investment Co., Ltd.	Businesses Related to the Chairman of the Subsidiary.
Meihao Family Investment Co., Ltd.	Businesses Related to the Chairman of the Subsidiary.
KGI Securities Co., Ltd.	Businesses Related to the Spouse of the Independent Director of The Corporation.
Meilokangfu International Co., Ltd.	Substantial related party

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

Related Party Name	Relationship with the Group
Stephen OUYANG	Chairman of the Corporation
Shun-Hsing Liao	(Assumed office on 2025.10.1)
Chang, Sheng-Pao	Director of the Corporation (Assumed
Chih-Cheng Su	office on 2025.10.1)
Bing-Sung Wu	Director of the Corporation (Assumed
Chuan-Fu Hou	office on 2025.10.1)
Hung-Liang Chiang	Independent Director of the
	Corporation (Assumed office on
	2025.10.1)
	Independent Director of the
	Corporation
	Independent Director of the
	Corporation
	Director and Executive Officer of The
	Corporation
Chen-Chih Tai	Chairman of the Corporation (Term
	ended on 2025.10.1)
Chiung-Ting Tsai	Vice Chairman of the Corporation
	(Term ended on 2025.10.1)
Tiangang Investment Co., Ltd	Director of the Corporation (Term
	ended on 2025.10.1)
Fu Chiang Investment Co., Ltd.	Director of the Corporation (Term
	ended on 2025.10.1)
Chao-Long Chen	Independent Director of the
	Corporation (Term ended on
	2025.10.1)
Others	Representatives of the Corporation's
	executive officers, incorporated
	directors and supervisors, and second
	degree of kinship and substantial
	related parties

2. Significant transactions with related parties

(1) Deposits

<u>Account Item</u>	<u>Amount</u>	<u>% of the account balance</u>
<u>2025.12.31</u>		
Deposits	\$1,481,237	0.51%
<u>2024.12.31</u>		
Deposits	\$1,260,513	0.42%

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

(2) Loans

<u>Account Item</u>	<u>Amount</u>	<u>% of the account balance</u>
<u>2025.12.31</u>		
Loans	\$61,583	0.03%
<u>2024.12.31</u>		
Loans	\$25,657	0.01%

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

December 31, 2025

Type	Number of accounts or name of stakeholder	Current period maximum balance	Balance, end of period	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	5	\$2,546	\$2,447	\$2,447	\$-	None	None
Residential mortgage Loan	3	6,129	6,022	6,022	-	Real estate	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Huang, OO	300	300	300	-	Real estate	None
Other loans	Chang, OO	4,996	4,996	4,996	-	Real estate	None
Other loans	Zhong, OO	8,166	8,166	8,166	-	Real estate	None
Other loans	Jin, OO	8,858	8,858	8,858	-	Real estate	None
Other loans	Lu, OO	14,373	14,373	14,373	-	Real estate	None
Other loans	Lu, OO	5,205	5,205	5,205	-	Real estate	None
Other loans	You, OO	328	328	328	-	Real estate	None
Other loans	Lin, OO	4,000	4,000	4,000	-	Real estate	None
Other loans	Ye, OO	4,800	4,800	4,800	-	Real estate	None
Other loans	Wu, OO	588	588	588	-	Real estate	None

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

December 31, 2024

Type	Number of accounts or name of stakeholder	Current period maximum balance	Balance, end of period	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	5	\$3,121	\$3,035	\$3,035	\$-	None	None
Residential mortgage Loan	3	6,763	6,659	6,659	-	Real estate	None
Other loans	You, OO	1,175	1,175	1,175	-	Certificate of Deposit	None
Other loans	Chen, OO	1,500	1,500	1,500	-	Certificate of Deposit	None
Other loans	Chang, OO	10,380	10,380	10,380	-	Real estate	None
Other loans	Lin, OO	1,000	1,000	1,000	-	Stock (or equity certificate)	None
Other loans	Wang, OO	1,000	1,000	1,000	-	Stock (or equity certificate)	None
Other loans	Other (Note)	908	908	908	-	Real estate/Certificate of Deposit	None

Note: Individual amounts did not exceed 1% of the sum.

(3) Leases

- A. The rental income received by the Corporation from leasing offices and virtual host space to related parties for the periods from January 1 to December 31, 2025, and 2024 were NTD3,603 thousand and NTD3,596 thousand, respectively.
- B. The rental expenses paid by the Corporation for leasing office space from related parties for the periods from January 1 to December 31, 2025 and 2024 were NTD6,629 thousand and NTD6,532 thousand, respectively.

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

C. The Corporation leased vehicles from related parties from October 1 to December 31, 2025, as follows:

a. Right-of-use assets

<u>Related Party Name and Item</u>	<u>2025.12.31</u>
SinoPac Leasing Corp.	
Cost of right-of-use assets	\$1,394
Accumulated depreciation of right-of-use assets	<u>(116)</u>
Net carrying amounts of right-of-use assets	<u><u>\$1,278</u></u>

b. Lease liabilities

<u>Related Party Name</u>	<u>2025.12.31</u>
SinoPac Leasing Corp.	<u><u>\$1,284</u></u>

c. The total amount of rent paid by the Corporation for the aforementioned lease transactions from October 1, 2025 to December 31, 2025, was NTD123 thousand.

(4) The rebates paid to related parties by the Company for the periods for the years ended December 31, 2025 and 2024 (recorded in the “statements of comprehensive income—other business and administrative expenses”) are as follows:

	<u>2025</u>	<u>2024</u>
King's Town Securities Co., Ltd.	<u>\$-</u>	<u>\$1,358</u>

(5) Guarantees: None.

(6) Derivative financial instrument transactions: None.

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

(8) Remuneration of directors and key management personnel of the Company

	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$33,309	\$32,541
Post-employment benefits	579	833
Total	<u><u>\$33,888</u></u>	<u><u>\$33,374</u></u>

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

(9) Others

- A. For business needs, the Corporation sold a golf membership to a related party on June 12, 2025, which was recorded under other assets. The sale amount was NTD 12,750 thousand (including a deposit of NTD 3,600 thousand), and the gain on disposal was NTD 0.
- B. The total amount of Other Expenses paid by the Corporation to related parties from October 1 to December 31, 2025, was NTD2,333 thousand and was recorded under other business and General and administrative expenses.
- C. The gain or loss from the sale of bonds by the Corporation to related parties from October 1 to December 31, 2025, was NTD2,486 thousand, and it was recorded under the realized gain on Financial assets at FVTPL.

VIII. Pledged Assets

The Company has the following assets provided as collateral:

Item	Carrying Amount		Guaranteed debt
	2025.12.31	2024.12.31	
Financial assets at FVTPL	\$2,958,993	\$1,749,756	Repurchase agreements
Financial assets at FVTPL	708,552	701,942	Various business reserves and collaterals
Financial assets measured at FVOCI	1,938,379	7,566,331	Repurchase agreements
Financial assets measured at FVOCI	699,903	2,082,375	Funds borrowed from other banks
Financial assets at amortized costs	932,319	-	Repurchase agreements
Total	<u>\$7,238,146</u>	<u>\$12,100,404</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. The Company has the following or various trust agents and guarantees:

	2025.12.31	2024.12.31
Receivable and collection	\$9,060,412	\$9,383,139
Receivable guarantees	5,218,679	5,977,052
Receivables from L/C	14,755	-
Trust and custody items	55,010,254	45,223,996
Agreed financing amount	25,889,527	38,517,835

2.

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

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

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

Balance Sheet of Trust Accounts					
<u>Trust assets</u>	<u>2025.12.31</u>	<u>2024.12.31</u>	<u>Trust liabilities</u>	<u>2025.12.31</u>	<u>2024.12.31</u>
Bank deposits	\$1,531,471	\$1,604,264	Mid-term borrowings	\$10,404,115	\$8,968,674
Stock	2,341,401	2,113,160	Long-term borrowings	-	-
Fund	12,368,637	11,743,285	Accounts payable	56,965	48,783
Real estate	38,158,472	29,263,787	Other liabilities	99,904	98,935
Other assets	451,600	330,501	Trust capital	45,051,134	36,936,149
			Reserves		
			Cumulative earnings	(760,537)	(997,544)
Total trust assets	<u>\$54,851,581</u>	<u>\$45,054,997</u>	Total trust liabilities	<u>\$54,851,581</u>	<u>\$45,054,997</u>

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

Item	Income Statement of Trust Accounts 2025	2024
Trust revenue		
Interest income	\$9,704	\$7,439
Rental income	921,023	903,856
Dividend income	123,279	134,260
Unrealized exchange gains	319,374	372,929
Other profits	24,256	23,249
Subtotal	1,397,636	1,441,733
Trust expenses		
General and administrative expenses	(87,529)	(83,096)
Tax expenses	(79,509)	(70,944)
Interest expense	(201,771)	(191,294)
Unrealized capital loss	(1,490,356)	(1,722,124)
Other Expenses	(41,771)	(34,387)
Subtotal	(1,900,936)	(2,101,845)
Net (loss) before tax	(503,300)	(660,112)
INCOME TAX EXPENSE	-	-
Net (loss) after tax	\$(503,300)	\$(660,112)

	Property Catalog of Trust Accounts 2025.12.31	2024.12.31
Bank deposits	\$1,531,471	\$1,604,264
Stock	2,341,401	2,113,160
Fund	12,368,637	11,743,285
Real estate		
Land	25,927,706	20,118,197
Buildings and structures	11,839,756	9,045,720
Construction in progress	391,010	99,870
Others	451,600	330,501
Total	\$54,851,581	\$45,054,997

The funds recorded by the International Banking Branch under the business of “foreign currency specific money trust investments in foreign securities” amounted to NTD 0 as of December 31, 2025 and 2024.

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

XI. Significant Disaster Losses

No such event.

XII. Significant Subsequent Events

No such event.

XIII. Fair Value and Grade Information of Financial Instruments

1. Information on the fair value of financial instruments

Financial assets:

	2025.12.31		2024.12.31	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	\$29,516,536	\$29,516,536	\$41,429,790	\$41,429,790
Financial assets measured at FVOCI	41,376,546	41,376,546	45,874,260	45,874,260
Financial assets measured at cost after amortization:				
Debt instrument investments measured at amortized cost	19,470,062	19,470,062	13,378,484	13,378,484
Cash and cash equivalents (excluding cash on hand)	1,256,738	1,256,738	1,031,388	1,031,388
Due from the Central Bank and call loans to other banks	33,226,999	33,226,999	23,509,367	23,509,367
Receivables	1,572,187	1,572,187	1,305,648	1,305,648
Discounts and loans	225,060,646	225,060,646	239,967,404	239,967,404
Other financial assets	1,652	1,652	433	433

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

Financial liabilities:

	2025.12.31		2024.12.31	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities measured at cost after amortization:				
Deposits from the Central Bank and banks	7,958,532	7,958,532	16,365,383	16,365,383
Securities and bonds sold under agreement to repurchase	5,844,491	5,844,491	8,769,996	8,769,996
Accounts payable	1,951,534	1,951,534	1,576,145	1,576,145
Deposits and remittances	291,504,327	291,504,327	297,503,968	297,503,968
Lease liabilities	207,462	207,462	238,439	238,439
Financial liabilities measured at FVTPL:				
Held for trading	26,447	26,447	16,271	16,271

The derivative financial instrument transactions are detailed as follows:

Item	Contract amount	Fair Value
2025.12.31		
Foreign exchange contracts	\$3,474,283	\$(11,982)
2024.12.31		
Foreign exchange contracts	\$2,617,754	\$(7,036)

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

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

- (1) The fair value of short-term financial products is estimated based on the book value on the balance sheet. As the maturity date of such products is very close or the current collection price is equivalent to the book value, the book value is a reasonable basis for estimating the fair value. The fair value of short-term financial products is estimated based on the book value on the balance sheet. As the maturity date of such products is very close or the current collection price is equivalent to the book value, the book value is a reasonable basis for estimating the fair value. This method is applied to cash and cash equivalents, deposits at the Central Bank and inter-bank loans, RS bills and bond investments, receivables, deposits of the Central Bank and other banks, funds borrowed from Central Bank and other banks, RP bills and bond liabilities, payables, deposits and remittances, and other financial liabilities.

- (2) For financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, available-for-sale financial assets, and held-to-maturity financial assets, if there is a public market price available, such market price is the fair value, which refers to the closing price on the balance sheet date for the listed (OTC) equity security with a market price available, the net asset value on the balance sheet date for the fund, the closing price or reference price on the balance sheet date for the bond, and the settlement price or the counterparty's quote for the derivative financial products. If no market price is available for reference, the evaluation method is used for estimation. When the Company adopts the market price including the purchase price and the selling price, the Company will evaluate the selling (purchasing) position at the market buying (selling) price. If there is no market price available at the time of evaluation but there is the most recent market transaction price available, then the said transaction price is the fair value of such financial asset.
- (3) Discounts, loans, and deposits are all interest-bearing financial assets and liabilities, so their book value is similar to the current fair value. The book value of the collection is the estimated recovery amount net of the allowance for bad debt. Therefore, the book value is the fair value.
- (4) For debt-based instruments that are without an active market price, the fair value is determined by the counterparty's quotation or valuation method. The valuation method is based on the discounted cash flow analysis. The assumptions of interest rate and discount rate are mainly based on information related to similar instruments (for example, Taipei Exchange reference yield curve, the Reuters commercial promissory interest rate average quotation, and credit risk information).
- (5) The fair value of derivatives (including forward foreign exchange and foreign exchange transactions) is the amount that the Company is expected to obtain or pay if it wishes to terminate the contract at the agreed reporting date. The Company calculates the fair value of the position held based on the parameters or quotation information disclosed by the Reuters Information System.

- (6) The fair value of the equity instruments (e.g., private company's shares) that do not have a market price available is estimated with the market approach, which determines fair value based on prices and other relevant information pertaining to the same or comparable equity instruments (e.g., discount for lack of liquidity, the P/E ratio of shares issued by a similar company, price-to-book ratio of shares issued by a similar company etc.).

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

3. Fair value hierarchy

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

A. Level 1

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

B. Level 2

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

C. Level III

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

For assets and liabilities that are recognized in the financial statements on a repetitive basis, the classification is re-evaluated at the end of each reporting period to determine whether there is a transfer between the fair value levels.

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

(2) Information on the fair value measurement levels:

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

December 31, 2025

	Total	Level 1	Level 2	Level 3
<u>Assets measured at fair value</u>				
Financial assets at FVTPL				
Bond investment	\$27,388,763	\$1,995,501	\$25,393,262	\$-
Derivatives	14,465	-	14,465	-
Others	2,113,308	2,113,308	-	-
Financial assets measured at FVOCI				
Stock investment	6,280,559	768,453	-	5,512,106
Bond investment	35,095,987	24,765,097	10,330,890	-
<u>Liabilities measured at fair value</u>				
Financial liabilities at FVTPL				
Derivatives	26,447	-	26,447	-

December 31, 2024

	Total	Level 1	Level 2	Level 3
<u>Assets measured at fair value</u>				
Financial assets at FVTPL				
Stock investment	\$2,063,500	\$2,063,500	\$-	\$-
Bond investment	39,357,055	1,972,200	37,384,855	-
Derivatives	9,235	-	9,235	-
Financial assets measured at FVOCI				
Stock investment	6,775,032	-	-	6,775,032
Bond investment	39,099,228	31,762,030	7,337,198	-
<u>Liabilities measured at fair value</u>				
Financial liabilities at FVTPL				

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

	Total	Level 1	Level 2	Level 3
Derivatives	16,271	-	16,271	-

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

From January 1 to December 31, 2025 and 2024, the Company's assets and liabilities measured at repetitive fair value did not experience any transfer between fair value Level I and II.

(4) Changes in Repetitive Fair Value Level III Statement

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

	Financial assets measured at FVOCI - Stock
2025.01.01	\$6,775,032
Total benefits recognized in 2025:	
Recognized in other comprehensive income (presented as "Unrealized gain (loss) on valuation of equity instrument investments measured at FVOCI")	(1,262,926)
Acquired in the period	-
2025.12.31	\$5,512,106
	Financial assets measured at FVOCI - Stock
2024.01.01	\$3,926,967
Total benefits recognized in 2024:	
Recognized in other comprehensive income (presented as "Unrealized gain (loss) on valuation of equity instrument investments measured at FVOCI")	2,848,065
Acquired in the period	-
2024.12.31	\$6,775,032

Significant unobservable input value information of Level III fair value

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

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

Financial assets measured at FVOCI	Valuation	Significant	Range	Relationship between input value and fair value
	Technique	Unobservable Input		
Stock	Market approach	Lack of liquidity discount rate	20%~30%	The higher the lack of liquidity, the lower the estimated fair value

Evaluation process for Level III fair value

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

- (5) Not measured at fair value but must disclose fair value level information

Assets in which only fair value is disclosed:

	Level 1	Level 2	Level 3	Total
<u>2025.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$-	\$16,777,939	\$-	\$16,777,939
Bond investment	1,579,274	1,112,849	\$-	\$2,692,123
Investment properties	-	-	490,298	490,298
<u>2024.12.31</u>				
Debt instrument investments measured at amortized cost				
Convertible certificate of deposit	\$-	\$13,378,484	\$-	\$13,378,484
Investment properties	-	-	49,448	49,448

4. Transfer of financial assets

Transferred financial assets that are not fully derecognized

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

The table below shows the financial assets not qualified under all conditions and related financial liabilities:

2025.12.31					
Category of financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Fair Value Net position
Financial assets at FVTPL					
Repurchase agreement	\$2,958,993	\$3,055,719	\$2,958,993	\$3,055,719	\$(96,726)
Financial assets measured at FVOCI					
Repurchase agreement	1,938,379	1,916,118	1,938,379	1,916,118	22,261
Debt instrument investments measured at amortized cost					
Repurchase agreement	932,319	872,654	932,319	872,654	59,665

XIV. Financial Risk Management

1. Overview

The Company uses its business growth scale to establish a capital adequacy assessment process that meets the risk profile in order to maintain adequate capital. Also, based on overall risk exposure, the Company implements appropriate overall capital allocation, and establishes management mechanisms for various business risks in order to strengthen business performance. The risks in the businesses on and off the balance sheet, such as credit risk, market risk, operational risk, liquidity risk, country risk, and interest rate risk in the banking book, are included in the Company's scope of risk management. Policies and methods such as the Credit Policy, Rules Governing Credit Review and Authorization, and Rules Governing Risks are stipulated according to different risks. Furthermore, management guidelines are formulated according to the needs of the policies and methods in accordance with the Rules Governing Risks, including the Regulations Governing Credit Risk, Regulations Governing Market Risk, and Regulations Governing Operational Risk, and these are reviewed and approved by the Board of Directors to effectively identify, measure, communicate, and monitor various risks.

2. Risk management organizational structure

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

(1) Risk Management Committee

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

- ① Add and amend the Company's risk management policy.
- ② Coordinate the risk management issues of the Company, such as, credit risk, market risk, and operational risk.
- ③ Review the ratio of the Company's regulatory capital to risk assets (referred to as "capital adequacy ratio")
- ④ Handle and review the major risk exposure and unauthorized events which occur.
- ⑤ Major issues or discussions related to risk management proposed by each unit.
- ⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

The "Risk Management Department" is the execution unit of the Risk Management Committee and the risk management planning and management unit of the Bank. It independently monitors and manages the risks of the Bank. The department head of the Risk Management Department acts as the Executive Secretary who is appointed by the Board of Directors. The Risk Management Department is responsible for calculating and monitoring capital adequacy. In accordance with various risk management guidelines, it oversees the Bank's overall risk management and handles related regulatory reporting to the competent authorities. The Department submits a risk control report to the Committee on a quarterly basis and subsequently reports to the Board of Directors. The Risk Management Committee is convened and relevant regulations are established to monitor investment positions and transaction limits. The Department also handles clearing and settlement for transactions such as bank-wide fund allocation and securities trading.

(2) Asset and Liability Management Committee

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

- ① Assess the impact of changes in domestic and foreign political and economic situations and the trend of government policies on financial business operations.
- ② Predict the impact of domestic and foreign funds, exchange rates, interest rate trends, and other relevant financial indicators on the Company's business operations.
- ③ Assess the Corporation's operating performance, capital position, asset and liability risk position, and interest rate sensitivity, as well as study and adjust the best ratio of various assets and liabilities.

- ④ Assess the Company's pricing strategy for deposit and loan interest rates.
- ⑤ Estimate the Company's future operating performance and moderately adjust the Company's business strategy.
- ⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

(3) Credit Review Committee

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

(4) Investment Management Committee

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

- ① Set the Bank's investment strategies and principles according to the changes in domestic and foreign political and economic situations and trends in government policy.
- ② Assess whether the performance of the investment portfolio meets the expected objectives, predict the impact of changes in domestic and foreign capital situation, exchange rate, interest rate, and other relevant financial indicators on the investment position of the Company, and study whether the investment strategy should be adjusted.

- ③ Review the proportion, allocation, and reinvestment-orientation of various financial investment projects.
- ④ Review the source of funds and cost structure of the investment.

(5) Information Security Management Committee

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

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

3. Credit risk

(1) Source and definition of credit risk

Credit risk refers to the risk of default loss caused by the borrower or counterparty due to the poor business condition or other factors (such as, disputes between the company and its counterparty), resulting in the borrower or counterparty not fulfilling its contractual obligations. The sources of credit risk included on- and off-balance sheet items. Regarding

the Company's credit risk exposure, the items on the balance sheet mainly come from discounts and loans, deposits and interbank lending, debt instrument investments and derivatives, etc. The off-balance sheet items are mainly guarantees, letters of credit, loan commitments, etc.

(2) Credit risk management policies

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

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

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

① Credit extension (including loan commitments and guarantees)

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

A. Credit asset classification

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

B. Credit quality rating

The Company has also formulated the Corporate Finance and Consumer Finance Business Classification according to business characteristics and scales. The directions for credit rating are formulated for corporate and individual account holders. The credit rating scores of the debtors are classified into 10 grades (C1–C10), which is an internal credit rating and is used for risk management. The credit rating is used as reference for credit approval and as reference in determining credit conditions. Those with poor credit ratings are subject to more frequent credit review.

② Deposit and inter-bank lending

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

③ Debt instrument investment and derivative financial instruments

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

(3) Credit risk hedge or mitigation policy

① Collateral

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

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

② Credit risk limit and credit risk concentration control

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

③ Master netting arrangement

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

(4) Maximum credit risk exposure

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

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

Off-balance sheet items	Maximum credit risk exposure amount	
	2025.12.31	2024.12.31
Customer's developed and irrevocable loan commitments	\$25,889,527	\$38,517,835
Customer's outstanding letters of credit amount	1,377	44,085
Guarantee payments	5,218,679	5,977,052
Total	\$31,109,583	\$44,538,972

- (5) The financial information related to asset on balance sheet, off- balance sheet collateral held as guarantees, master netting arrangement and other credit enhancements, that have impact on maximum credit risk exposure amount are shown below:

<u>2025.12.31</u>	<u>Collateral</u>	<u>Master netting arrangement</u>	<u>Total</u>
<u>On-balance sheet items</u>			
Discounts and loans	\$171,471,096	\$ -	\$171,471,096
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	10,588,331	-	10,588,331
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	917,372	-	917,372
Total	<u>\$182,976,799</u>	<u>\$ -</u>	<u>\$182,976,799</u>

<u>2024.12.31</u>	<u>Collateral</u>	<u>Master netting arrangement</u>	<u>Total</u>
<u>On-balance sheet items</u>			
Discounts and loans	\$177,338,373	\$ -	\$177,338,373
<u>Off-balance sheet items</u>			
Customer's developed and irrevocable loan commitments	16,949,389	-	16,949,389
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	954,694	-	954,694
Total	<u>\$195,242,456</u>	<u>\$ -</u>	<u>\$195,242,456</u>

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

(6) Status of credit risk concentration

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

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

① Industry

Industry	2025.12.31		2024.12.31	
	Amount	%	Amount	%
I. Private enterprises	\$162,606,061	71	\$179,160,920	74
II. Government agencies	-	-	-	-
III. Non-profit groups	176,267	-	196,822	-
IV. Private	65,414,898	29	63,778,244	26
V. Financial institutions	-	-	-	-
Total	\$228,197,226	100	\$243,135,986	100

② Geography

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

③ By collateral

By collateral	2025.12.31		2024.12.31	
	Amount		Amount	
Unsecured	\$56,726,130	25	\$65,797,613	27
Secured				
-Financial collateral	28,371,388	12	32,181,481	13
-Real estate	126,564,208	56	129,368,080	53
-Guarantee	11,300,213	5	9,608,683	4
-- Other collateral	5,235,287	2	6,180,129	3
Total	\$228,197,226	100	\$243,135,986	100

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

The Corporation had no financial assets that were past due without impairment as of December 31, 2025 and 2024.

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

Credit extension

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

① Quantitative indicators:

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

② Qualitative indicators:

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

- a. The records of bounced checks of the debtors reported by the Group.
- b. The dishonored accounts announced by Taiwan Clearing House.
- c. People whose collateral at the Bank is held by compulsory enforcement by other banks.
- d. Informed of the incident that the debtors have applied for reorganization of their debts at other financial institutions when handling post-loan management procedures such as review or follow-up assessment.
- e. Listed as a receivable on demand or written-off of bad debts.
- f. Informed of the incident that the public certified accountants had issued an opinion on the financial statements of the debtors with a concern over the continuing operation of the audited debtors when implementing the post-loan management procedures of review, tracking, and assessment.
- g. Informed of other non-performing loans of the debtors.

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

Debt instruments

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

This assumption that "if the credit risk is determined to be low, the credit risk can be deemed to have no significant increase since the original recognition" is not applicable to various debt instrument the Company.

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

Credit extension

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

① Quantitative indicators

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

② Qualitative indicators

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

Debt instruments

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

① Quantitative indicators

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

② Qualitative indicators

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

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

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

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

(10) Write-off policy

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

(11) Measurement of expected credit loss

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

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

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

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

The probability of default (PD) and loss given default (LGD) used in the impairment assessment of the Corporation's credit business/investment business are adjusted and calculated according to the internal and external information of each combination and based on current observable information and forward-looking macroeconomic information (e.g., global economic growth rate, inflation rate, etc.).

The Company assesses the amount of financial asset default risk on the reporting date. In addition, based on internal and external information, consideration is given to the portion of the financial assets expected to be utilized within 12 months after the reporting date to determine the exposure at default used for the calculation of expected credit losses.

There were no significant changes in the estimation techniques or material assumptions used to assess expected credit losses during 2025.

(12) Consideration of prospective information

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

The relevant economic factor of credit assets identified by the Corporation in 2025 was the economic growth rate. The relevant economic factors of debt instruments identified by the Corporation in 2025 were the global economic growth rate and inflation rate.

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

(13) Less: Loss allowance

Changes in allowances for bad debts related to discount and loan

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2025 are as follows:

	12 months expected credit loss	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance, beginning of period	\$274,803	\$187,848	\$15,410	\$478,061	\$2,690,521	\$3,168,582
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses for the duration	(2,723)	25,649	-	22,926	-	22,926
- Converted to financial assets with credit impairment	-	(58)	3,055	2,997	-	2,997
- Converted to 12-month expected credit loss	33	(460)	-	(427)	-	(427)
Financial assets derecognized in the current period	(130,301)	(5,938)	(8,375)	(144,614)	-	(144,614)
Purchased or originated new financial assets	144,515	7,303	2,412,861	2,564,679	-	2,564,679
Recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(67,562)	(67,562)
Write-off bad debts	-	-	(2,408,089)	(2,408,089)	-	(2,408,089)
Recovered amount after write-off bad debts	-	-	2,813,823	2,813,823	-	2,813,823
Other Changes (Note)	-	-	(2,813,823)	(2,813,823)	-	(2,813,823)
Changes in exchange rate	-	-	-	-	(1,912)	(1,912)
Balance, end of period	<u>\$286,327</u>	<u>\$214,344</u>	<u>\$14,862</u>	<u>\$515,533</u>	<u>\$2,621,047</u>	<u>\$3,136,580</u>

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

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

Changes in the allowances for bad debts related to discounts and loans for the period from January 1 to December 31, 2024 are as follows:

	12 months expected credit loss	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance, beginning of period	\$451,943	\$16,340	\$19,066	\$487,349	\$3,134,520	\$3,621,869
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses for the duration	(10,257)	109,087	(34)	98,796	-	98,796
- Converted to financial assets with credit impairment	(6)	(36)	7,166	7,124	-	7,124
- Converted to 12-month expected credit loss	3	(43)	-	(40)	-	(40)
- Financial assets derecognized in the current period	(307,489)	(14,402)	(10,788)	(332,679)	-	(332,679)
Purchased or originated new financial assets	140,609	76,902	1,365,041	1,582,552	-	1,582,552
Recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(455,753)	(455,753)
Write-off bad debts	-	-	(1,365,041)	(1,365,041)	-	(1,365,041)
Recovered amount after write-off bad debts	-	-	558,803	558,803	-	558,803
Other Changes (Note)	-	-	(558,803)	(558,803)	-	(558,803)
Changes in exchange rate	-	-	-	-	11,754	11,754
Balance, end of period	\$274,803	\$187,848	\$15,410	\$478,061	\$2,690,521	\$3,168,582

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

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

Changes in the total book value of discount and loan

The changes in the total book value from January 1 to December 31, 2025 are as follows:

	12 months expected credit loss	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Total
Balance, beginning of period	\$234,322,311	\$8,757,377	\$56,298	\$243,135,986
Converted to expected credit losses for the duration	(2,777,481)	2,650,005	-	(127,476)
Converted to financial assets with credit impairment	(417)	(12,579)	12,081	(915)
Transferred out from the financial assets with credit impairment	33,821	(36,109)	-	(2,288)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	103,028,510	1,658,039	18,691	104,705,240
Write-off bad debts	-	-	(2,408,089)	(2,408,089)
Derecognition	(116,143,072)	(3,340,510)	2,378,350	(117,105,232)
Balance, end of period	<u>\$218,463,672</u>	<u>\$9,676,223</u>	<u>\$57,331</u>	<u>\$228,197,226</u>

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

The changes in the total book value from January 1 to December 31, 2024 are as follows:

	12 months expected credit loss	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non-purchased or originated credit impairment)	Total
Balance, beginning of period	\$230,133,357	\$3,505,091	\$69,543	\$233,707,991
Converted to expected credit losses for the duration	(5,288,328)	4,680,530	(130)	(607,928)
Converted to financial assets with credit impairment	(4,236)	(25,957)	27,924	(2,269)
Transferred out from the financial assets with credit impairment	3,411	(3,629)	-	(218)
Discount and loan assessed collectively	-	-	-	-
Originated or purchased discounts and loans	123,985,200	3,285,345	-	127,270,545
Write-off bad debts	-	-	(1,365,041)	(1,365,041)
Derecognition	(114,507,093)	(2,684,003)	1,324,002	(115,867,094)
Balance, end of period	<u>\$234,322,311</u>	<u>\$8,757,377</u>	<u>\$56,298</u>	<u>\$243,135,986</u>

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

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

Financial assets measured at FVOCI - allowance for losses	12 months expected credit loss	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses as of January 1, 2025	\$23,730	\$582,223	\$-	\$-	\$605,953
Changes arising from the recognition of financial					
- Converted to expected credit losses for the	-	-	-	-	-
- Converted to financial assets with credit	-	-	-	-	-
- Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(3,993)	(582,223)	-	-	(586,216)
Financial assets written off in the current period	-	-	-	-	-
Purchased or originated new financial assets	1,201	-	-	-	1,201
Changes in model/risk parameters	578	-	-	-	578
Other changes and exchange rate changes	(761)	-	-	-	(761)
Expected credit losses on December 31, 2025	\$20,755	\$-	\$-	\$-	\$20,755

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

Financial assets measured at FVOCI - allowance for losses	12 months expected credit loss	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses on January 1, 2024	\$22,595	\$477,244	\$-	\$-	\$499,839
Changes arising from the recognition of financial instruments on January 1, 2024					
- Converted to expected credit losses for the duration	-	-	-	-	-
- Converted to financial assets with credit impairment	-	-	-	-	-
- Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(242)	(658)	-	-	(900)
Financial assets written off in the current period	-	-	-	-	-
Purchased or originated new financial assets	361	-	-	-	361
Changes in model/risk parameters	(412)	73,911	-	-	73,499
Other changes and exchange rate changes	1,428	31,726	-	-	33,154
Expected credit losses on December 31, 2024	\$23,730	\$582,223	\$-	\$-	\$605,953

Notes to the financial statements of King's Town Bank Co., Ltd. (continued)

(Unless otherwise provided, Unit: NTD Thousand)

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

Financial assets measured at FVOCI - total book value	12 months expected credit loss	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2025 (Note)	\$34,162,230	\$6,657,105	\$-	\$-	\$40,819,335
Converted to expected credit losses for the duration	-	-	-	-	-
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit	-	-	-	-	-
Purchased or originated new financial assets	9,216,398	-	-	-	9,216,398
Derecognized financial assets	(7,701,525)	(6,657,105)	-	-	(14,358,630)
Financial assets written off	-	-	-	-	-
Other changes and exchange rate changes	(870,588)	-	-	-	(870,588)
Total book value on December 31, 2025 (Note)	\$34,806,515	\$-	\$-	\$-	\$34,806,515

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

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

Financial assets measured at FVOCI - total book value	12 months expected credit loss	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 2024 (Note)	\$30,681,104	\$6,366,009	\$-	\$-	\$37,047,113
Converted to expected credit losses for the duration	-	-	-	-	-
Converted to financial assets with credit impairment	-	-	-	-	-
Transferred out from the financial assets with credit impairment	-	-	-	-	-
Purchased or originated new financial assets	2,096,630	-	-	-	2,096,630
Derecognized financial assets	(227,535)	(122,026)	-	-	(349,561)
Financial assets written off	-	-	-	-	-
Other changes and exchange rate changes	1,612,031	413,122	-	-	2,025,153
Total book value on December 31, 2024 (Note)	<u>\$34,162,230</u>	<u>\$6,657,105</u>	<u>\$-</u>	<u>\$-</u>	<u>\$40,819,335</u>

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

The allowance for loss of the Corporation's receivables is measured with the expected credit loss amount of the duration. The assessments of the allowances for loss as of December 31, 2025 and 2024 are described as follows:

The Company's receivables were all current (i.e., not past due). They are grouped based on counterparty credit rating, geographic region, and industry, and a provision matrix is applied to measure the loss allowance. With gross carrying amounts of NT\$1,577,113 thousand and NT\$1,309,370 thousand, and expected credit loss rates ranging from 0.28% to 0.31%, the loss allowance amounted to NT\$4,926 thousand and NT\$3,722 thousand, respectively.

Changes in allowances or loss of notes and accounts receivables of the Company for the years ended December 31, 2025 and 2024 are as follows:

	<u>Receivables</u>
2025.01.01	\$3,722
Amount appropriated in current period	3,022
Write-off amount	(11,796)
Recovery of write-off amount	9,978
2025.12.31	<u>\$4,926</u>
2024.01.01	\$6,002
Amount (reversed) for the period	(5,550)
Write-off amount	(2,280)
Recovery of write-off amount	5,550
2024.12.31	<u>\$3,722</u>

(14) The Company's financial assets with the maximum credit risk exposures as of December 31, 2025 and 2024 amounted to NTD260,135,878 thousand and NTD278,460,679 thousand, respectively. These include financial assets measured at FVOCI and discounts and loans.

(15) The maximum credit risk exposure amount of the financial instruments that are not subject to impairment requirements is as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Financial assets measured at FVTPL		
- Debt instruments	\$27,388,763	\$39,357,055
- Derivatives	14,465	9,235

(16) Collateral and other credit enhancements

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

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

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

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

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

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

	Total book value	Provision for impairment	Total exposure (cost after amortization)
Impaired financial assets:			
Discounts and loans	\$56,273	\$14,214	\$42,059
Total financial assets with impairment	<u>\$56,273</u>	<u>\$14,214</u>	<u>\$42,059</u>

4. Liquidity risk

(1) Sources and definitions of liquidity risk

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

(2) Liquidity risk management policy

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

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

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

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

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

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

December 31, 2025

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>					
Deposits from the Central Bank and banks	\$7,958,532	\$-	\$-	\$-	\$7,958,532
Securities and bonds sold under agreement to repurchase	2,592,543	3,251,948	-	-	5,844,491
Deposits and remittances	29,168,242	33,810,825	106,361,692	122,163,568	291,504,327
Lease liabilities (Note)	7,246	14,496	59,252	134,560	215,554
<u>Derivative financial liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$3,511,862	\$-	\$-	\$-	\$3,511,862
Cash inflow	3,485,415	-	-	-	3,485,415
Net cash flow	<u>\$(26,447)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(26,447)</u>

December 31, 2024

	Not more than 1 month	1~3 months	3 months ~ 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>					
Deposits from the Central Bank and banks	\$16,365,383	\$-	\$-	\$-	\$16,365,383
Securities and bonds sold under agreement to repurchase	7,459,996	1,230,000	80,000	-	8,769,996
Deposits and remittances	25,774,466	37,952,101	116,321,855	117,455,546	297,503,968
Lease liabilities (Note)	7,172	14,097	59,111	165,616	245,996
<u>Derivative financial liabilities</u>					
Derivative financial liabilities measured at FVTPL					
Foreign exchange derivatives					
Cash outflow	\$3,811,985	\$-	\$-	\$-	\$3,811,985
Cash inflow	3,795,714	-	-	-	3,795,714
Net cash flow	<u>\$(16,271)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(16,271)</u>

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

Lease liabilities	Maturity				Total
	Less than 1 year	1~5 years	6~10 years	10~15 years	
2025.12.31	\$80,994	\$131,542	\$3,018	\$-	\$215,554
2024.12.31	\$80,380	\$156,650	\$8,966	\$-	\$245,996

5. Market risk

(1) Source and definition of market risk

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

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

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

(2) Market risk management strategy

- ① Market risk management strategies should be documented to explain market risk management objectives and to ensure consistency in market risk management of the Bank.

- ② The market risk management strategies shall be appropriately adjusted in response to the Company's operating environment and changes in risk. They shall also be in line with the Company's business strategies and objectives, and cover all key market risks associated with the business.
- ③ The market risk management strategies shall include at least the following:
 - I. Market risk measurement: both qualitative and quantitative approaches are applied.
 - II. Market risk monitoring: includes limit controls and stop-loss mechanisms.
 - III. III. shall establish an approval hierarchy and regulate the standard operating procedure for overrun.

(3) Market risk management process

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

① Risk identification

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

② Risk measurement

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

③ Risk communication

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

II. External disclosure

- i The market risks faced by the Company should be fully disclosed.
- ii Capital requirements shall be disclosed for the following risks: interest rate risk, equity risk, foreign exchange risk, and commodity risk.
- iii The extent of information disclosure should be in line with the scale, risk profile, and complexity of the Company's sales operations.

④ Risk monitoring

- I. Each business unit of the Company shall establish a transaction limit system, which shall be controlled by the risk management personnel on a daily basis. If there is a lack of risk management, such as, overrun or other special circumstances, it shall be reported in due course to facilitate the adoption of the response measures.
- II. The status of the transaction shall be monitored immediately and comprehensively, such as whether the changes in position, changes in profit or loss, trading patterns, and subject matter of the transaction are within the scope of business authorization.
- III. Information needed for the review of financial products valuation should be obtained by the Company externally or through a channel other than the trading unit in order to avoid manipulation of price data due to conflicts of interest.
- IV. The Company shall stipulate the limits management, stop-loss mechanism, and overrun process to effectively monitor market risks.

i Limits management

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

ii Stop-loss mechanism

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

iii Overrun processing

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

(4) Trading book risk management policy

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

① Scope and definition of the trading book: The trading book comprises positions held for trading purposes or for hedging positions in the trading book. Such positions must be free of any contractual restrictions on trading or be fully hedged. The positions included in the trading book are summarized as follows:

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

② Trading Book Authorization Projects:

- I. Monetary market transactions: short-term bill (bond) within one year.
- II. Capital market transactions: More than one year government bonds, corporate bonds, financial bonds, beneficiary securities, asset securitization bonds, stocks, various types of fund beneficiary certificates, and convertible corporate bonds.

(Unless otherwise provided, Unit: NTD Thousand)

- III. Derivative financial product transactions: exchange rates, interest rates, stocks, etc.
- IV. Foreign exchange market transactions: foreign exchange spot, swap, forward foreign exchange, and forward rate agreements.

③ Evaluation mechanism of the transaction book:

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

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

(5) Management of interest rate risk in banking book

① Management strategy and process

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

② Management organization and structure

- A. The Board of Directors is the highest decision-making authority of the Company's interest rate risk in banking book management and bears ultimate responsibility for the Company's interest rate risk in banking book.
- B. The Asset and Liability Management Committee is responsible for assessing the Company's operating performance, capital position, asset and liability risk position and interest rate sensitivity, as well as researching and adjusting the best ratio of various assets and liabilities, and evaluating the Company's deposit and loan interest rate pricing strategy.
- C. The Risk Management Committee is responsible for implementing the interest rate risk in banking book management decisions approved by the Board of Directors, coordinating the interest rate risk in banking book management matters, and continuously monitoring the performance of risk management.
- D. The Risk Management Department is the exclusive unit for the Company's interest rate risk in banking book management. It is responsible for planning, establishing, and integrating the Company's interest rate risk in banking book management operations, and implementing the Bank's overall interest rate risk in banking book management and monitoring work in order to assess the impact of changes in interest rate on the economic value or earnings. Also, regularly aggregating the Bank's interest rate risk in banking book management information and then report it to the Risk Management Committee and the Board of Directors, and disclose risk management information according to the regulations of the competent authorities.
- E. The business units in the head office are responsible for setting and managing the respective regulations and operating procedures for the interest rate risks in banking book, and assisting the Risk Management Department to manage the interest rate risk position related to their business.

F. All units (including business units) of the Company are responsible for identifying the interest rate risks in the banking book, cooperating with the implementation of the interest rate risk in banking book management decisions, and adopting the risk offset treatment method or response measures approved by the President to operate and adjust the interest rate risk exposure position on and off the balance sheet.

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

The Company uses the ratio of the maximum change in economic value of equity (Δ EVE) under six supervisory interest rate shock scenarios to Tier 1 capital as a key risk indicator to monitor and control interest rate risk in the banking book within acceptable limits. This indicator is reported to the Risk Management Committee on a monthly basis, together with month-on-month comparisons and variance analysis, to provide senior management with accurate, consistent, and timely information for decision-making, and is also disclosed in the risk management report submitted to the Board of Directors on a quarterly basis. The report covers measurement indicators, including (i) the earnings perspective (interest rate risk monitoring and reporting) and (ii) the economic value perspective (the ratio of the maximum (Δ EVE) under six supervisory interest rate shock scenarios to Tier 1 capital), as well as stress testing, including (i) the impact of interest rate changes on earnings over the next year and (ii) the impact of interest rate changes on economic value. The Information Department and relevant business units provide electronic files or written materials and other relevant information to the Risk Management Department in order to effectively grasp the overall exposure position and provide appropriate risk measurement results to assist in the management of interest rate risk in the banking book.

④ Risk hedging/risk reduction policies and strategies and processes for monitoring the ongoing effectiveness of risk hedging/reduction tools.

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

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

(6) Market risk assessment

① Stress test

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

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

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

- a. Domestic bond investments: The book value as of the base date is treated as the exposure at default (EAD) and included in the calculation. The probability of default (PD) is calculated based on risk linkage indicators with reference to the default rate table. The loss given default (LGD) is categorized into secured and unsecured exposures and is estimated separately with reference to historical recovery experience.

- b. Domestic equity investments: The book value as of the base date is treated as the exposure at default (EAD). The probability of default (PD) is estimated with reference to the stress testing of credit risk for credit exposures, and the loss given default (LGD) is estimated at 100% since the probability of recovery is minimal.
 - c. Foreign bills, bonds, and equity investments: The assets related to foreign bill and bond investments and equity investments are assigned a fixed loss rate (PD*LGD) to calculate the expected losses under stress scenarios. Among them, sovereign state-based risk is mainly based on its external rating results to give a default rate, and stress tests are only conducted for more serious scenarios. Otherwise, counterparties are given a different probability of default (PD) depending on whether the counterparties belong to the financial industry. For the calculation of the exposure at default, the investment position is calculated on the basis of the book value.
- B. Securities and derivative financial instrument transactions in the trading book

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

② Sensitivity Analysis

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

A. Interest rate risk

Assuming all other factors were unchanged, if the yield curves of all markets in the world shifted downward/upward by 100 basis points on December 31, 2025, the Company's net profit or loss would increase/decrease by NTD713,931 thousand.

B. Currency risk

Assuming all other factors were unchanged, if the major currency exchange rates on December 31, 2025 relatively appreciated/depreciated by 3%, the Company's net profit or loss before tax would increase/decrease by NTD12,724 thousand. The main currencies are the USD, EUR, and JPY.

C. Equity securities price risk

Assuming all other factors were unchanged, if the price of equity securities on December 31, 2025 were relatively increased/decreased by 15%, the Company's net profit or loss before tax would increase/decrease by NTD316,996 thousand.

D. Sensitivity analysis is compiled as follows:

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

2025

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	316,996	1,933,861	16.39%
	Major stock markets -15%	(316,996)		-16.39%
Interest rate market	Main interest rate +100bp	(713,931)		-36.92%
	Main interest rate -100bp	713,931		36.92%
Foreign exchange market	Main currency +3%	12,724		0.66%
	Main currency -3%	(12,724)		-0.66%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(1,018,203)		-52.65%

2024

Market category	Scenario	Affected profit or loss amount	Minimum capital computed for market risk	Percentage
Equity market	Major stock markets +15%	309,525	1,319,500	23.46%
	Major stock markets -15%	(309,525)		-23.46%
Interest rate market	Main interest rate +100bp	(1,302,070)		-98.68%
	Main interest rate -100bp	1,302,070		98.68%
Foreign exchange market	Main currency +3%	20,524		1.56%
	Main currency -3%	(20,524)		-1.56%
Product market	Product price +15%	-		0.00%
	Product price -15%	-		0.00%
General scenario	Main stock markets -15%, main interest rates +100bp, main currencies +3%, product prices -15%	(1,591,071)		-120.58%

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

(7) Exchange rate risk concentration information

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

	2025.12.31			2024.12.31		
	Foreign currency (thousand)	Exchange Rate	NTD	Foreign currency (thousand)	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$883,483	31.45	\$27,787,734	\$1,345,485	32.78	\$44,106,340
HKD	199,100	4.04	804,464	197,708	4.22	834,743
AUD	178,776	21.03	3,758,882	5,041	20.39	102,787
JPY	1,073,054	0.20	215,362	957,576	0.21	200,899
EUR	25,476	36.90	940,161	1,447	34.13	49,372
RMB	13,438	4.50	60,460	10,121	4.48	45,323
<u>Non-monetary items</u>	-	-	-	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$904,791	31.45	\$28,457,953	\$1,352,207	32.78	\$44,326,693
HKD	9,222	4.04	37,263	8,274	4.22	34,936
AUD	141,861	21.03	2,982,733	26,916	20.39	548,803
JPY	4,433,158	0.20	889,735	3,893,295	0.21	816,813
EUR	11,764	36.90	434,123	1,613	34.13	55,037
RMB	158,478	4.50	713,038	172,789	4.48	773,751
<u>Non-monetary items</u>	-	-	-	-	-	-

Due to the wide variety of foreign currencies of the Company, it is impossible to disclose the exchange gains and losses information of monetary financial assets and financial liabilities by each foreign currency with significant impact. The foreign exchange (losses) gains of the Corporation for the years ended December 31, 2025 and 2024 were NTD(9,126) thousand and NTD195,439 thousand, respectively.

XV. Capital management

1. Overview

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

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

2. Capital management procedure

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

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

- (2) Legal capital management

① Demand legal capital

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

② Legal capital available

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

(Unless otherwise provided, Unit: NTD Thousand)

Tier 1 Capital:

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

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

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

Tier 2 Capital:

Includes perpetual cumulative preferred shares and related share premium, cumulative subordinated bonds without maturity, convertible subordinated bonds, long-term subordinated bonds, non-perpetual preferred shares and related share premium, the increase in retained earnings arising from using fair value or revalued amount as deemed cost for real estate upon first-time adoption of IAS, valuation gains recognized from the subsequent measurement of investment property under the fair value model, 45% of the unrealized gains on financial assets measured at FVOCI, business reserves and allowance for bad debts, perpetual cumulative preferred shares and related share premium issued by the Bank's subsidiaries that are not directly or indirectly held by the Bank, cumulative subordinated bonds without maturity, convertible subordinated bonds, long-term subordinated bonds, non-perpetual preferred shares and related share premium, and deduction items specified in the instructions for the calculation method.

(Unless otherwise provided, Unit: NTD Thousand)

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

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

(3) Capital Adequacy

The Company's consolidated qualified regulatory capital ratios and risk assets ratios as of December 31, 2025 and 2024 were 21.07% and 17.67%, respectively. These were in line with the capital management regulations of the competent authorities.

XVI. Supplementary Disclosures

1. Information on Significant Transactions

- (1) Cumulative amount of the stock of the same investee purchased or sold totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (2) Acquisition of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (3) Disposal of real estate totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (4) Discount of service charges in transaction with related party totaling more than NTD 5 million: None.
- (5) Receivables from related party totaling NTD 300 million or more than 10% of the paid-in capital: None.
- (6) Information regarding sale of non-performing loan: None.
- (7) Types of securitized products and related information applied and approved for process according to the Financial Assets Securitization Act or the Clauses of the Real Estate Securitization Act: None.
- (8) Business relationships or significant transactions and amounts between parent company and subsidiaries and among subsidiaries: None.
- (9) Other important transactions sufficient to affect the decision-making of financial statements users: None.

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

Note: If the reinvestment belongs to the financial industry, insurance industry, or securities industry, relevant information may be exempt from disclosure in accordance with laws and regulations.

3. Setting up branches and investments in Mainland China

No such event.

4. Information on major shareholders: Since the Corporation is not a listed or OTC bank, disclosure is not required.

5. Disclosure of other supplementary information

- (1) Loans and receivables and allowance for bad debt assessment form: Please refer to XIV. 3 (13) for details.
- (2) Quality of assets: Please refer to Table 5.
- (3) Non-performing loans or overdue accounts receivable exempted from report: Please refer to Table 6.
- (4) Concentration of credit risk: Please refer to Table 7 and Table 7-1.
- (5) Interest rate sensitive assets and liabilities analysis table: Please refer to Table 8 and 8-1.
- (6) Profitability: Please refer to Table 9.
- (7) Maturity date structure analysis table: Please refer to Table 10 and Table 10-1.
- (8) Capital Adequacy: Please refer to Table 11.

XVII. Department Information

The Company has the operating segment information disclosed in the consolidated financial statements.

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 1

January 1 to December 31, 2025

Information on reinvestment:

Investee Company (Explanation 1)	Location	Main Businesses and Products	Proportion of shareholding - end	Book value of investment (Note)	Investment Income (Loss) (Note)	Consolidated shareholdings of the Bank and associates (Explanation 1)				Note
						Day trading stock shares (In Thousands)	Proforma shareholdings (In Thousands)/ (Explanation 2)	Total		
								Number of shares	Ownership Percentage	
Kings Town Bank International Lease Corporation	Taiwan	Leases Modifications	100.00%	1,642,974	(1,051,483)	257,934	-	257,934	100.00%	
King's Town International Construction Management Co., Ltd	Taiwan	Construction Management	100.00%	58,538	656	5,000	-	5,000	100.00%	
King's Town Securities Co., Ltd.	Taiwan	Securities brokerage	100.00%	430,002	25,534	23,000	-	23,000	100.00%	

Explanation:

1. Please list separately by the category of “financial business” and “non-financial business.”
2. All current shares or proforma shares of the invested companies held by the Bank, directors, supervisors, President, Vice President, and related parties as defined in the Company Act shall be counted.
3. Proforma share refers to the shares, under the precondition of conversion, obtained by converting the equity-based securities purchased or a derivative contract (which has yet to be converted into equity) signed in accordance with the trading conditions and the bank's underwriting commitment; also, combined with the equity of the invested company for the purpose of investment as defined in Article 74 of this Act.

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

- (1) "Equity-based securities" refers to the securities as defined in Paragraph 1, Article 11 of the Securities and Exchanges Act Enforcement Rules, such as, convertible corporate bonds and warrants.
- (2) "Derivatives Contract" refers to those as defined in IAS 39, such as, stock options.

4. This table may not be disclosed in the financial statements for Q1 and Q3.

Note: As the Company plans to dispose of King's Town Leasing International Co., Ltd., the related assets and results of operations have been reclassified as assets held for sale and discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 2

Loans to External Parties

Unit: NTD thousand

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum balance for the period	Balance, end of period	Actual Amount Used	Interest Rate	Nature for Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Financing (Note 6)	Amount of provision for bad debt allowance	Collateral		Loan limit amount for each individual (Note 2)	Financing Company's Total Financing Amount Limits (Note 3)
													Item	Value		
1	Kings Town Bank International Lease Corporation	Company A	Accounts receivable	No	710,000	710,000	210,000	5%~16%	1	375,000		2,132	Real estate	703,261	4,061,151	32,489,207
1	Kings Town Bank International Lease Corporation	Company B	Accounts receivable	No	480,000	480,000	480,000	5%~16%	1	100		9,780	Real estate	538,094	4,061,151	32,489,207
1	Kings Town Bank International Lease Corporation	Company C	Accounts receivable	No	400,000	400,000	400,000	5%~16%	1	200,000		4,047	Real estate	1,155,930	4,061,151	32,489,207
1	Kings Town Bank International Lease Corporation	Company D	Accounts receivable	No	350,000	350,000	350,000	5%~16%	1	300,500		3,684	Real estate	338,389	4,061,151	32,489,207
1	Kings Town Bank International Lease Corporation	Company D	Accounts receivable	No	518,455	170,000	170,000	5%~16%	1	500		1,756	Real estate	534,027	4,061,151	32,489,207
1	Kings Town Bank International Lease Corporation	Company F	Accounts receivable	No	168,000	166,988	166,988	5%~16%	1	2,000		3,359	Real estate	139,769	4,061,151	32,489,207
1	Kings Town Bank International Lease Corporation	Company G	Accounts receivable	No	250,000	197,420	197,420	5%~16%	2	-	Property, plant and equipment	2,018	Real estate	321,190	676,858	1,082,974
1	Kings Town Bank International Lease Corporation	Other Customers Aggregated	Accounts receivable	No	1,802,849	711,355	653,395	5%~16%	1	2,147,372		34,878	No/Real estate	2,170,442	1,353,717/4,061,151	32,489,207
1	Kings Town Bank International Lease Corporation	Other Customers Aggregated	Accounts receivable	No	190,000	143,000	143,000	5%~16%	2	-	Operation needs	2,483	Real estate	394,448	676,858	1,082,974

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

- (1) For the column of the issuer, please fill in "0."

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

(2) Investee is numbered starting from number 1.

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

(1) Business counterparty:

Unsecured: The individual loan amount shall not exceed 50% of the lending company's net value in the most recent financial report audited by the certified public accountant.

Total secured/unsecured amount: The individual loan amount shall not exceed 150% of the lending company's net value in the most recent financial report audited by the certified public accountant.

(2) Those who need financial support: The individual loan amount shall not exceed 25% of the lending company's net value in the most recent financial report audited by the certified public accountant.

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

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

(1) For the business counterparty, please fill in "1."

(2) For those who need a short-term loan, please fill in "2."

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

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

Note 7: The investee company, King's Town Leasing International Co., Ltd., had a total of 39 counterparties for loans during the current period. Only those with individual amounts exceeding 5% are presented separately in the table above.

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 3

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

Unit: NTD thousand

Held Company Name	Marketable Securities Type and Name (Note 1)	Relationship with the Company	Financial Statement Account (Note 2)	End of period				Note
				Number of shares (In Thousands)	Carrying Amount (Note 2)	Ownership Percentage	Fair Value	
Kings Town Bank International Lease Corporation	Bank of Panhsin	-	Equity instruments measured at fair value through other comprehensive income	14,478	123,211	0.75%	123,211	
Kings Town Bank International Lease Corporation	Hoyii Life Co., Ltd.	-	Equity instruments measured at fair value through other comprehensive income	132	1,489	1.28%	1,489	
Kings Town Bank International Lease Corporation	Long-Shun Green Energy Technology Ltd.	-	Equity instruments measured at fair value through other comprehensive income	274	2,785	0.72%	2,785	
Kings Town Bank International Lease Corporation	Lian Ding Capital Investment Limited Partnership	-	Financial assets at FVTPL	-	302,793	10.23%	302,793	

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

Note 2: It is planned to dispose of King's Town Bank International Lease Corporation, reclassified as assets held for sale.

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 4

Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital:

Unit: NTD thousand

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationships	Beginning Balance		Acquisition		Disposal				Ending balance	
					Number of shares (In Thousands)	Amount	Number of shares (In Thousands)	Amount	Number of shares (In Thousands)	Price	Carrying costs	Gain on disposal (Note)	Number of shares (In Thousands)	Amount
Kings Town Bank International Lease Corporation	Cathay No. 1 Real Estate Investment Trust (Trustee - Land Bank)	Equity instruments measured at fair value through other comprehensive income	Non-related party	-	24,164	\$370,923	-	-	24,164	\$361,998	\$427,961	\$(65,963)	-	\$-

Note: Due to the planned disposal of King's Town Bank International Lease Corporation, it has been reclassified to other components of equity in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 5
Quality of Assets

Non-performing Loans and Overdue Accounts Receivable

Unit: NTD thousand, %

Year / month		December 31, 2025					December 31, 2024				
Business category / Items		Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)	Non-performing loan (NPL) amount (Note 1)	Total amount of loans	NPL ratio (Note 2)	Amount of bad debt allowance	Allowance for bad debt coverage rate (Note 3)
Corporate banking	Guarantee	\$50,751	\$144,705,278	0.04%	\$2,008,654	3,957.86%	\$42,197	\$156,594,021	0.03%	\$2,061,958	4,886.50%
	Unsecured	-	56,476,652	-	733,505	-	-	66,167,687	-	824,206	-
Consumer banking	Residential mortgage loans (Note 4) (Note 4)	-	22,523,434	-	340,912	-	-	17,158,903	-	244,300	-
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)	298	36,276	0.82%	831	278.86%	328	63,668	0.52%	1,319	402.13%
	Others (Note 6)	Guarantee	-	4,156,162	-	49,193	-	3,591	2,968,508	0.12%	34,836
Unsecured		-	299,424	-	3,485	-	-	183,199	-	1,963	-
Total amount		\$51,049	\$228,197,226	0.02%	\$3,136,580	6,144.25%	\$46,116	\$243,135,986	0.02%	\$3,168,582	6,870.90%
		Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate	Overdue receivable amount	Balance of accounts receivable	Overdue receivable ratio	Amount of bad debt allowance	Allowance for bad debt coverage rate
Credit Card Business		\$56	\$56	100.00%	\$56	100.00%	\$425	\$425	100.00%	\$292	68.71%
Non-recourse receivables factoring business (Note 7)		-	-	-	-	-	-	-	-	-	-

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

- Note 1: Non-performing loans refer to the amount of overdue loans reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." The amount of overdue credit card receivables is reported in accordance with Letter No. Jin-Guan-Yin-(IV)-0944000378 dated July 6, 2005 issued by the Financial Supervisory Commission.
- Note 2: Non-performing loan ratio = Non-performing loans/total loan amount. Non-performing credit card ratio = Non-performing amount/balance of accounts receivable.
- Note 3: Coverage ratio of allowance for bad debt = Allowance for bad debt appropriated for loans/NPL amount. Coverage ratio of allowance for bad debt of credit card = Allowance for bad debt appropriated for credit card receivables/NPL amount.
- Note 4: The residential mortgage loan refers to the borrower providing the resident purchased (owned) by the borrower of his/her spouse or minors as collateral to financial institutions in exchange for funds in order to purchase or construct or furnish houses.
- Note 5: Small credit loans refer to small credit loans other than credit cards and cash cards. These are also subject to Jin-Guan-Yin-(IV)-Zi Official Letter No. 09440010950 dated, dated December 19, 2005.
- Note 6: "Other" consumer finance refers to secured or unsecured consumer finance loans other than residential mortgage loans, cash cards, and small credit loans, excluding credit cards.
- Note 7: The accounts receivable business without recourse is reported as non-performing loans within three months upon confirming that the accounts receivable factoring banks or insurance companies decline to compensate in accordance with the Jin-Guan-Yin-(V)-Zi No. 094000494 Official Letter dated July 19, 2005.

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 6

Non-performing Loans or Overdue Accounts Receivable Exempted from Report

Unit: NTD thousand

	December 31, 2025		December 31, 2024	
	Total NPL exempted from report	Total non-performing receivable accounts exempted from report	Total NPL exempted from report	Total non-performing receivable accounts exempted from report
Exempted amount after a debt negotiation and contractual performance (Note 1)	\$50	\$3	\$200	\$6
Performance of debt clearance program and rehabilitation program (Note 2)	1,252	-	1,975	-
Total	\$1,302	\$3	\$2,175	\$6

Note 1: Pursuant to FSC Letter Jin-Guan-Yin-(I)-No. 09510001270 dated April 25, 2006, additional disclosures are required with respect to the credit classification and information disclosure of cases approved under the “Unsecured Debt Negotiation Mechanism for Consumer Finance Cases” of the Bankers Association of the Republic of China.

Note 2: Pursuant to FSC Letter Jin-Guan-Yin-(I)-No. 09700318940 dated September 15, 2008, additional disclosures are required with respect to the credit classification and information disclosure requirements for cases of pre-negotiation, rehabilitation, and liquidation handled under the “Consumer Debt Clearance Act.”

Table 7

Concentration of Credit Risk

Unit: NTD thousand, %

Year	December 31, 2025		
Ranking (Note 1)	Industry of the Company or Group (Note 2)	Total Credit Exposure (Note 3)	As a percentage to current net value (%)
1	Company (Group) A - Real estate leasing and sales business	12,141,925	22.25%
2	Company (Group) B - General Merchandise Wholesale Industry	7,927,870	14.53%
3	Company (Group) C - Unclassified other financial service business	5,137,644	9.42%
4	Company D - Power supply business	4,445,103	8.15%
5	Company E (Group) - Construction engineering business	4,313,587	7.91%
6	Company (Group) F - Power supply business	3,972,164	7.28%
7	Company G - Electric wire and cable manufacturing business	3,532,890	6.47%
8	Company H - Power supply business	3,329,133	6.10%
9	Company (Group) I - Unclassified other financial service business	3,236,002	5.93%
10	Company (Group) J - Unclassified other financial service business	3,208,000	5.88%

Note 1: Ranked according to the total credit balance of borrowers, please list the names of the top 10 borrowers that are not government agencies or state-owned enterprises. If the borrower belongs to a group enterprise, the credit amounts of the group enterprises shall be aggregated and disclosed in total, and presented in the form of “code” and “industry category” [e.g., Company (or Group) A – Manufacture of Liquid Crystal Panels and Components]. If it is a group enterprise, the industry category of the entity with the largest exposure within the group shall be disclosed. The industry category shall be classified to the “detailed category” level in accordance with the Standard Industrial Classification of the Republic of China issued by the Directorate-General of Budget, Accounting and Statistics.

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

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

Table 7-1

Concentration of Credit Risk

Unit: NTD thousand, %

Year	December 31, 2024		
Ranking (Note 1)	Industry that Company or Group is engaged in (Note 2)	Total Credit Exposure (Note 3)	As a percentage to current net value (%)
1	Company (Group) A - Real estate leasing and sales business	16,811,974	30.78%
2	Company B (Group) – Construction Engineering	6,846,045	12.53%
3	Company C (Group) – Motion Picture and Television Program Production	6,800,300	12.45%
4	Company D (Group) – Other Financial Services Not Elsewhere Classified	4,328,500	7.92%
5	Company E (Group) – Electricity Supply	3,951,509	7.23%
6	Company F – Other Holding Activities	3,933,720	7.20%
7	Company G – Electricity Supply	3,628,771	6.64%
8	Company H (Group) – Other Financial Services Not Elsewhere Classified	3,592,978	6.58%
9	Company I (Group) – Wholesale of Non- Alcoholic Beverages	3,527,766	6.46%
10	Company (Group) J - Unclassified other financial service business	3,524,000	6.45%

Note 1: Ranked according to the total credit balance of borrowers, please list the names of the top 10 borrowers that are not government agencies or state-owned enterprises. If the borrower belongs to a group enterprise, the credit amounts of the group enterprises shall be aggregated and disclosed in total, and presented in the form of “code” and “industry category” [e.g., Company (or Group) A – Manufacture of Liquid Crystal Panels and Components]. If it is a group enterprise, the industry category of the entity with the largest exposure within the group shall be disclosed. The industry category shall be classified to the “detailed category” level in accordance with the Standard Industrial Classification of the Republic of China issued by the Directorate-General of Budget, Accounting and Statistics.

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

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

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

Table 8

Interest Rate Sensitive Assets and Liabilities Analysis Table (NTD)

December 31, 2025

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$260,994,713	\$1,403,806	\$18,516,978	\$22,064,048	\$302,979,545
Interest rate sensitivity liabilities	223,694,953	13,534,517	27,821,018	3,157,299	268,207,787
Interest rate sensitivity gap	37,299,760	(12,130,711)	(9,304,040)	18,906,749	34,771,758
Net value					55,017,020
Interest rate sensitivity assets and liabilities rate					112.96
Interest rate sensitivity gap and net value rate					63.20

December 31, 2024

Unit: NTD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$259,401,388	\$1,807,211	\$3,191,734	\$44,871,152	\$309,271,485
Interest rate sensitivity liabilities	224,366,435	16,419,539	29,666,019	2,671,347	273,123,340
Interest rate sensitivity gap	35,034,953	(14,612,328)	(26,474,285)	42,199,805	36,148,145
Net value					56,578,577
Interest rate sensitivity assets and liabilities rate					113.24
Interest rate sensitivity gap and net value rate					63.89

Note 1: This table is prepared to report the amount in NTD (excluding foreign currency) of the head office and domestic and foreign branches.

Note 2: Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.

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

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

Note 4: Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in NTD)

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 8-1

Interest rate sensitivity assets and liabilities analysis data (USD)

December 31, 2025

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$109,643	\$1,939	\$47,037	\$709,038	\$867,657
Interest rate sensitivity liabilities	622,125	89,546	188,474	-	900,145
Interest rate sensitivity gap	(512,482)	(87,607)	(141,437)	709,038	(32,488)
Net value					(12,309)
Interest rate sensitivity assets and liabilities rate					96.39
Interest rate sensitivity gap and net value rate					263.94

December 31, 2024

Unit: USD thousand, %

Item	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitivity assets	\$323,800	\$-	\$9,947	\$993,643	\$1,327,390
Interest rate sensitivity liabilities	1,037,987	71,117	233,787	-	1,342,891
Interest rate sensitivity gap	(714,187)	(71,117)	(223,840)	993,643	(15,501)
Net value					(59,560)
Interest rate sensitivity assets and liabilities rate					98.85
Interest rate sensitivity gap and net value rate					26.03

Note 1: This table is prepared to report the amount in USD of the head office and domestic branches, international financial business branches, and overseas branches, excluding contingent assets and contingent liabilities.

Note 2: Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.

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

Note 4: Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in USD)

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
 (Unless otherwise provided, Unit: NTD Thousand)

Table 9

Profitability

Unit: %

Item		2025.12.31	2024.12.31
Return on Assets (ROA)	Before tax	1.31	1.71
	After tax	1.02	1.33
Return on Equity (ROE)	Before tax	8.89	12.31
	After tax	6.94	9.59
Net profit rate		45.01	59.11

Note 1: ROA = Income before (after) tax/Average total assets

Note 2: ROE=Income before (after) tax / Average net value

Note 3: Profit rate = Income after tax/income-net

Note 4: Income before (after) tax means the income accumulated from January of the current year until the current quarter

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 10

Maturity Date Structure Analysis Table (NTD)

December 31, 2025

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$332,018,366	\$72,699,842	\$12,517,367	\$24,585,024	\$55,389,423	\$166,826,710
Outward remittance of due fund	355,462,555	30,816,000	33,112,100	40,619,937	73,232,649	177,681,869
Period difference	(23,444,189)	41,883,842	(20,594,733)	(16,034,913)	(17,843,226)	(10,855,159)

December 31, 2024

Unit: NTD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$337,660,921	\$74,681,038	\$22,064,005	\$28,340,588	\$57,112,935	\$155,462,355
Outward remittance of due fund	373,536,969	32,269,139	34,932,333	49,213,991	82,615,305	174,506,201
Period difference	(35,876,048)	42,411,899	(12,868,328)	(20,873,403)	(25,502,370)	(19,043,846)

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 10-1

Maturity Date Structure Analysis Table (USD)

December 31, 2025

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$951,279	\$155,750	\$4,155	\$17,725	\$86,615	\$687,034
Outward remittance of due fund	936,506	273,867	263,728	89,950	188,975	119,986
Period difference	14,773	(118,117)	(259,573)	(72,225)	(102,360)	567,048

December 31, 2024

Unit: USD thousand

	Total	Remaining balance to maturity				
		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Inward remittance of due fund	\$1,373,521	\$123,704	\$144,350	\$23,987	\$42,899	\$1,038,581
Outward remittance of due fund	1,360,947	688,259	289,191	73,672	238,826	70,999
Period difference	12,574	(564,555)	(144,841)	(49,685)	(195,927)	967,582

Table 11

Capital Adequacy (Note 1)

Unit: NTD thousand

Item	Year (Explanation 2)		December 31, 2025	December 31, 2024
	Self-owned capital	Common stock equity		53,376,471
Other Tier 1 Capital				
Tier 2 Capital		3,155,279	3,418,482	
Self-owned capital		56,531,750	55,178,738	
Risk-weighted assets	Credit risk	Standardized approach	226,535,832	279,025,788
		Internal ratings-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	-	16,684,985
		Standard Method/Selective Standard Method	17,538,876	-
		Advanced Measurement Method	-	-
	Market risk	Standardized approach	24,173,267	16,493,756
		Internal models approach	-	-
	Total risk-weighted assets		268,247,975	312,204,529
	Capital adequacy ratio		21.07%	17.67%
Ratio of Common Stock Equity to Risk-Based assets		19.90%	16.58%	
Ratio of Tier 1 capital to Risk-Based Assets		19.90%	16.58%	
Leverage ratio		14.19%	13.30%	

Note 1: The amount of eligible capital, risk-weighted assets, and total risk exposure should be calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Description and Table of Calculation Methods for Capital and Risk Assets of Banks."

Note 2: The capital adequacy ratio for the current period and the previous period should be filled in the annual financial statement. The interim financial statements shall, in addition to disclosing the ratio of the current period and the previous period, also disclose the capital adequacy ratio at the end of the previous year.

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Note 3: This table should demonstrate the following formula:

- (1) Self-owned capital = Common stock equity Other Tier 1 Capital Tier 2 Capital.
- (2) Total Risk-Weighted Assets = Credit Risk-Weighted Assets + (Capital Charges for Operational Risk + Market Risk) \times 12.5.
- (3) Capital Adequacy Ratio = Total Capital / Total Risk-Weighted Assets.
- (4) Common Equity Tier 1 (CET1) Ratio = Common Equity Tier 1 / Total Risk-Weighted Assets.
- (5) Tier 1 Capital Ratio = (Common Equity Tier 1 + Additional Tier 1 Capital) / Total Risk-Weighted Assets.
- (6) Leverage Ratio = Tier 1 Capital / Total Exposure.

Note 4: This table is not required to be disclosed in the preparation of the first and third quarter financial reports.

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

Statements of Major Accounting Items Table of Contents

Account Item	No./Index	Page
Statements of Major Accounting Items for Assets, Liabilities, and Equity		
Cash and cash equivalents	Note VI, 1	44
Due from Central Bank and call loans to other banks	Note VI, 2	45
Financial Assets Measured at FVTPL	Detailed statement 1	163
Financial Assets Measured at FVOCI	Detailed statement 3	165
Schedule of Debt Instrument Investments Measured at Amortized Cost		
Receivables	Detailed statement 5	167
Non-current assets held for sale, net	Note VI, 6	48
Discounts and Loans	Note VI, 7	48
Changes in Investments Accounted for Using Equity Method	Detailed statement 2	164
Other financial assets	Detailed statement 4	166
The detailed schedule of changes in property, plant, and equipment, accumulated depreciation, and impairment.	Note VI, 10	50
The detailed schedule of changes in investment properties, accumulated depreciation, and impairment.	Note VI, 11	50-51
Changes in Right-of-Use Assets	Note VI, 12	51-52
Schedule of Changes in Accumulated Depreciation of Right-of-Use Assets	Detailed statement 6	168
Deferred income tax assets/liabilities	Detailed statement 7	169
Other assets	Note VI, 30	69-72
Deposits from Central Bank and other banks	Note VI, 13	52
Financial liabilities measured at FVTPL	Note VI, 14	52
Securities and bonds sold under agreement to repurchase	Note VI, 15	52
Payables	Note VI, 16	53
Deposits and Remittances	Note VI, 17	53
Lease Liabilities	Detailed statement 8	170
Provisions	Detailed statement 9	171
Other liabilities	Note VI, 19	53
	Note VI, 21	58
Profit and Loss Items Table		
Interest Income	Detailed statement 10	172
Interest Expense	Detailed statement 11	173
Net Service Fee Income	Detailed statement 12	174
Gain (Loss) On Financial Assets and Liabilities at FVTPL	Detailed statement 13	175
Impairment of Assets and Gains on Reversal	Detailed statement 14	176
Other Non-Interest Net Gains and Losses	Detailed statement 15	177
Business and Administrative Expenses	Detailed statement 16	178
Employee Benefits Expenses	Detailed statement 17	179

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

King's Town Bank Co., Ltd.
1. Detailed Statement for Financial Assets Measured at FVTPL
December 31, 2025

Unit: NTD thousand / thousand shares / thousand units

Item of financial products	Summary	Number of shares/units or certificates	Face value	Total amount	Interest Rate	Acquisition cost	Valuation adjustment	Fair Value		Note
								Unit price (NTD)	Total amount	
Domestic item of financial products										
Beneficiary certificates	- 2026/9/7~	124,299 thousand shares	-	-	-	\$2,100,000	\$13,308	16.21-17.66	\$2,113,308	
Government bonds	2052/5/20	-	-	25,447,800	0.63-2.0	25,040,989	352,273	98.35-112.07	25,393,262	
Convertible corporate bonds	-	443 thousand shares	-	-	-	44,743	(3,987)	92.00	40,756	
Foreign exchange contracts	-	-	-	-	-	-	14,465	-	14,465	
Subtotal						27,185,732	376,059		27,561,791	
Overseas item of financial products										
Bond	2027/4/6- 2042/2/23	-	-	1,887,150	2.63-6.51	1,850,212	104,533	USD93.11- 109.52	1,954,745	
Subtotal						1,850,212	104,533		1,954,745	
Total						\$29,035,944	\$480,592		\$29,516,536	

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

King's Town Bank Co., Ltd.

2. Detailed Statement for Discounts and Loans

December 31, 2025

Unit: NTD thousand

Item	Amount	Note
Short-term loans	14,049,307	
Short-term guaranteed loans	52,564,332	
Mid-term loans	31,596,770	
Mid-term guaranteed loans	60,297,780	
Long-term loans	11,722,313	
Long-term guaranteed loans	57,874,064	
Others	92,660	
Total	228,197,226	
Less: allowance for bad debt	(3,136,580)	
Net	<u>\$225,060,646</u>	

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

3. Detailed Statement for Financial Assets Measured at FVOCI
December 31, 2025

Unit: In Thousands of New Taiwan Dollars/In Thousands/In Thousands of Certificates

Item of financial products	Summary	Number of shares/units or certificates	Face value	Total amount	Interest Rate	Acquisition cost	Accumulated impairment	Valuation adjustment	Fair Value		Note
									Unit price (NTD)	Total Price	
Equity instruments designated as FVOCI											
TWSE/TPEX-listed stocks	-	8,720 thousand shares	-	-	-	727,485	-	40,968	23.95-2495	768,453	
Stocks - Non-TWSE/TPEX-listed	-	69,782 thousand shares	-	-	-	1,540,754	-	3,971,352	9.10-93.04	5,512,106	
Subtotal						2,268,239	-	4,012,320		6,280,559	
Debt instruments designated as FVOCI											
Domestic bond											
Government bonds	2026/3/4- 2035/10/17	-	-	10,100,000	0.38-1.75	10,073,747	-	(42,819)	95.89-101.95	10,030,928	
Corporate bonds	2033/10/26	-	-	300,000	4.00	300,000	-	(37)	99.99	299,963	
Foreign bonds											
Corporate bonds	2026/6/15- 2048/5/30	-	-	20,734,829	2.50-8.38	20,862,194	-	354,875	84.49-121.68	21,217,069	
Financial bonds	2026/11/10- 2035/10/16	-	-	3,534,935	2.16-6.65	3,570,574	-	(22,547)	97.41-108.76	3,548,027	
Subtotal						34,806,515	-	289,472		35,095,987	
Total						\$37,074,754	\$-	\$4,301,792		\$41,376,546	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.
4. Detailed Statement for Changes in Investments Accounted for Using Equity Method
January 1 to December 31, 2025

Unit: NTD thousand / thousand shares

Investee Company	Balance on January 1, 2025		Increase in the period		Decrease in the period		Balance on December 31, 2025			Market price or equity net value		Provision of Guarantees or Pledged Items	Note
	Shares (thousand shares)	Amount	Shares (thousand shares)	Amount	Shares (thousand shares)	Amount	Shares (thousand shares)	Ownership Percentage	Amount	Unit price (NTD)	Total Price		
Kings Town Bank International Lease Corporation	208,449	\$2,707,434	49,485 (Note 3)	\$52,986 (Note 2)	-	\$(1,051,483) (Note 1)	257,934	100%	\$-	-	\$-	None	
Kings Town Securities Co., Ltd.	90,000	1,122,859		25,534 (Note 1)	(67,000) (Note 6)	(4,250) (Note 2)	23,000	100%	\$430,002	-	430,002	None	
						(670,000) (Note 6)							
						(44,141) (Note 7)							
Total		<u>\$3,830,293</u>		<u>\$78,520</u>		<u>\$(3,478,811)</u>			<u>\$430,002</u>		<u>\$430,002</u>		

Note 1: Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using the equity method.

Note 2: Unrealized loss arising from the valuation of financial assets at fair value through other comprehensive income held by the subsidiary's investment.

Note 3: Stock dividends are distributed.

Note 4: It is planned to reclassify the disposal of subsidiaries as assets held for sale.

Note 5: Realized loss on disposal of Subsidiary's investments in equity instruments measured at FVOCI.

Note 6: Subsidiary returns capital through reduction of capital.

Note 7: Cash dividends are distributed.

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

5. Detailed Statement for Schedule of Debt Instrument Investments Measured at Amortized Cost

December 31, 2025

Unit: NTD thousand

Item of financial products	Summary	Number of shares/units or certificates	Face value	Total amount	Interest Rate	Acquisition cost	Accumulated impairment	Book value	Note
Central Bank's convertible certificate of deposit	-	-	-	\$16,780,000	1.22%- 1.47%	\$16,780,000	\$(2,061)	\$16,777,939	
Government bonds	2031/1/31- 2035/7/1	-	-	1,831,452	1.50%- 3.80%	1,831,452	(262)	1,831,190	
Financial bonds	2035/1/16	-	-	860,938	5.00%	860,938	(5)	860,933	
Total				<u>\$19,472,390</u>		<u>\$19,472,390</u>	<u>\$(2,328)</u>	<u>\$19,470,062</u>	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

6. Detailed Statement for Changes in Right-Of-Use Assets

January 1 to December 31, 2025

Unit: NTD thousand

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Note
Buildings and structures	\$498,686	\$49,117	\$(80,505)	\$467,298	
Transportation and transportation equipment	-	1,394	-	1,394	
Other equipment	6,676	502	-	7,178	
Total	<u>\$505,362</u>	<u>\$51,013</u>	<u>\$(80,505)</u>	<u>\$475,870</u>	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

7. Detailed Statement for Schedule of Changes in Accumulated Depreciation of Right-of-Use Assets

January 1 to December 31, 2025

Unit: NTD thousand

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Note
Buildings and structures	\$271,185	\$81,038	\$(80,600)	\$271,623	
Transportation and transportation equipment	-	116	-	116	
Other equipment	3,116	1,502	-	4,618	
Total	<u>\$274,301</u>	<u>\$82,656</u>	<u>\$(80,600)</u>	<u>\$276,357</u>	

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

King's Town Bank Co., Ltd.

8. Detailed Statement for Deposits and Remittances

December 31, 2025

Unit: NTD thousand

Item	Amount	Note
Check deposits	\$1,460,161	
The Company's check	2,187,747	
Demand deposits	57,323,488	
Foreign currency demand deposits	6,906,446	
Time deposits	23,998,929	
Convertible certificate of deposit	76,000	
Foreign currency time deposits	19,936,162	
Demand savings deposits	96,163,678	
Bank staff demand savings deposits.	576,676	
Time deposit savings deposits	4,916,738	
Time deposit savings deposits with interest withdrawal	77,935,150	
Remittances Outflow (US\$ in Thousands)	23,152	
Total	<u>\$291,504,327</u>	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
 (Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

9. Detailed Statement for Lease Liabilities

December 31, 2025

Unit: NTD thousand

Item	Summary	Lease period	Discount rate	Ending balance	Note
Buildings and structures	Branch buildings	2 to 10 years	0.26%~3.74%	\$203,609	
Transportation and transportation equipment	Official vehicle	3 years	3.74%	1,284	
Other equipment	Off-site backup equipment	5 years	0.26%	<u>2,569</u>	
Total				<u><u>\$207,462</u></u>	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
 (Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

10. Detailed Statement for Interest Income

January 1 to December 31, 2025

Unit: NTD thousand

Item	Amount	Note
Security investment interest income	\$1,665,613	
Interest on due from the Central Bank	96,989	
Interest from Due from Central Bank and other banks	9,728	
Interest on call loans to other banks	188,936	
Interest on due from the Central Bank	534,228	
Interest on due from the Central Bank	1,830,769	
Interest on due from the Central Bank	1,169,100	
Interest on due from the Central Bank	2,109,928	
Interest on due from the Central Bank	402,320	
Interest on due from the Central Bank	1,601,218	
What interest	396,920	
Total	<u>\$10,005,749</u>	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
 (Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

11. Detailed Statement for Interest Expense

January 1 to December 31, 2025

Unit: NTD thousand

Item	Amount	Note
Interest on bonds and bills sold under repurchase agreements	\$114,388	
The same as above	279,080	
Interest on demand deposits	277,449	
Interest on time deposits	393,385	
Interest on foreign currency time deposits	890,225	
Interest on demand deposits	531,458	
Total interest	84,689	
Principal and interest	1,294,744	
What interest	58,416	
Total	<u>\$3,923,834</u>	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

12. Detailed Statement for Net Service Fee Income

January 1 to December 31, 2025

Unit: NTD thousand

Item	Amount	Note
Service fee income		
Exchange fee income	\$63,314	
Guarantee service fee income	90,603	
Trust business revenue	231,101	
Syndicated loan revenue	23,271	
Usage fee of financing	1,027,928	
Insurance agency revenue	314,099	
Credit condition modification service fee	1,506	
Setup fee	206,800	
What service fee	102,911	
Subtotal	<u>2,061,533</u>	
Service fee expenses		
Inter-bank service fee	11,977	
Trust service fee	36	
Credit card service fee	1,323	
Exchange fee expenses	1,980	
Bill inquiry fee	1,052	
What service fee	63,135	
Subtotal	<u>79,503</u>	
Net service fee income	<u><u>\$1,982,030</u></u>	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
 (Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

13. Detailed Statement for Gain (Loss) On Financial Assets and Liabilities at FVTPL

January 1 to December 31, 2025

Unit: NTD thousand

Item	Amount	Note
Realized		
Stock investment	\$(23,849)	
Bond investment	188,480	
Derivatives	29,676	
Others	(8,347)	
Unrealized		
Stock investment	14,516	
Bond investment	613,632	
Derivatives	(4,947)	
Others	13,308	
Total	<u>\$822,469</u>	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
 (Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

14. Detailed Statement for Impairment of Assets and Gains on Reversal

January 1 to December 31, 2025

Unit: NTD thousand

Item	Impairment Amount	Amount of gain on reversal	Note
FVOCI debt instruments.	\$(1,102)	\$551,665	
Debt instruments measured at amortized cost	(946)	134	
Total	<u>\$(2,048)</u>	<u>551,799</u>	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
 (Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

15. Detailed Statement for Other Non-Interest Net Gains and Losses

January 1 to December 31, 2025

Unit: NTD thousand

Item	Amount	Note
Other non-interest profits		
Rental income from operating assets	\$19,164	
Others	11,356	
Subtotal	30,520	
Other non-interest losses		
Loss on disposal of property	499	
Others	4,979	
Subtotal	5,478	
Net	\$25,042	

Notes to the Parent Company Only Financial Statements of King's Town Bank Co., Ltd. (Continued)
(Unless otherwise provided, Unit: NTD Thousand)

King's Town Bank Co., Ltd.

16. Detailed Statement for Business and Administrative Expenses

January 1 to December 31, 2025

Unit: NTD thousand

Item	Amount	Note
Rental expenses	\$5,435	
Repair expenses	23,307	
Utilities (electricity, water, gas) fees	19,804	
Insurance premiums	86,284	
Tax	531,870	
Entertainment expenses	25,235	
Membership fees for groups	8,376	
Donate to the organization	18,821	
Expenditure expenses	21,042	
Professional service fees	97,207	
Other Expenses	164,397	
Total	<u>\$1,001,778</u>	

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

King's Town Bank Co., Ltd.
17. Detailed Statement for Employee Benefits Expenses
January 1 to December 31, 2025

Unit: NTD thousand

Item	Amount			Total	Note
	Employee benefits expenses	Non-interest net income	Other business and administrative expenses		
Salaries and wages	\$1,121,380	\$-	\$-	\$1,121,380	
Labor insurance and national health insurance	91,099	-	-	91,099	
Pension expenses	41,498	-	-	41,498	
Remuneration to directors	30,339	-	65	30,404	
Resignation benefits	498,510	-	-	498,510	
Other employee benefits expenses	52,178	-	-	52,178	
Total	\$1,835,004	\$-	\$65	\$1,835,069	

Note:

1. The numbers of employees for the current year and the previous year were 1,019 and 1,017, respectively, among which the number of directors who were not concurrent employees were both 7, respectively.
2. The average employee benefit expenses for the current year were NTD1,783 thousand ("the total of employee benefit expenses for the current year - the total of remuneration to directors" / "the number of employees for the current year - the number of directors who were not concurrent employees").
3. The previous year's average employee benefit expenses were NTD1,161 thousand ("the total of employee benefit expenses for the previous year - the total of remuneration to directors" / "the number of employees for the previous year - the number of directors who were not concurrent employees").
4. The average employee salaries for the current year were NTD1,108 thousand (the total salaries for the current year / "the number of employees for the current year - the number of directors who were not concurrent employees").
5. The previous year's average employee salaries were NTD990 thousand (the total salaries for the previous year / "the number of employees for the previous year - the number of directors who were not concurrent employees").
6. The adjustment and change in average employee salaries was 11.92% ("the average employee salaries for the current year - the previous year's average employee salaries" / the previous year's average employee salaries).
7. The current year's remuneration for supervisors was NTD0, and the previous year's remuneration for supervisors was NTD0. The company has established an Audit Committee to replace the function of supervisors, hence the amount is NTD0.
8. Compensation policy

(1) Director

According to Article 33 of the Corporation's Articles of Incorporation, if the Corporation has earnings for the year, no more than 1% should be appropriated as compensation to directors. However, if the Corporation has accumulated losses, the amount of the indemnification should be reserved in advance. No compensation to directors has been granted in the past two years. Additionally, according to Article 25-1 of the Corporation's Articles of Incorporation: "The remuneration of the Chairman and Directors shall be determined by the Board of Directors with reference to the customary standards in the industry." The remuneration of the Bank's Directors is determined by referencing industry standards, considering individual Directors' performance, the company's operational performance, and the results of the Board of Directors' performance evaluation.

(2) Independent director

The remuneration setting procedure for the Bank's Independent Directors is determined according to Article 25-1 of the Corporation's Articles of Incorporation. The Board of Directors decides by referencing the standards of relevant peers and listed companies, adopting a fixed monthly remuneration, transportation and meeting attendance fees. Business execution fees follow the standard for general Directors, and they do not receive additional compensation to directors as stipulated by the Corporation's Articles of Incorporation. Additionally, according to Article 5 of the Corporation's "Regulations on the Scope of Responsibilities of Independent Directors," Independent Directors may receive reasonable remuneration different from that of general directors.

(3) President, Vice Presidents, Chief Auditor, executive officers, and employees

The performance evaluation and remuneration system for the Bank's President, Vice Presidents, Chief Auditor, executive officers, and employees are handled in accordance with the "Employee Year-end Evaluation Measures," "Employee Remuneration Measures," and "Year-end Bonus Measures" approved by the Board of Directors, and are submitted for review and approval by the Board of Directors. The bonus portion is linked to the performance evaluation results of the Bank's units, including factors such as operational performance (net profit achievement rate), internal control, and compliance with laws and regulations. It also takes into account individual performance, responsibilities undertaken, and individual contributions, providing reasonable compensation. Hence, there is a high correlation between salary remuneration and the company's operational performance. However, if a significant risk event involving misconduct occurs that could lead to company losses or affect Goodwill, in addition to necessary Disposals mandated by law, the Board of Directors should take measures such as dismissal, transfer, termination, or Decrease in remuneration based on the severity of the situation. The treatment of the Bank's employees is based on the "Employee Remuneration Measures" approved by the Board of Directors, and complies with Article 5, Paragraph 1 of the Employment Service Act, ensuring that it does not vary due to race, class, language, etc.