

2809

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

**Consolidated Financial Statements and
Auditor's Report**

January 1 to December 31, 2025 and 2024

Address: No. 506, Sec. 1, Ximen Rd., West Central Dist., Tainan City,
Tel: +886-6-213-9171

Notice to Readers

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

Consolidated Financial Statements

Table of Contents

Item	Page
I. Cover	1
II. Table of Contents	2
III. Statement	3
IV. Independent Auditor's Report	4~9
V. Consolidated Balance Sheets	10~11
VI. Consolidated Statements of Comprehensive Income	12
VII. Consolidated Statements of Changes in Equity	13
VIII. Consolidated Statements of Cash Flows	14
IX. Notes to the Consolidated Financial Statements	
(I) Company History	15
(II) Approval Date and Procedures of the Financial Statements	15
(III) Application of New, Revised, and Amended Standards and Interpretations	15~20
(IV) Summary of Significant Accounting Policies	20~39
(V) Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties	40~41
(VI) Descriptions of Material Accounting Items	41~66
(VII) Related Party Transactions	67~71
(VIII) Pledged Assets	72
(IX) Significant Contingent Liabilities and Unrecognized Contract Commitments	72
(X) Contents and Amount of Trust Business Handled in Accordance with the Provisions of the Trust Enterprise Act	73~74
(XI) Significant Disaster Loss	74
(XII) Significant Subsequent Events	74
(XIII) Fair Value and Grade Information of Financial Instruments	74~82
(XIV) Financial Risk Management	82~119
(XV) Capital Management	120~121
(XVI) Supplementary Disclosure	
1. Information on Significant Transactions	122、126
2. Information on Investees	122~123、127~129
3. Information on Investments in Mainland China	123
4. Information on Major Shareholders	123
5. Other Supplementary Information	123、130~139
(XVII) Department Information	123~125

Statement

For the year 2025 (from January 1, 2025 to December 31, 2025), the companies that should be included in the preparation of the consolidated financial statements of affiliated enterprises in accordance with the “Regulations Governing the Preparation of Consolidated Business Reports, Consolidated Financial Statements, and Reports on Affiliated Enterprises” are the same as those required to be included in the consolidated financial statements of parent and subsidiary companies under IFRS 10. In addition, all relevant information required to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. Accordingly, no separate consolidated financial statements of affiliated enterprises have been prepared.

Statement

Company Name: King’s Town Bank Co., Ltd.

Responsible Person: Stephen OUYANG

February 23, 2026

Independent Auditor's Report

To the Board of Directors and Shareholders of King's Town Bank Co., Ltd.

Opinion

We have audited the consolidated balance sheets of King's Town Bank Co., Ltd. and its subsidiaries as of December 31, 2025 and 2024, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, as well as the notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of King's Town Bank Co., Ltd. and its subsidiaries as of December 31, 2025 and 2024, and their consolidated financial performance and consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Order No. Jin-Guan-Yin-Fa-Zi 10802731571, and auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of King's Town Bank Co., Ltd. and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit 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 the audit of the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Financial Instruments

King's Town Bank Co., Ltd. and its subsidiaries invest in various types of financial assets. As of December 31, 2025, financial assets measured at fair value totaled NT\$70,934,249 thousand, representing approximately 19% of total assets. Among these, investments classified within Level 2 of the fair value hierarchy, including bonds and derivative financial instruments such as foreign exchange swap contracts, amounted to NT\$35,738,617 thousand, representing 50% of the financial assets measured at fair value. Because the valuation of Level 2 investments is based on internal models, and the key inputs used—such as yields and exchange rates—have a significant impact on the estimation of fair value, we have determined this to be 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 management's determination and approval of valuation models and their assumptions. On a sample basis, we obtained an understanding of and assessed the reasonableness of key assumptions, performed independent valuation calculations, and, with the assistance of internal valuation specialists, compared our valuations with those prepared by management to determine whether any differences were within an acceptable range.

For disclosures related to financial assets of King's Town Bank Co., Ltd. and its subsidiaries, please refer to Notes 5, 6, 13, and 14 to the financial statements.

Allowance for Loan Losses

As of December 31, 2025, loans of King's Town Bank Co., Ltd. and its subsidiaries amounted to NT\$225,060,646 thousand, representing approximately 60% of total assets. These balances are significant to the financial statements and are subject to the assessment of expected credit losses in accordance with IFRS 9 and the "Regulations Governing the Procedures for Bank Asset Evaluation, Loss Provisioning, and Write-off of Non-performing Loans." Because management's estimation of expected credit losses involves significant assumptions—such as the criteria for determining whether credit risk has increased significantly, whether an asset is credit-impaired, the selection and evaluation of forward-looking factors, and the estimation of parameters including probability of default and loss given default—which require a high degree of professional judgment, we have therefore determined this to be a key audit matter.

Our audit procedures included, but were not limited to, evaluating and testing the internal controls related to the calculation of expected credit losses; reviewing whether the expected credit loss models were approved by management; assessing the sources of data used in the expected credit loss calculations; and, with the assistance of internal specialists, evaluating the reasonableness of the expected credit loss models. We also performed sample testing on the appropriateness and reasonableness of key input parameters used in the models, including probability of default and loss given default. In addition, we assessed whether management has complied with relevant regulations and directives issued by the competent authorities to confirm that loan classification and the recognition of allowance for loan losses are in accordance with applicable requirements.

For disclosures related to the allowance for loan losses of King's Town Bank Co., Ltd. and its subsidiaries, please refer to Notes 5, 6, and 14 to the financial statements.

Other Matter – Reference to the Audits of Other Auditors

Certain subsidiaries included in the consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries were not audited by us but were audited by other auditors. Accordingly, in forming our opinion on the consolidated financial statements, the amounts included in respect of these subsidiaries are based on the audit reports of the other auditors. As of December 31, 2025 and 2024, the total assets of these subsidiaries amounted to NT\$1,159,014 thousand and NT\$1,546,390 thousand, respectively, representing 0.31% and 0.39% of the consolidated total assets, respectively. For the years then ended, their net income amounted to NT\$142,864 thousand and NT\$226,053 thousand, respectively, representing 1.67% and 2.35% of the consolidated net income, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the Financial Supervisory Commission, and for maintaining such internal control as is necessary to ensure that the consolidated financial statements are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

The objectives of our audit of the consolidated financial statements are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated 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. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude, 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. and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King's Town Bank Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the related notes), and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit, and for forming the group 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 the personnel of our firm subject to independence requirements have complied with the 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 consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries 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.

Others

King's Town Bank Co., Ltd. has also prepared the parent company only financial statements for the years ended December 31, 2025 and 2024, on which we have issued an unmodified audit opinion with an Other Matter paragraph, for reference.

Ernst & Young Taiwan

Approved by the competent authority to audit and
certify the financial reports of public companies

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

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

Kuo-Sen Hung

Certified Public Accountant

Sheng-An Hsieh

February 23, 2026

King's Town Bank Co., Ltd. and its Subsidiaries
Consolidated 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	\$2,851,033	1	\$4,596,953	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	42,217,087	11
12100	Financial assets measured at FVOCI	IV/VI.4, 27/VIII	41,417,713	11	46,422,160	12
12200	Debt instrument investments measured at amortized cost	IV/VI.5, 27	19,470,062	5	13,378,484	3
13000	Receivables, net	IV/VI.6, 27/VIII	2,334,159	1	14,804,837	4
13300	Assets held for sale, net	IV/VI.7	12,269,930	3	-	-
13500	Discounts and loans, net	IV/V/VI.8, 27	225,060,646	60	239,967,404	61
15500	Other financial assets, net	IV/VI.9	1,652	-	433	-
18500	Property, plant, and equipment, net	IV/VI.10, 27	4,877,655	1	5,015,983	2
18600	Right-of-use assets	III/IV/VI.28	210,093	-	248,324	-
18700	Investment property	VI.11/VIII	241,737	-	518,902	-
19300	Deferred income tax assets	IV/VI.31	315,381	-	367,449	-
19500	Other assets, net	VI.12/VIII	2,486,779	1	1,821,912	-
	Total Assets		<u>\$374,280,375</u>	<u>100</u>	<u>\$392,869,295</u>	<u>100</u>

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

Chairman: Stephen OUYANG

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its Subsidiaries
Consolidated Balance Sheet (Continued)
December 31, 2025, and December 31, 2024

Unit: TWD 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.13	\$7,958,532	2	\$16,365,383	4
21500	Central Bank and interbank financing	VI.14	-	-	5,549,000	1
22000	Financial liabilities measured at FVTPL	IV/VI.15	26,447	-	16,271	-
22500	Securities and bonds sold under agreements to repurchase	IV/VI.16	5,844,491	2	8,769,996	2
23000	Accounts payable	VI.17	2,731,037	1	2,091,307	1
23200	Income tax payable	IV/VI.31	423,115	-	808,761	-
23300	Liabilities directly related to assets held for sale	IV/VI.7	10,817,837	3	-	-
23500	Deposits and remittances	VI.18	291,248,770	77	296,669,322	76
25500	Other financial liabilities	VI.19	-	-	6,574,362	2
25600	Provisions for liabilities	IV/VI.20, 21, 27	133,302	-	156,481	-
26000	Lease liabilities	III/IV/VI.28	218,161	-	255,839	-
29300	Deferred income tax liabilities	IV/VI.31	58,153	-	51,054	-
29500	Other liabilities	VI.22	180,024	-	935,370	-
	Total liabilities		319,639,869	85	338,243,146	86
31000	Equity attributable to owners of the parent company	VI.23				
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		54,640,506	15	54,626,149	14
	Total liabilities and equity		\$374,280,375	100	\$392,869,295	100

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

Chairman: Stephen OUYANG

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its Subsidiaries
Consolidated Statement 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	\$10,010,306	117	\$10,179,812	118
51000	Less: Interest expenses	IV	(3,920,001)	(46)	(4,776,864)	(55)
	Net interest income	VI.24	6,090,305	71	5,402,948	63
	Non-interest net income					
49100	Net service fee income	IV/VI.25	2,107,155	25	2,870,721	33
49200	Gain on financial assets and liabilities at FVTPL	IV/VI.26	825,640	10	78,289	1
49310	Realized (loss) gain on financial assets measured at FVOCI	IV	(1,052,861)	(12)	137,410	2
49600	Net exchange gain (loss)	IV	(9,126)	-	195,439	2
49700	Gain on reversal of impairment (loss) of Assets	IV/VI.27	549,751	6	(69,991)	(1)
49800	Other non-interest net income	IV	30,474	-	40,286	-
	Net income		8,541,338	100	8,655,102	100
58200	Allowances for bad debts, commitments and guarantees (expenses)/reversal (provision)	IV/VI.6, 8, 20, 27	451,802	5	(279,647)	(3)
58400	OPERATING EXPENSES					
58500	Employee benefits expenses	VI.21, 29	(1,901,566)	(22)	(1,306,296)	(15)
59000	Depreciation and amortization expenses	IV/VI.10, 11, 28, 29	(147,206)	(2)	(144,925)	(2)
59500	Other business and administrative expenses	IV	(1,029,338)	(12)	(1,025,608)	(12)
61000	Net income before tax from continuing operations		5,915,030	69	5,898,626	68
61003	Income tax (expenses)	IV/VI.31	(1,072,629)	(13)	(1,426,314)	(16)
62000	Net income after tax from continuing operations		4,842,401	56	4,472,312	52
63000	Profit or loss from discontinued operations	IV/VI.7	(1,051,268)	(12)	551,355	6
64000	Net income after tax		3,791,133	44	5,023,667	58
65000	Other comprehensive income					
65200	Items that will not be reclassified subsequently to profit or loss	IV/VI.30, 31				
65201	Remeasurements of the defined benefit plan		9,467	-	22,513	-
65204	Gain or loss on evaluation of equity instruments measured at FVOCI		(1,292,172)	(15)	2,864,599	33
65219	Other items that will not be reclassified subsequently to profit or loss		52,986	1	(30,150)	-
65220	Income tax expenses related to items that will not be reclassified subsequently to profit or loss		(1,894)	-	(4,502)	-
65300	Items that may be reclassified subsequently to profit or loss:	IV/VI.30, 31				
65301	Foreign Currency Translation Reserve		38,069	-	(16,320)	-
65308	Gains or loss from debt instrument investment measured at FVOCI		1,424,382	17	(17,785)	-
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss		(7,614)	-	3,264	-
	Other comprehensive income (after tax)		223,224	3	2,821,619	33
66000	Total comprehensive income (after tax)		\$4,014,357	47	\$7,845,286	91
67100	Net income after tax attributable to					
67101	owners of the parent company		\$3,791,133		\$5,023,667	
67111	Non-controlling interests		\$ -		\$ -	
67300	Net comprehensive income after tax attributable to					
67301	owners of the parent company		\$4,014,357		\$7,845,286	
67311	Non-controlling interests		\$ -		\$ -	
	Earnings per share (NTD)	VI.32				
	Net income before tax of the continuing business units and profit or loss from discontinued operations					
67500	Basic EPS		\$3.41		\$4.52	
67700	Diluted EPS		\$3.41		\$4.52	
	Net income before tax of the continuing business units and profit or loss from discontinued operations	VI.32				
67501	Basic EPS		\$4.36		\$4.02	
67701	Diluted EPS		\$4.36		\$4.02	

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

Chairman: Stephen OUYANG

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd. and its Subsidiaries
Consolidated 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	Foreign Currency Translation Reserve	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
Appropriation 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
Appropriation 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
Reclassifications to equity directly related to assets held for sale disposal group	-	-	-	-	-	-	69,442	(69,442)	-
Balance on December 31, 2025	<u>\$11,112,343</u>	<u>\$55,192</u>	<u>\$18,199,225</u>	<u>\$120,039</u>	<u>\$20,864,397</u>	<u>\$19,410</u>	<u>\$4,339,342</u>	<u>\$(69,442)</u>	<u>\$54,640,506</u>

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

Chairman: Stephen OUYANG

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

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

Unit: NTD thousand

Item	2025	2024	Item	2025	2024
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax from continuing operations	\$5,915,030	\$5,898,626	Acquisition of property, plant and equipment	(143,700)	(108,997)
Profit (loss) before income tax from discontinued operations	(1,320,079)	664,263	Disposal proceeds from investment properties and equipment	3,973	-
Profit before income tax	\$4,594,951	\$6,562,889	Disposal proceeds from investment properties and equipment	406,877	1,045,161
Adjustments for:			Acquisition of investment property	(260,265)	(541,350)
Non-cash income and expense items			Net cash inflows from investing activities	6,885	394,814
Expected credit loss provisions / allowance for doubtful accounts	1,342,136	490,141			
Impairment loss (reversal of impairment loss) on assets	(549,751)	69,991	Cash flows from financing activities:		
Depreciation and amortization expenses	154,578	147,360	Increase in Central Bank and interbank financing	5,171,000	150,000
Net interest income	(6,510,231)	(6,029,583)	Increase (decrease) in liabilities from repurchase agreements and bonds	(2,925,505)	1,671,053
Loss (gain) on disposal and scrap of property and equipment	(1,164)	128	Cash dividends paid	(4,000,000)	(3,333,703)
(Gain) on disposal of investment property	(95)	(15,430)	Repayment of the principal amount of lease liabilities	(93,123)	(96,223)
Loss (gain) on other leases	5,532	(139)	Net cash inflow (outflow) from financing activities	(1,847,628)	(1,608,873)
Changes in operating assets and liabilities					
Due from the Central Bank and call loans to other banks (increase)	359,900	(901,230)	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	38,069	(16,320)
Decrease in financial assets measured at FVTPL	12,387,953	991,704			
Decrease (increase) in receivables	1,949,025	(1,932,430)	Increase (decrease) in cash and cash equivalents	10,845,192	(2,581,531)
Decrease (increase) in discount and loan	15,342,582	(10,222,479)	CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	18,048,736	20,630,267
Decrease (increase) in financial assets measured at FVOCI	5,453,800	(3,881,960)	CASH AND CASH EQUIVALENTS, END OF PERIOD	\$28,893,928	\$18,048,736
Decrease (increase) in debt instrument investments measured at amortized cost	(6,092,390)	6,019,999			
Other financial assets (increase)	(1,219)	(64)	Composition of cash and cash equivalents		
Decrease (increase) in other assets	(681,816)	300,785	Cash and cash equivalents recorded on the consolidated balance sheet	\$2,851,033	\$4,596,953
Increase (decrease) in deposits from the Central Bank and other banks	(8,406,851)	3,057,097	Cash and cash equivalents classified as held for sale in disposal groups	2,513,580	-
Increase (decrease) in financial liabilities measured at FVTPL	10,176	(19,665)	Compliance with IAS No. 7 Cash and Cash Equivalents as endorsed by the Financial Supervisory Commission	23,529,315	13,451,783
Increase (decrease) in payables	712,586	(1,368,052)	Deposits with the Central Bank and interbank call loans meeting the definition as defined in IAS No. 7	-	-
Deposits and remittances (decrease)	(5,420,552)	(1,015,576)	Compliance with IAS No. 7 Cash and Cash Equivalents as endorsed by the Financial Supervisory Commission	-	-
Increase (decrease) in other financial liabilities	(6,574,362)	1,039,297	Defined repurchase agreements and bond investments		
Provisions for liabilities (decrease)	(7,507)	(33,918)	CASH AND CASH EQUIVALENTS, END OF PERIOD	\$28,893,928	\$18,048,736
Increase (decrease) in other liabilities	(677,786)	443,891			
Interest received	10,852,700	10,949,692			
Dividends received	168,726	254,798			
Interest paid	(4,197,170)	(5,042,234)			
Income tax paid	(1,565,885)	(1,216,164)			
Net cash inflow (outflow) from operating activities	12,647,866	(1,351,152)			

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

Chairman: Stephen OUYANG

Manager: Hung-Liang Chiang

Accounting Supervisor: Yu-Hsuan Chen

King's Town Bank Co., Ltd., and its subsidiaries
Notes to the Consolidated 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 Group") and its subsidiaries (hereinafter referred to as "the Group") was restructured from Tainan District Joint Saving Co., Ltd, on January 1, 1978. The Group had applied for restructuring into a commercial bank according to the resolution reached in the extraordinary Shareholders' Meeting on November 29, 2005 and was renamed as "King's Town Bank Co., Ltd." The Group started trading on the Taiwan Stock Exchange Corporation in July 1983. The place of registration and the general management office are both located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches have been setup nationwide.
2. The Group's main business services are: (1) accepting check deposits, (2) accepting other deposits, (3) issuing financial bonds, (4) handling loans, (5) handling bill discounts, (6) handling various investment businesses, (7) handling domestic and foreign exchange, (8) handling draft acceptance, (9) issuing domestic and foreign letters of credit, (10) handling domestic and foreign guarantees, (11) handling collections and advances, (12) handling the depository and agency services related to the various businesses listed above, and (13) other business chartered by the government.
3. The Company, 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 Group and the ultimate controller is SinoPac Financial Holdings Company Limited, which holds 100% of the Group's common stock.

II. Approval Date and Procedures of the Financial Statements

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

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

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

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

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

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	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 Referencing Nature-dependent Electricity (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. A clarification on accounting treatments for assets with non-recourse features and contractually linked instruments.
- D. IFRS 7 requires additional disclosures for financial assets or liabilities that carry special conditions or characteristics (including ESG linkage) and equity investments at fair value through other comprehensive income.

(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 Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

This amendment includes:

- A. A clarification on applicable regulations of “own use”.
- B. When a contract is used as a hedging instrument, hedge accounting is allowed to be applied.
- 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 above amendments become effective for the annual period beginning on or after January 1, 2026. After evaluation, the amendments have no significant impact on the Group.

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

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 10 "Consolidated Financial Statements," and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by International Accounting Standards Board
2	IFRS 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.

All above standards and interpretations announced by IASB but not yet approved by FSC shall become effective on dates announced by FSC. The Group is currently evaluating the potential impacts of item (2), and aside from the above, other standards and interpretations have no material impact on the Group.

IV. Summary of Significant Accounting Policies

1. Compliance Statement

The Group's consolidated financial reports for the period of January 1 to December 31, 2025 and 2024 are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations, and Interpretations as endorsed and announced by the FSC.

2. Basis of Preparation

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

3. Consolidation

The basis of preparation for consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

Name of investors	Name of subsidiaries	Principal business operation	Percentage of ownership	
			2025.12.31	2024.12.31
The Company	Kings Town Bank International Lease Corporation (Note 3)	Leasing	100.00%	100.00%
The Company	King's Town Securities Co., Ltd. (Note 1, 2)	Securities brokerage	100.00%	100.00%
King's Town Bank International Lease Corporation	King's Town Intl. Construction Management Corporation	Construction Management	100.00%	100.00%

The total profit or loss of the subsidiaries for Year 2025 and 2024 were NTD (1,025,949) thousand and NTD 620,785 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 operational changes, on June 9, 2025, the Group's board of directors resolved to sell 100% equity of its subsidiary, King's Town Securities Co., Ltd., to JKO Network Financial Technology Co., Ltd. (hereinafter referred to as "JKO Network Financial Technology"). The transaction amount is NTD 408,717 thousand, and the sale is pending approval from the Investment Commission of the Ministry of Economic Affairs.

The Group's board of directors approved on December 26, 2025, the Disposal of 100% equity of the Subsidiary, Kings Town Bank International Lease Corporation, and signed a share purchase agreement, which will be executed in January 2026. Therefore, it is handled in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

4. Foreign currency transactions

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

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

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

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

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

5. Translation of financial statements in foreign currency

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

6. Cash and cash equivalents

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

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

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

8. Financial instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

Financial assets measured at cost after amortization

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

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

These financial assets (excluding those involved in hedging) are subsequently measured at the amortized cost [the amount measured at the time of original recognition, less the principal paid, plus or minus the cumulative amortization amount (with the effective interest method) between the original amount and the amount due, and adjusting the allowance for loss]. For derecognition, 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 derecognition 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 derecognition, the cumulative profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- C. Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:
 - a For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
 - b Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of financial assets.

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

Financial assets measured at FVTPL

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

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

(2) Impairments of financial assets

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

The Group measures expected credit losses to reflect the following:

- A. An amount that is unbiased and weighted by probability through evaluating each possible outcome
- B. Time value of money

- C. Reasonable and corroborative information (that can be obtained on the balance sheet date without excessive costs or inputs) relating to past events, current conditions, and future economic forecasts

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

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

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

(3) Derecognition of financial assets

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

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

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

(4) Financial liabilities and equity instruments

Classification of liability or equity

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

Equity instruments

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

Hybrid instruments

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

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

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

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

Financial liabilities

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

Financial liabilities measured at FVTPL

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

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

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

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

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

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

Financial liabilities measured at the amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offset of financial assets and liabilities

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

9. Derivatives

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

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

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

10. Fair value measurement

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

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

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

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

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

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

11. Impairment of non-financial assets

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

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

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

12. Collateral accepted

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

13. Non-current 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.

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

Depreciation of the parent company is calculated and 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
Transport equipment	3 to 5 years
Other equipment	3 to 5 years

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

Other equipment	3 to 10 years
-----------------	---------------

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

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

Buildings and structures 3 to 60 years

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

Buildings and structures 20 years

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

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

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

16. Leases

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

- (1) The user is able to obtain virtually all economic benefits and entitlements from using the identified asset; and
- (2) The user has the right to determine how identified asset is used.

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

The Group is the lessee

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

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

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

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

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

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

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

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

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

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

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

17. Employee benefits

(1) Retirement benefits plan

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

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

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

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

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

The net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both of which are determined at the beginning of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) during the period arising from contributions and benefit payments.

(2) Employee preferential deposit benefits

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

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

18. Treasury stock

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

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

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

20. Share-based payment transaction

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

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

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

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) Deductible temporary difference arising from investment in subsidiaries, associates, and joint equity, which is recognized only to the extent that the difference is very likely to be reversed in the foreseeable future and that sufficient taxable income can be earned to realize the temporary difference.

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

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

In accordance with the "International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)," temporary exceptions, deferred tax assets and liabilities for 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 consolidated financial statements are prepared by the Group, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosure of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

Estimation and assumption

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

1. Loan impairment loss

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

2. Fair value of financial instruments

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

3. Retirement benefits plan

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

4. Income tax

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

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

VI. Descriptions of Material Accounting Items

1. Cash and cash equivalents

	<u>2025.12.31</u>	<u>2024.12.31</u>
Cash on hand	\$1,359,144	\$2,679,627
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>1,208,040</u>	<u>1,596,984</u>
Total	<u>\$2,851,033</u>	<u>\$4,596,953</u>

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 consolidated balance sheets	\$2,851,033	\$4,596,953
Cash and cash equivalents classified as held for sale disposal groups	2,513,580	-
Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7	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	<u>-</u>	<u>-</u>
Cash and cash equivalents on the Consolidated Statement of Cash Flows	<u>\$28,893,928</u>	<u>\$18,048,736</u>

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

	2025.12.31	2024.12.31
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	15,165,000	8,350,000
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.

3. Financial assets measured at FVTPL

	2025.12.31	2024.12.31
Mandatorily measured at fair value through profit or loss:		
Stock	\$-	\$2,558,102
Beneficiary certificate	2,113,308	-
Domestic and foreign bonds	27,348,007	39,307,405
Derivatives	14,465	9,235
Convertible corporate bonds	40,756	49,650
Limited partnership	-	292,695
Total	<u>\$29,516,536</u>	<u>\$42,217,087</u>

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

4. Financial assets measured at FVOCI

	2025.12.31	2024.12.31
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	5,553,273	6,952,009
Real estate investment trust fund	-	370,923
Subtotal	<u>6,321,726</u>	<u>7,322,932</u>
Total	<u>\$41,417,713</u>	<u>\$46,422,160</u>

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

Please refer to Note VI for information on 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.

The dividend income recognized by the Group from equity instrument investments measured at FVOCI for the period from January 1 to December 31, 2025, and 2024 was NTD 158,647 thousand and NTD 136,643 thousand, respectively, of which NTD 158,647 thousand and NTD 136,643 thousand were related to investments still held on the balance sheet date, with the remainder related to investments derecognized during the period from January 1 to December 31, 2025, and 2024.

The Group disposed of equity instruments measured at FVOCI during the period from January 1 to December 31, 2025 and 2024, with fair values of NTD 361,998 thousand and 0, respectively, at the time of disposal. The accumulated unrealized valuation (loss) gain of NTD (65,963) thousand and 0, respectively, at the time of disposal was transferred from other equity to retained earnings. In addition, since the Group expects to dispose of King's Town Bank International Lease Corporation, it is reclassified to other equity in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

5. Financial assets measured at cost after amortization

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

The Group classifies certain financial assets into financial assets measured at amortized cost. Please refer to Note VI for the information provided on allowances for loss. Also, refer to Note XIV for information related to credit risk and refer to Note VIII for details regarding guarantee conditions.

6. Receivables, net

	2025.12.31	2024.12.31
Accounts receivable and notes	\$814,759	\$13,783,902
Interests receivable	991,235	1,184,681
Settlement proceeds receivable	475	147,778
Other receivables	532,616	19,836
Subtotal (total book value)	<u>2,339,085</u>	<u>15,136,197</u>
Less: loss allowance	(4,926)	(331,360)
Net	<u>\$2,334,159</u>	<u>\$14,804,837</u>

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

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

7. Assets held for sale, liabilities directly associated with assets held for sale, and discontinued operations

The Group's board of directors approved on December 26, 2025, the Disposal of 100% equity of the Subsidiary, Kings Town Bank International Lease Corporation, and signed a share purchase agreement, which will be executed in January 2026. In addition, because the aforementioned transaction complies with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," the related assets and liabilities of Kings Town Bank International Lease Corporation expected to be disposed of are reclassified as assets held for sale and liabilities directly associated with assets held for sale, and the related profit or loss is reclassified as results of discontinued operations. To align with the presentation of discontinued operations in the 2025 and 2024 consolidated statements of comprehensive income, the Group has reclassified the discontinued operations items in 2024 for comparative purposes.

(1) Discontinued operations

The detailed profit and loss and cash flow information for discontinued operations are as follows:

	2025	2024
Interest revenue	\$651,061	\$868,679
Interest expenses	(229,022)	(241,196)
Net interest income	<u>422,039</u>	<u>627,483</u>
Non-interest net income		
Net service fee income	72,368	124,594
Gain on financial assets and liabilities at FVTPL	12,556	104,854
Realized gain on financial assets at FVOCI	274	257
Other non-interest net income	<u>35,784</u>	<u>97,125</u>
Net income	543,021	954,313
Allowances for bad debts, commitments and guarantees (expenses)/reversal (provision)	(1,793,938)	(210,494)
Operating expenses		
Employee benefits expenses	(43,004)	(56,394)
Depreciation and amortization expenses	(7,372)	(2,435)
Other business and administrative expenses	<u>(19,001)</u>	<u>(22,248)</u>
Income before income tax	(1,320,294)	662,742
Income tax expenses	<u>268,811</u>	<u>(112,908)</u>
Discontinued operations and profit - before write-off	(1,051,483)	549,834
Write-off amount of related party transactions	<u>215</u>	<u>1,521</u>
Loss from discontinued operations	<u><u>\$(1,051,268)</u></u>	<u><u>\$551,355</u></u>

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

	<u>2025</u>	<u>2024</u>
Financing cash flow		
Net cash outflow from operating activities	\$(3,299,372)	\$(104,277)
Net cash inflow from investing activities	147,629	503,761
Net cash inflow from financing activities	5,171,000	150,000
Net cash inflow	<u>\$2,019,257</u>	<u>\$549,484</u>
(2) Assets held for sale, net, and liabilities directly associated with assets held for sale		

The following are related to the Subsidiary - King's Town Bank International Lease Corporation :

	<u>2025.12.31</u>
Assets held for sale, net	<u>\$12,269,930</u>
Liabilities directly associated with assets held for sale	<u>\$10,817,837</u>

Assets held for sale, net

	<u>2025.12.31</u>
Cash and cash equivalents	\$2,698,390
Financial assets measured at FVTPL	302,793
Financial assets measured at FVOCI	127,485
Receivables, net	8,531,247
Current tax assets	6,071
Property and equipment, net	185
Investment properties, net	342,016
Deferred tax assets	426,080
Other assets, net	26,544
Consolidation write-off	(190,881)
Total	<u>\$12,269,930</u>

Liabilities directly associated with assets held for sale

	<u>2025.12.31</u>
Funds borrowed from Central Bank and other banks	\$10,720,000
Payables	20,277
Other liabilities	77,560
Total	<u>\$10,817,837</u>

Since the proceeds from disposal are expected to exceed the carrying amount of the related net assets, no impairment loss should be recognized when these units are classified as assets held for sale, net, and liabilities directly associated with assets held for sale.

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

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

9. Other financial assets, net

	2025.12.31	2024.12.31
Short-term advance	\$1,652	\$433
Subtotal (total book value)	1,652	433
Less: allowance for bad debt	-	-
Total	<u>\$1,652</u>	<u>\$433</u>

10. Property, plant, and equipment

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

	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	\$-	\$20,315	\$300,556	\$173,134	\$6,117,999
Addition	-	1,260	456	-	39,053	102,931	143,700
Disposal	-	(63,671)	(12,123)	(7,976)	(4,284)	-	(88,054)
Transfer	-	68,762	-	-	-	(68,762)	-
Reclassifications	(194,780)	(97,073)	254,582	-	(254,582)	-	(291,853)
Reclassification to assets held for sale (Note)	-	-	(981)	-	-	-	(981)
2025.12.31	<u>\$4,212,394</u>	<u>\$1,126,098</u>	<u>\$241,934</u>	<u>\$12,339</u>	<u>\$80,743</u>	<u>\$207,303</u>	<u>\$5,880,811</u>
2024.01.01	\$4,422,949	\$1,226,196	\$-	\$17,164	\$297,144	\$87,267	\$6,050,720
Addition	-	-	-	3,151	19,979	85,867	108,997
Disposal	-	-	-	-	(16,567)	-	(16,567)
Reclassifications	(15,775)	(9,376)	-	-	-	-	(25,151)
2024.12.31	<u>\$4,407,174</u>	<u>\$1,216,820</u>	<u>\$-</u>	<u>\$20,315</u>	<u>\$300,556</u>	<u>\$173,134</u>	<u>\$6,117,999</u>
Depreciation and impairment:							
2025.01.01	\$-	\$841,832	\$-	\$14,533	\$245,651	\$-	\$1,102,016
Depreciation	-	19,573	7,592	1,782	25,649	-	54,596
Disposal	-	(63,377)	(12,049)	(5,717)	(4,102)	-	(85,245)
Reclassifications	-	(67,415)	208,045	-	(208,045)	-	(67,415)
Reclassification to assets held for sale (Note)	-	-	(796)	-	-	-	(796)
2025.12.31	<u>\$-</u>	<u>\$730,613</u>	<u>\$202,792</u>	<u>\$10,598</u>	<u>\$59,153</u>	<u>\$-</u>	<u>\$1,003,156</u>
2024.01.01	\$-	\$830,413	\$-	\$12,509	\$234,363	\$-	\$1,070,285
Depreciation	-	18,837	-	2,024	27,727	-	48,588
Disposal	-	-	-	-	(16,439)	-	(16,439)
Reclassifications	-	(7,418)	-	-	-	-	(7,418)
2024.12.31	<u>\$-</u>	<u>\$841,832</u>	<u>\$-</u>	<u>\$14,533</u>	<u>\$245,651</u>	<u>\$-</u>	<u>\$1,102,016</u>
Net book value:							
2025.12.31	<u>\$4,212,394</u>	<u>\$395,485</u>	<u>\$39,142</u>	<u>\$1,741</u>	<u>\$21,590</u>	<u>\$207,303</u>	<u>\$4,877,655</u>
2024.12.31	<u>\$4,407,174</u>	<u>\$374,988</u>	<u>\$-</u>	<u>\$5,782</u>	<u>\$54,906</u>	<u>\$173,134</u>	<u>\$5,015,983</u>

Note: The assets related to Kings Town Bank International Lease Corporation have been reclassified to assets held for sale, please refer to Note 6.7.

On October 1, 2025, the Group became a wholly-owned subsidiary of SinoPac Financial Holdings. In accordance with the consistency principle of the Group's accounting policies, (1) the real estate held within self-owned properties that are leased out was reclassified to investment properties based on the proportion of leasing area; (2) miscellaneous equipment under machinery and computer hardware was reclassified to machinery and computer equipment.

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

11. Investment properties

The investment property of the Group refers to the self-owned investment properties.

	Land	Buildings	Construction in progress	Total
Cost:				
2025.01.01	\$429,737	\$97,741	\$-	\$527,478
Addition	141,509	110,891	7,865	260,265
Disposal	(325,301)	(90,301)	-	(415,602)
Transfer to property, plant, and equipment	194,780	97,073	-	291,853
Reclassification to assets held for sale (Note)	(230,170)	(109,184)	(7,865)	(347,219)
2025.12.31	<u>\$210,555</u>	<u>\$106,220</u>	<u>\$-</u>	<u>\$316,775</u>
2024.01.01	\$938,125	\$23,278	\$32,211	\$993,614
Addition	405,571	135,779	-	541,350
Disposal	(929,734)	(70,692)	(32,211)	(1,032,637)
Transfer to property, plant, and equipment	15,775	9,376	-	25,151
2024.12.31	<u>\$429,737</u>	<u>\$97,741</u>	<u>\$-</u>	<u>\$527,478</u>
Depreciation and impairment:				
2025.01.01	\$-	\$8,576	\$-	\$8,576
Current depreciation	-	7,443	-	7,443
Disposal	-	(3,193)	-	(3,193)
Transfer to property, plant, and equipment	-	67,415	-	67,415
Reclassification to assets held for sale (Note)	-	(5,203)	-	(5,203)
2025.12.31	<u>\$-</u>	<u>\$75,038</u>	<u>\$-</u>	<u>\$75,038</u>
2024.01.01	\$-	\$2,090	\$-	\$2,090
Current depreciation	-	1,974	-	1,974
Disposal	-	(2,906)	-	(2,906)
Transfer to property, plant, and equipment	-	7,418	-	7,418
2024.12.31	<u>\$-</u>	<u>\$8,576</u>	<u>\$-</u>	<u>\$8,576</u>
Net book value:				
2025.12.31	<u>\$210,555</u>	<u>\$31,182</u>	<u>\$-</u>	<u>\$241,737</u>
2024.12.31	<u>\$429,737</u>	<u>\$89,165</u>	<u>\$-</u>	<u>\$518,902</u>

Note: The assets related to Kings Town Bank International Lease Corporation have been reclassified to assets held for sale, please refer to Note 6.7.

On October 1, 2025, the Group became a wholly-owned subsidiary of SinoPac Financial Holdings. In accordance with the consistency principle of the Group's accounting policies, the real estate held within self-owned properties that are leased out was reclassified to investment properties based on the proportion of leasing area.

The Group did not provide investment property as collateral.

The investment property held by the Group is not measured at fair value, but its fair value information (Level III) is disclosed. The fair value of investment property held by the Group as of December 31, 2025 and 2024 was NTD 490,298 thousand and NTD 552,843 thousand, respectively. Said fair value has not been evaluated by an independent appraiser, but determined by the Group with reference to transaction prices of similar properties in the market.

12. Other assets, net

	<u>2025.12.31</u>	<u>2024.12.31</u>
Prepayments	\$19,350	\$17,780
Prepaid pension expenses	12,795	-
Inter-bank clearing fund	1,027,488	1,000,665
Collateral accepted	1,080,553	262,138
Refundable deposits	238,123	377,894
Others	108,470	163,435
Net	<u>\$2,486,779</u>	<u>\$1,821,912</u>

As of December 31, 2025, and December 31, 2024, the other asset – other accumulated impairment amounted to NTD 3,280 thousand for each period.

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

13. Deposits from Central Bank and other 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>

14. Funds borrowed from Central Bank and other banks

	<u>2025.12.31</u>	<u>2024.12.31</u>
Funds borrowed from other banks	<u>\$-</u>	<u>\$5,549,000</u>

15. Financial liabilities measured 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>

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 Group's liabilities from securities sold under agreement to repurchase were processed at the agreed price for amounts of NTD 5,868,183 thousand and NTD 8,803,126 thousand after December 31, 2025, and December 31, 2024, respectively.

17. Payables

	2025.12.31	2024.12.31
Accrued expenses	\$923,625	\$449,798
Interest payable	252,102	304,681
Notes and checks in clearing	245,282	278,069
Clearing amount payable	-	61,214
Other payables - taxation	18,482	33,536
Others	1,291,546	964,009
Total	<u>\$2,731,037</u>	<u>\$2,091,307</u>

18. Deposits and remittances

	2025.12.31	2024.12.31
Check deposits	\$3,647,908	\$3,191,969
Demand deposits	64,044,377	59,204,370
Time deposits	43,941,091	60,466,940
Savings deposit	179,592,242	173,785,011
Remittance	23,152	21,032
Total	<u>\$291,248,770</u>	<u>\$296,669,322</u>

19. Other financial liabilities

	2025.12.31	2024.12.31
China Bills Finance	\$-	\$1,650,000
Taiwan Finance Corporation	-	1,400,000
Mega Bills	-	1,100,000
Grand Bills Finance	-	1,050,000
Dah Chung Bills Finance Corporation	-	650,000
Ta Ching Bills Finance Corporation	-	620,000
International Bills Finance	-	120,000
Taiwan Cooperative Bills Finance	-	-
Subtotal	<u>-</u>	<u>6,590,000</u>
Less: discount on commercial paper payable	<u>-</u>	<u>(15,638)</u>
Total	<u>\$-</u>	<u>\$6,574,362</u>

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

	2025.12.31	2024.12.31
Interest rate range (%)	-	2.00%~2.19%

20. Provisions

	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
Beginning balance	\$125,214	\$161,214
Amount (reversed) in the current period	(16,000)	(36,000)
Foreign exchange impact amount	-	-
Ending balance	<u>\$109,214</u>	<u>\$125,214</u>

The changes in the financing commitment reserve are as follows:

	2025	2024
Beginning balance	\$24,818	\$44,818
Amount (reversed) in the current period	(3,000)	(20,000)
Foreign exchange impact amount	-	-
Ending balance	<u>\$21,818</u>	<u>\$24,818</u>

21. Retirement benefits plan

Defined contribution pension plan

The employee pension plan established by the Group in accordance with the "Labor Pension Act" is a defined contribution plan. According to the provisions of the Labor Pension Act, the Group's monthly contribution rate for labor pensions shall not be less than 6% of the employee's monthly salary. The Group has established an employee pension plan in accordance with the provisions of the act, contributing 6% of the employee's monthly salary to individual pension accounts at the Bureau of Labor Insurance.

The total expense of the defined contribution plans of the Group for Year 2025 and 2024 were NT\$ 44,294 thousand and NTD 42,656 thousand, respectively.

Defined benefit plan

The employee pension plan established by the Group in accordance with the "Labor Standards Act" is a defined benefit plan, wherein the payment of employee pensions is calculated based on the number of service years and the average monthly wage approved at the time of retirement. 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. The Group contributes to the pension fund monthly based on the total salary in accordance with the provisions of the Labor Standards Act. Starting from March 2012, it was adjusted from 8% to 15%, and is stored in a dedicated account at the Bank of Taiwan in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve. Additionally, before the end of each Year, the Group estimates the balance of the aforementioned dedicated labor retirement reserve account. If the Balance is insufficient to cover the estimated pension amount for workers expected to meet retirement conditions in the following Year, the Group will make a one-time contribution for the shortfall by 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. As the Group has no right to participate in the operation and management of the Fund, it is unable to disclose the classification of the Fair Value of plan ASSETS in accordance with paragraph 142 of IAS 19. 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.

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 liability	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>

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	<u>462,977</u>	<u>(399,412)</u>	<u>63,565</u>
Re-measurement of defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	12,233	-	12,233
Experience adjustment	-	-	-
Re-measurement of defined benefit assets	-	(34,745)	(34,745)
Subtotal	<u>12,233</u>	<u>(34,745)</u>	<u>(22,512)</u>
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	<u>461,907</u>	<u>(455,627)</u>	<u>6,280</u>
Re-measurement of defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	21,637	-	21,637
Experience adjustment	-	-	-
Re-measurement of defined benefit assets	-	(31,105)	(31,105)
Subtotal	<u>21,637</u>	<u>(31,105)</u>	<u>(9,468)</u>
Benefits paid	(18,548)	13,608	(4,940)
Employer contribution amount	-	(4,667)	(4,667)
2025.12.31	<u>\$464,996</u>	<u>\$(477,791)</u>	<u>\$(12,795)</u>

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.

22. Other liabilities

	2025.12.31	2024.12.31
Deposits received	\$25,263	\$81,344
Advance income	26,033	52,477
Others	128,728	801,549
Total	<u>\$180,024</u>	<u>\$935,370</u>

23. 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 transaction	-	-	-	-
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>
Balance on January 1, 2024	\$52,563	\$-	\$2,629	\$55,192
Share-based payment transaction	-	-	-	-
Transfer of treasury stock	-	-	-	-
Adjustment based on percentage of ownership	-	-	-	-
Balance on December 31, 2024	<u>\$52,563</u>	<u>\$-</u>	<u>\$2,629</u>	<u>\$55,192</u>

According to the law, capital surplus shall not be used for any purpose except for making up for Company losses. When the Company has no losses, the capital surplus arising from stock premiums and donations may be capitalized each year within a certain percentage of the paid-in capital. The aforementioned capital surplus may also be distributed in cash to shareholders in proportion to their shareholdings.

(3) Earnings allocation and dividend policy

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

- A. Payment of all taxes and dues.
- B. Offset operation losses.
- C. Appropriate 30% as the legal reserve.
- D. Other special surplus reserve recognized or reversed in accordance with laws and regulations or supervisory authorities.

- E. The remaining earnings shall be distributed by the Board of Directors according to the dividend policy, and reported to the shareholders' meeting.

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

Pursuant to the Banking Act, legal capital reserve shall be appropriated until the total sum of which has reached the total 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 NTD 45,549 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 of Directors' meeting held on February 23, 2026, and the interim shareholders' meeting held on December 26, 2025, the Corporation proposed and resolved the appropriation and distribution of earnings and dividends per share for the years ended December 31, 2025 and 2024, respectively, as follows:

	Distribution of retained earnings		Dividends per share (NTD)	
	2025	2024	2025	2024
Legal reserve	\$1,139,612	\$1,512,503		
Common stock cash dividends	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

24. Net interest income

	2025	2024
<u>Interest revenue</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	2,072,933
Other interest incomes	400,789	93,331
Subtotal	<u>10,010,306</u>	<u>10,179,812</u>
<u>Interest expenses</u>		
Deposits Interest expenses	(3,526,028)	(3,949,536)
Interest expense of funds borrowed from Central Bank and other banks	(275,153)	(517,602)
Interest expense of the RP bonds	(114,388)	(305,998)
Others	(4,432)	(3,728)
Subtotal	<u>(3,920,001)</u>	<u>(4,776,864)</u>
Total	<u>\$6,090,305</u>	<u>\$5,402,948</u>

25. Net service fee income

	2025	2024
Service fee income	\$2,196,190	\$2,942,743
Service fee expenses	(89,035)	(72,022)
Total	<u>\$2,107,155</u>	<u>\$2,870,721</u>

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

	2025	2024
Stock investment	\$(6,162)	\$(43,796)
Bond investment	802,112	208,627
Derivatives	24,729	(104,327)
Others	4,961	17,785
Total	<u>\$825,640</u>	<u>\$78,289</u>

27. 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 measured at cost after amortization	(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.

28. Leases

(1) The Group is a lessee

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

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

A. Amount recognized on the balance sheet

(a) Right-of-use assets

The book value of the right-of-use assets

	2025.12.31	2024.12.31
Buildings and structures	\$206,255	\$244,764
Transportation and transportation equipment	1,278	-
Other equipment	2,560	3,560
Total	<u>\$210,093</u>	<u>\$248,324</u>

The Group had added right-of-use assets for the amounts for Year 2025 and 2024 were NTD 51,013 thousand and NTD 35,380 thousand, respectively.

(b) Lease liabilities

	2025.12.31	2024.12.31
Lease liabilities	<u>\$218,161</u>	<u>\$255,839</u>
Current	<u>\$218,161</u>	<u>\$255,839</u>

The interest expense of the Group's lease liabilities for the year 2025 and 2024 were NTD 4,432 thousand and NTD 3,727 thousand, respectively. For the maturity analysis of the lease liabilities as of December 31, 2025 and 2024, please refer to Note 14, 4 "Liquidity Risk Management."

B. Amount recognized in the statements of comprehensive income

Depreciation of the right-of-use assets

	2025	2024
Buildings and structures	\$87,721	\$92,263
Transportation and transportation equipment	116	-
Other equipment	1,502	1,335
Total	<u>\$89,339</u>	<u>\$93,598</u>

C. 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	3,055
Income from subleasing of right-of-use assets	696	696

D. The lessee and the lease activity related cash outflow

The total cash outflow for the lease of the Group for Year 2025 and 2024 were NTD 98,558 thousand and NTD 102,751 thousand, respectively.

29. Operating expenses

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

	2025	2024
Employee benefits expenses		
Salaries and wages	\$1,208,286	\$1,112,161
Labor insurance and national health insurance	96,140	89,653
Pension expenses	44,294	41,859
Other employee benefits expenses	54,336	62,623
Post-employment benefits (Note)	498,510	-
Depreciation	144,006	141,725
Amortization expenses	3,200	3,200
Total	<u>\$2,048,772</u>	<u>\$1,451,221</u>

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 Corporation's profit from January 1 to December 31, 2025 and 2024, the Corporation appropriated 0.01% of the earnings as remuneration to employees, which were NTD 486 thousand and NTD 650 thousand, respectively, and were listed in salary expense.

The Corporation's Board of Directors resolved on February 23, 2026, to distribute the 2025 profit sharing bonus to employees and the compensation to directors at the amount of NTD 486 thousand and NTD 0, respectively, which was not significantly different from the expenses booked in the 2025 financial report.

The Company's Board of Directors had resolved on February 24, 2025 to distribute the 2024 remuneration to employees and directors at the amounts of NTD 650 thousand and NTD 0, respectively, which was not significantly different from the expenses booked in the 2024 financial statements.

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

30. 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 not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	\$(1,292,172)	\$-	\$(1,292,172)	\$-	\$(1,292,172)
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:					
Exchange differences from the translation of financial statements of foreign operations	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 consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (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 (expense)	After-tax amount
Items not reclassified to income:					
Gain or loss on evaluation of equity instruments at FVOCI	\$2,864,599	\$-	\$2,864,599	\$-	\$2,864,599
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:					
Exchange differences from the translation of financial statements of foreign operations	(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>

For the Year 2025 and 2024, the Group's investments in debt instruments at FVOCI were reclassified to profit or loss from the cumulative other comprehensive income at the time of derecognition. The amounts reclassified were NTD (1,211,508) thousand and NTD 1,023 thousand, respectively.

31. INCOME TAX of continuing operations

The main composition of income tax expenses is as follows:

Income tax recognized in the profit or loss

	<u>2025</u>	<u>2024 (Note)</u>
Current income tax expenses:		
Income tax payable for the current period	\$1,105,170	\$1,326,445
The income tax of the previous years adjusted in the current period	(5,801)	(3,204)
Deferred income tax expense:		
Deferred income tax (benefit) expense relating to the creation and reversal of temporary difference	(26,740)	103,073
Income tax expenses	<u>\$1,072,629</u>	<u>\$1,426,314</u>

Income tax recognized in the other comprehensive income

	<u>2025</u>	<u>2024 (Note)</u>
Deferred income tax expense (benefit):		
Exchange differences from the translation of financial statements of foreign operations	\$7,614	\$(3,264)
Actuarial gains (losses) on defined benefit plans	1,894	4,502
The other comprehensive income related income tax	<u>\$9,508</u>	<u>\$1,238</u>

The reconciliation of the amount of income tax expense and accounting profit multiplied by the applicable income tax rate is as follows:

	<u>2025</u>	<u>2024 (Note)</u>
Net income before tax of the continuing business units	<u>\$5,915,030</u>	<u>\$5,898,626</u>
Tax amount calculated at the domestic tax rate applicable to the income of the relevant country	1,183,006	1,179,725
Income tax effects of tax-exempt income	(122,175)	235,691
Income tax effects of non-deductible expenses on tax returns	367	157
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	(5,801)	(3,204)
Total income tax expense recognized in profit or loss	<u>\$1,072,629</u>	<u>\$1,426,314</u>

Note: As the Group expects to dispose of Kings Town Bank International Lease Corporation, and to enhance the relevance of the information on the main components of income tax for the two periods, the main components of income tax related to discontinued operations for 2024 have been reclassified in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

Deferred income tax assets (liabilities) balance relating to the following items:

2025

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehen sive income (loss)	Reclassificati on to assets held for sale (Note)	Ending balance
Temporary differences:					
Financial assets					
valuation measured at					
FVTPL	\$1,407	\$989	\$-	\$-	\$2,396
Allowance for bad debt	182,056	13,248	-	(22,959)	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)
Investment gain and loss					
under the equity method	37,312	365,809	-	(403,121)	-
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>\$376,421</u>	<u>\$(9,508)</u>	<u>\$(426,080)</u>	
Net deferred income tax assets	<u>\$366,530</u>				<u>\$307,363</u>
The information expressed on the balance sheet is as follows:					
Deferred tax assets	<u>\$367,449</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>

(Note) The assets related to Kings Town Bank International Lease Corporation have been reclassified to assets held for sale, please refer to Note 6.7.

2024

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Temporary differences:				
Financial assets valuation measured at FVTPL	\$(3,383)	\$4,790	\$-	\$1,407
Allowance for bad debt	253,728	(71,672)	-	182,056
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
Investment gain and loss under the equity method	28,726	8,586	-	37,312
Conversion difference of the financial statements of foreign institutions	(503)	-	3,264	2,761
Gain on bargain purchase	(919)	-	-	(919)
Deferred income tax benefit		<u>\$(65,973)</u>	<u>\$(1,238)</u>	
Net deferred income tax assets	<u>\$433,741</u>			<u>\$366,530</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$438,546</u>			<u>\$367,449</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

As of December 31, 2025, the income tax returns of the Group are assessed and approved as follows:

	<u>Income tax declaration and audit</u>
The Company	Audited up to the year of 2023
Subsidiary - King's Town Bank International Lease Corporation	Audited up to the year of 2023
Subsidiary - King's Town Securities	Audited up to the year of 2023
Sub-subsidiary - King's Town Intl. Construction Management Corporation	Audited up to the year of 2023

32. Earnings per share

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

The diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of parent company by weighted average number of ordinary shares outstanding during the period, plus the weighted average number of ordinary shares to be issued in the event that all dilutive potential ordinary shares are converted into ordinary shares.

	<u>2025</u>	<u>2024</u>
(1) Basic EPS		
Net profit of continuing operations for the period (thousand NTD)	<u>\$4,842,401</u>	<u>\$4,472,312</u>
Profit and loss of discontinued operations (thousand NTD)	<u>(1,051,268)</u>	<u>551,355</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)	<u>\$4.36</u>	<u>\$4.02</u>
From discontinued operations (in dollars)	<u>(0.95)</u>	<u>0.50</u>
Total basic earnings per share (NTD)	<u>\$3.41</u>	<u>\$4.52</u>
(2) Diluted EPS		
Net profit of continuing operations for the period (thousand NTD)	<u>4,842,401</u>	<u>\$4,472,312</u>
Profit and loss of discontinued operations (thousand NTD)	<u>(1,051,268)</u>	<u>551,355</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>
Dilutive effect	<u>-</u>	<u>-</u>
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)	<u>\$4.36</u>	<u>\$4.02</u>
From discontinued operations (in dollars)	<u>(0.95)</u>	<u>0.50</u>
Diluted earnings per share (NTD)	<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

Name	Relationship with the Group
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 Financial Holdings
Global Unichip Corp. (Global Unichip)	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.
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.

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

Name	Relationship with the Group
YFY Biotech Management Company Ltd. (YFY Biotech)	Businesses Related to the Spouse of the Corporate Director of SinoPac Financial Holdings Co., Ltd.
Yuen Foong Paper Co., Ltd.	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.
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.
Soulday 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.
Taiwang Investment Co., Ltd.	Businesses Related to the Chairman of the Subsidiary.
Eastern Leisure & Recreation Co., Ltd.	Businesses Related to the Chairman of the Subsidiary.
IBF Securities Co., Ltd.	Businesses Related to the Spouse of the Independent Director of The Corporation.
Olivia Co., Ltd.	Substantial related party

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

Name	Relationship with the Group
Stephen OUYANG	Chairman of the Corporation (Assumed office on 2025.10.1)
Shun-Hsing Liao	Director of the Corporation (Assumed office on 2025.10.1)
Chang, Sheng-Pao	Director of the Corporation (Assumed office on 2025.10.1)
Chih-Cheng Su	Independent Director of the Corporation (Assumed office on 2025.10.1)
Bing-Sung Wu	Independent Director of the Corporation
Chuan-Fu Hou	Independent Director of the Corporation
Hung-Liang Chiang	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)
Other	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

Account Item	Amount	% of the account
<u>2025.12.31</u>		
Deposits	\$1,225,680	0.42%
<u>2024.12.31</u>		
Deposits	\$425,839	0.14%

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

(2) Loans

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

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

December 31, 2025

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	5	\$2,546	\$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	Yeh, OO	4,800	4,800	4,800	-	Real estate	None
Other loans	Wu, OO	588	588	588	-	Real estate	None

December 31, 2024

Type	Number of accounts or name of stakeholder	Current period maximum balance	Ending balance	Performance		Collateral contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	Non-performing loans		
Consumer loan	5	\$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	-	Stocks (or equity certificates)	None
Other loans	Wang, OO	1,000	1,000	1,000	-	Stocks (or equity certificates)	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 expenses paid to the related party for the lease of the office for the periods from January 1 to December 31, 2025 and 2024 were NTD 6,629 thousand and NTD 6,532 thousand, respectively.

B. The Group 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>Name</u>	<u>2025.12.31</u>
SinoPac Leasing Corp.	<u><u>\$1,284</u></u>

(c) The total rental payment for the aforementioned lease transactions of the Group from October 1, 2025 to December 31, 2025 was NTD 123 thousand.

(4) Guarantees: None.

(5) Derivative transactions: None.

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

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

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

(8) 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 Group paid a total of NTD 2,333 thousand in Other Expenses to the related party from October 1 to December 31, 2025, and recorded it under Other business and administrative expenses.

C. The Group generated a gain of NTD 2,486 thousand from selling bonds to a related party from October 1 to December 31, 2025, and recorded it as realized gain under financial assets at FVTPL.

VIII. Pledged Assets

The Group has the following assets provided as collateral:

Item	Book value		
	2025.12.31	2024.12.31	Guaranteed debt
Financial assets measured at FVTPL	\$2,958,993	\$1,749,756	RP transaction
Financial assets measured at FVTPL	708,552	701,942	Various business reserves and collaterals
Financial assets measured at FVOCI	1,938,379	7,566,331	RP transaction
Financial assets measured at FVOCI	699,903	2,172,875	Funds borrowed from other banks
Financial assets measured at FVOCI (assets held for sale)	85,100	-	Funds borrowed from other banks
Financial assets measured at cost after amortization	932,319	-	RP transaction
Accounts Receivable	-	2,599,700	Funds borrowed from other banks
Accounts receivable (assets held for sale)	2,471,000	-	Funds borrowed from other banks
Other assets	80,000	60,000	Settlement money remittance guarantee
Total	<u>\$9,874,246</u>	<u>\$14,850,604</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. The Group 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	55,010,254	45,223,996
Agreed financing amount	25,889,527	38,517,835

2.

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

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

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

Balance Sheet of Trust Accounts

Trust assets	2025.12.31	2024.12.31	Trust liabilities	2025.12.31	2024.12.31
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	-	-
Funds	12,368,637	11,743,285	Payables	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>

Income Statement of Trust Accounts

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

Property Catalog of Trust Accounts

Investment	2025.12.31	2024.12.31
Bank deposits	\$1,531,471	\$1,604,264
Stock	2,341,401	2,113,160
Funds	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.

XI. Significant Disaster Loss

No such event.

XII. Significant Subsequent Events

No such event.

XIII. Fair Value and Grade Information of Financial Instruments

1. Information on the fair value of financial instruments

Financial assets:	2025.12.31		2024.12.31	
	Book value	Fair value	Book value	Fair value
Financial assets measured at FVTPL:				
Mandatorily measured at fair value through profit or loss	\$29,516,536	\$29,516,536	\$42,217,087	\$42,217,087
Mandatorily measured at FVTPL (assets held for sale)	302,793	302,793	-	-
Financial assets measured at FVOCI	41,417,713	41,417,713	46,422,160	46,422,160
Financial assets measured at FVOCI (assets held for sale)	127,485	127,485	-	-
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)	1,453,322	1,453,322	1,875,053	1,875,053
Cash and cash equivalents (excluding cash on hand) (assets held for sale)	2,513,538	2,513,538	-	-
Due from the Central Bank and call loans to banks	33,226,999	33,226,999	23,509,367	23,509,367
Receivables	2,334,159	2,334,159	14,804,837	14,804,837
Receivables (assets held for sale)	8,531,247	8,531,247	-	-
Discounts and loans	225,060,646	225,060,646	239,967,404	239,967,404
Other financial assets	1,652	1,652	433	433

Financial liabilities:

	2025.12.31		2024.12.31	
	Book value	Fair value	Book value	Fair value
Financial liabilities measured at cost after amortization:				
Deposits from Central Bank and other banks	\$7,958,532	\$7,958,532	\$16,365,383	\$16,365,383
Funds borrowed from Central Bank and other banks	-	-	5,549,000	5,549,000
Funds borrowed from the Central Bank and other banks (liabilities directly associated with assets held for sale)	10,720,000	10,720,000	-	-
Securities and bonds sold under agreement to repurchase	5,844,491	5,844,491	8,769,996	8,769,996
Payables	2,731,037	2,731,037	2,091,307	2,091,307
Accounts payable (liabilities directly associated with assets held for sale)	20,277	20,277	-	-
Deposits and remittances	291,248,770	291,248,770	296,669,322	296,669,322
Lease liabilities	218,161	218,161	255,839	255,839
Financial liabilities measured at FVTPL:				
Held for transaction purposes	26,447	26,447	16,271	16,271

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 Group 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 Group adopts the market price including the purchase price and the selling price, the Group will evaluate the selling (purchasing) position at the market buying (selling) price. If there is no market price available at the time of evaluation but there is the most recent market transaction price available, then the said transaction price is the fair value of such financial asset.
- (3) Discounts, loans, and deposits are all interest-bearing financial assets and liabilities, so their book value is similar to the current fair value. The book value of the collection is the estimated recovery amount net of the allowance for bad debt. Therefore, the book value is the fair value.
- (4) For debt-based instruments that are without an active market price, the fair value is determined by the counterparty's quotation or valuation method. The valuation method is based on the discounted cash flow analysis. The assumptions of interest rate and discount rate are mainly based on information related to similar instruments (for example, Taipei Exchange reference yield curve, the Reuters commercial promissory interest rate average quotation, and credit risk information).
- (5) The fair value of derivatives (including forward foreign exchange and foreign exchange transactions) is the amount that the Group is expected to obtain or pay if it wishes to terminate the contract at the agreed reporting date. The Group calculates the fair value of the position held based on the parameters or quotation information disclosed by the Reuters Information System.
- (6) The fair value of the equity instruments (e.g., private company's 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 Group's financial instruments.

3. Fair value hierarchy

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

① Level I

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

② Level II

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

③ Level III

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

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

(2) Information on fair value hierarchy:

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

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

December 31, 2025

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>Assets measured at fair value</u>				
Financial assets				
measured at FVTPL				
Bond investment	\$27,388,763	\$1,995,501	\$25,393,262	\$-
Derivatives	14,465	-	14,465	-
Others	2,113,308	2,113,308	-	-
Others (assets held for sale)	302,793	-	-	302,793
Financial assets				
measured at FVOCI				
Stock investment	6,321,726	768,453	-	5,553,273
Stock investment (assets held for sale)	127,485	-	-	127,485
Bond investment	35,095,987	24,765,097	10,330,890	-
<u>Liabilities measured at fair value</u>				
Financial liabilities				
measured at FVTPL				
Derivatives	26,447	-	26,447	-

December 31, 2024

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
<u>Assets measured at fair value</u>				
Financial assets				
measured at FVTPL				
Stock investment	\$2,558,102	\$2,558,102	\$-	\$-
Bond investment	39,357,055	1,972,200	37,384,855	-
Derivatives	9,235	-	9,235	-
Others	292,695	-	-	292,695
Financial assets				
measured at FVOCI				
Stock investment	6,952,009	-	-	6,952,009
Bond investment	39,099,228	31,762,030	7,337,198	-
Others	370,923	370,923	-	-
<u>Liabilities measured at fair value</u>				
Financial liabilities				
measured at FVTPL				
Derivatives	16,271	-	16,271	-

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

From January 1 to December 31, 2025 and 2024, there were no transfers between Level 1 and Level 2 of the fair value hierarchy for the Group's assets and liabilities measured at recurring fair value.

(4) Changes in Repetitive Fair Value Level III Statement

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

	Financial assets at FVTPL - Others	Financial assets measured at FVOCI - Stock
2025.01.01	\$292,695	\$6,952,009
Total benefits recognized in 2025 Year:		
Recognized in profit or loss (presented as "Other gains and losses")	13,194	-
Recognized in other comprehensive income (presented as "Unrealized gain (loss) on valuation of equity instrument investments measured at FVOCI")	-	(1,271,228)
(Decrease) for the period	(3,096)	(23)
Reclassification to assets held for sale (Note)	(302,793)	(127,485)
2025.12.31	<u>-</u>	<u>\$5,553,273</u>

(Note) The assets related to Kings Town Bank International Lease Corporation have been reclassified to assets held for sale, please refer to Note 6.7.

	Financial assets at FVTPL - Others	Financial assets measured at FVOCI - Stock
2024.01.01	\$227,926	\$4,069,575
Total benefits recognized in 2024:		
Recognized in profit or loss (presented as "Other gains and losses")	65,536	-
Recognized in other comprehensive income (presented as "Unrealized gain (loss) on valuation of equity instrument investments measured at FVOCI")	-	2,873,837
(Decrease) for the period		
Acquisitions of	(767)	8,597
2024.12.31	<u>\$292,695</u>	<u>\$6,952,009</u>

Significant unobservable input value information of Level III fair value

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

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

Evaluation process for Level III fair value

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

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

Assets that only have fair value disclosed:	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
<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	-	-	552,843	552,843

4. Transfer of financial assets

Transferred financial assets that are not fully derecognized

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

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

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 measured 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

In line with the scale of its business growth, the Group has established a capital adequacy assessment process commensurate with its risk profile in order to maintain adequate capital. Taking into account its overall risk exposure, the Group performs appropriate capital allocation and establishes risk management mechanisms for various business risks to enhance operating performance. The risks arising from both on- and off-balance sheet activities, including credit risk, market risk, operational risk, liquidity risk, country risk, and interest rate risk in the banking book, are all included within the Group's risk management framework. Policies and procedures are established for different types of risks, such as the "Credit Policy," the "Rules Governing Credit Review and Authorization," and the "Risk Management Policy." In addition, management guidelines are formulated as required under these policies and procedures. For example, pursuant to the "Risk Management Policy," the Group has established the "Credit Risk Management Guidelines," the "Market Risk Management Guidelines," and the "Operational Risk Management Guidelines." These policies and guidelines are reviewed and approved by the Board of Directors to effectively identify, measure, communicate, and monitor various types of risks.

2. Risk management organizational structure

The risk management of the Group is carried out by the Risk Management Department in accordance with the risk management policy approved by the Board of Directors. The Risk Management Department works closely with business units to identify, assess, and prevent risks. The Board of Directors has a written policy for risk management that covers specific risk exposure, such as, interest rate risk, credit risk, etc. In addition, the Audit Office periodically (at least annually) and on an ad hoc basis reviews the Group's risk management and operational procedures to ensure that the Group's risk management mechanisms operate effectively. Transaction records, statements, valuations, and other information related to various risks are retained as an audit trail for review by the Audit Office.

(1) Risk Management Committee

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

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

The "Risk Management Department" is the execution unit of the Risk Management Committee and the risk management planning and management unit of the Bank. It independently monitors and manages the risks of the Bank. The department head of the Risk Management Department acts as the Executive Secretary who is appointed by the Board of Directors. The Risk Management Department is responsible for calculating and monitoring capital adequacy. 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 Group is the Chief Commissioner of the Group's Asset and Liability Management Committee. The members are composed of the personnel designated by the President and the department head of the Digital Service and Business Department, the Risk Management Department, the Finance Department, and the Administration Office. In response to the domestic and foreign financial situation, the committee is responsible for adjusting the business strategy in a timely manner, maintaining liquidity, safety, and profitability, and holding regular meetings at least once a month. The main tasks are as follows:

- ① Assess the impact of changes in domestic and foreign political and economic situations and the trend of government policies on financial business operations.
- ② Predict the impact of domestic and foreign funds, exchange rates, interest rate trends, and other relevant financial indicators on the Group's business operations.
- ③ Assess the Group's operating performance, capital position, asset and liability risk position, and interest rate sensitivity, as well as study and adjust the best ratio of various assets and liabilities.
- ④ Assess the Group's pricing strategy for deposit and loan interest rates.
- ⑤ Estimate the Group's future operating performance and moderately adjust the Group's business strategy.
- ⑥ Matters assigned by the Board of Directors, Chairman, and Vice Chairman.

(3) Credit Review Committee

The Credit Review Committee is chaired by the President and consists of the head of the Credit Review Department, the Risk Management Department, and the Digital Service and Business Department, and the personnel designated by the President to strengthen the review and risk control of credit extensions and to ensure the Group's credits. In principle, a meeting will be held once a week to review the credit cases to be granted by the Board of Directors, and the results of the review will be presented to the Board of Directors for approval. The 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 Group timely adjust investment strategies and control investment risks to maintain the safety and profitability of the Group's investment positions. "The Investment Management Committee" has been established as the highest management unit responsible for the Bank's investment business. The Committee is chaired by the President, and the members include the head of the Finance Department and other personnel appointed by the President. The Committee 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 Group, and study whether the investment strategy should be adjusted.
- ③ Review the proportion, allocation, and reinvestment-orientation of various financial investment projects.
- ④ Review the source of funds and cost structure of the investment.

(5) Information Security Management Committee

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

- ① Propose the information security policy of the Group.
- ② Promote the information security management system.
- ③ Assess the infrastructure of the information security management system.
- ④ Handle and review major information security incidents.
- ⑤ Major issues or discussions related to information security proposed by each unit.
- ⑥ 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 Group'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 Group's written credit risk management strategy is prepared as a guideline for the credit operating procedure. Also, the relevant policies and operational guidelines are set up to ensure that the strategy can be implemented continuously and effectively in order to maintain rigorous loan granting standards, monitor credit risk, assess possible business opportunities, and identify and manage non-performing loans. The scope of management includes: ① Various credit risks (including individual credit cases, overall credit check, credit extension, non-performing loans, etc.) and credit risk offset instruments, such as, collateral and guarantee, of the businesses on and off the balance sheet. ② A credit risk related product or position of the banking book or transaction book.

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

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

① Credit extension (including loan commitments and guarantees)

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

A. Credit asset classification

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

B. Credit quality rating

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

② Deposit and inter-bank lending

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

③ Debt instrument investment and derivative financial instruments

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

(3) Credit risk hedging or mitigation policy

① Collateral

The Group adopts the methods of stipulation of credit limit restrictions, collection of collateral, and the guarantor or the transfer of the credit guarantee fund to reduce the credit risk for credit business in order to strengthen the credit claim of the Group. The Company 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 Company's credit claim. The Group has formulated the creditor's right security clauses, collateral clauses, and offset clauses, which clearly define that in an event of credit, the credit limit may be reduced, repayment period may be reduced or deemed to be fully due, or the debt may be offset by debtor's deposit at the Group to reduce the credit risk.

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

② Credit risk limit and credit risk concentration control

The Group has formulated a “Credit Policy” to properly plan and control the credit granted to the same natural person, juridical person, public enterprise, related party, related enterprise, or group enterprise. Ceilings are set on the ratios of such credit to the Group’s net worth (among which the credit granted to the same public enterprise shall not exceed the Group’s net worth, and the limit for the same group enterprise is adjusted and approved according to its credit rating and outlook), so as to control single credit risk and enhance the efficiency of capital utilization. For the ratio of the total credit balance of the same industry to the Group’s net worth, the ceiling is determined according to industry conditions and the overall economic situation, with reference to the non-performing loan ratio of each industry and the future economic outlook. To strengthen credit risk control for industries in overseas and Mainland China regions, industry limits for overseas and Mainland China regions are also established. For the ratio of the total credit balance secured by residential real estate to the Group’s total credit balance, limits are set according to the intended use of funds, such as home renovation and working capital. Credit orientation is also dynamically adjusted to mitigate overall risk and avoid excessive concentration of credit risk.

③ Master netting arrangement

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

(4) Maximum credit risk exposure

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

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

2025.12.31	Collateral	Master netting arrangement	Total
<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>

2024.12.31	Collateral	Master netting arrangement	Total
<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 Group's management assesses and believes that the credit risk exposure amount of the off-balance sheet items could be controlled and minimized continuously because the Group and its subsidiaries have adopted a more stringent selection process during the credit approval and subsequent periodic review.

- (6) Concentration of credit risk

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

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

① 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 By region

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

③ By collateral

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 Group's financial assets that is overdue but without impairment

The Group had no financial assets that were overdue without impairment as of December 31, 2025, and December 31, 2024.

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

Credit extension

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

① Quantitative indicators:

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

② Qualitative indicators:

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

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

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

Debt instruments

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

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

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

Credit extension

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

① Quantitative indicators

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

② Qualitative indicators

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

Debt instruments

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

① Quantitative indicators

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

② Qualitative indicators

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

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

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

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

(10) Write-off policy

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

(11) Measurement of expected credit loss

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

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

For financial instruments whose credit risk has not increased significantly since initial recognition (Stage 1), the Group measures the allowance for losses based on the amount of expected credit losses within 12 months. For financial instruments whose credit risk has increased significantly since initial recognition (Stage 2) or that are credit-impaired (Stage 3), the allowance for losses is measured based on lifetime expected credit losses.

In order to measure expected credit losses, the Group considers the probability of default (PD) of the borrower/issuer over the next 12 months and over the lifetime, incorporates 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 12-month and lifetime expected credit losses. However, for off-balance sheet credit exposures, the amount is further multiplied by the credit conversion factor (CCF) prescribed under the standardized approach of Basel II.

The probability of default (PD) and loss given default (LGD) used in the impairment assessment of the Group's credit and investment businesses are calculated and adjusted based on internal and external information for each portfolio, as well as current observable data and forward-looking macroeconomic information (e.g., global economic growth rate and inflation rate).

The Group assesses the amount of financial asset default risk on the reporting date. In addition, based on internal and external information, 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 Group uses historical 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 forward-looking adjustments based on regression models or interpolation adjustment methods. The relevant economic factors and their impact on PD and LGD vary according to the type of financial instruments.

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

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

(13) Loss allowance

Changes in 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:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$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)
Ending balance	<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 consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (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:

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Impairment appropriated according to IFRS 9	Recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$451,943	\$16,340	\$19,066	\$487,349	\$3,134,520	\$3,621,869
Changes in financial instruments recognized at the beginning of the period:						
- Converted to expected credit losses for the duration	(10,257)	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
Ending balance	<u>\$274,803</u>	<u>\$187,848</u>	<u>\$15,410</u>	<u>\$478,061</u>	<u>\$2,690,521</u>	<u>\$3,168,582</u>

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

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

Changes in the total book value of discount and loan

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

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Total
Beginning balance	\$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)
Ending balance	<u>\$218,463,672</u>	<u>\$9,676,223</u>	<u>\$57,331</u>	<u>\$228,197,226</u>

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

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

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (financial assets with non- purchased or originated credit impairment)	Total
Beginning balance	\$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)
Ending balance	<u>\$234,322,311</u>	<u>\$8,757,377</u>	<u>\$56,298</u>	<u>\$243,135,986</u>

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

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

	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Financial assets measured at FVOCI - allowance for losses					
Expected credit losses as of January 1, 2025	\$23,730	\$582,223	\$-	\$-	\$605,953
Changes arising from the recognition of financial instruments on January 1, 2025					
- 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	(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 consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Financial assets measured at FVOCI - allowance for losses	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Expected credit losses on January 1, 2024	\$22,595	\$477,244	\$-	\$-	\$499,839
Changes arising from the recognition of financial instruments on January 1, 2024					
- Converted to expected credit losses for the duration	-	-	-	-	-
- Converted to financial assets with credit impairment	-	-	-	-	-
- Converted to 12-month expected credit loss	-	-	-	-	-
Financial assets derecognized in the current period	(242)	(658)	-	-	(900)
Financial assets written off in the current period	-	-	-	-	-
Purchased or originated new financial assets	361	-	-	-	361
Changes in model/risk parameters	(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 consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

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

Financial assets measured at FVOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 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 impairment	-	-	-	-	-
Purchased or originated new financial assets	9,216,398	-	-	-	9,216,398
Financial assets derecognized in period	(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)	<u>\$34,806,515</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$34,806,515</u>

Note: Total book value does not include valuation adjustment.

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

Financial assets measured at FVOCI - total book value	Anticipated credit loss in 12 months	Expected credit losses of the duration (collective assessment)	Expected credit losses of the duration (individual assessment)	Financial assets with credit impairment (expected credit losses of the duration)	Total
Total book value on January 1, 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
Financial assets derecognized in period	(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)	\$34,162,230	\$6,657,105	\$-	\$-	\$40,819,335

Note: Total book value does not include valuation adjustment.

The Group measures the allowance for losses on its receivables based on lifetime expected credit losses. The relevant information regarding the assessment of the allowance for losses as of December 31, 2025 and 2024 is as follows:

The Group's receivables are not overdue. The allowance for losses was measured using a provision matrix, taking into consideration factors such as the credit ratings, regions, and industries of counterparties. The total carrying amounts were NTD 2,339,085 thousand and NTD 15,136,197 thousand, respectively, and the allowance for losses was measured at expected credit loss rates ranging from 0.21% to 2.19%, resulting in allowance amounts of NTD 4,926 thousand and NTD 331,360 thousand, respectively.

Changes in allowances or loss of notes and accounts receivables of the Group from January 1 to March 31, 2025 and 2024 are as follows:

	<u>Receivables</u>
2025.1.1	\$331,360
Amount appropriated in current period	1,796,960
Write-off amount	(2,093,695)
Recovery of write-off amount	172,127
Reclassification to assets held for sale (Note)	<u>(201,826)</u>
2025.12.31	<u>\$4,926</u>
2024.01.01	\$175,086
Amount appropriated in current period	204,944
Write-off amount	(266,026)
Recovery of write-off amount	<u>217,356</u>
2024.12.31	<u>\$331,360</u>

Note The assets related to Kings Town Bank International Lease Corporation have been reclassified to assets held for sale, please refer to Note 6.7.

- (14) As of December 31, 2025 and 2024, the Group's maximum exposure to credit risk from financial assets amounted to NTD 260,135,878 thousand and NTD 278,460,679 thousand, respectively, including financial assets measured at fair value through other comprehensive income and discounts and loans.
- (15) The maximum exposure to credit risk of financial instruments 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 Group adopts a series of policies and measures for the credit business to reduce credit risk, one of the commonly uses methods is to request the borrowers to provide collateral. For the collateral assessment management and loan collateral value calculation, the Group has procedures for the range of collateral collected, the valuation, management, and disposal of collateral formulated to ensure loans. The main types of collateral for the Group's financial assets are as follows:

- Real estate mortgage: Loan-to-value ratio is set separately according to the location of the real estate. For larger amount or special products, public appraisers are engaged to perform valuation
- Stocks: The reasonable loan-to-value ratio and valuation criteria are formulated depending on whether the stock is listed on TWSE/TPEX/Emerging Stock Board or is unlisted
- Property: An appropriate loan amount is determined 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 Group's collateral policy has no significant change occurring on the balance sheet date and there has been no significant change in the quality of the overall collateral.

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

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

(2) Liquidity risk management policy

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

- ① Schedule daily 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 Group for the management of liquidity risk). The estimation of future cash flows begins with an analysis of the contractual maturity date of financial liabilities and the expected cash realization date of financial assets. The Risk Management Department of the Group also monitors the extent and pattern of contingent liabilities, such as mid-term and long-term borrowing commitments, discount quotas, and guarantee letters.

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

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

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 Central Bank and other banks	\$7,958,532	\$-	\$-	\$-	\$7,958,532
Funds borrowed from Central Bank and other banks (liabilities directly associated with assets held for sale)	1,400,000	3,330,000	5,990,000	-	\$10,720,000
Securities and bonds sold under agreement to repurchase	2,592,543	3,251,948	-	-	5,844,491
Deposits and remittances	28,982,685	33,808,325	106,294,192	122,163,568	291,248,770
Lease liabilities (Note)	7,812	15,628	64,348	138,524	226,312
<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 Central Bank and other banks	\$16,365,383	\$-	\$-	\$-	\$16,365,383
Funds borrowed from Central Bank and other banks	1,300,000	3,500,000	599,000	150,000	5,549,000
Securities and bonds sold under agreement to repurchase	7,459,996	1,230,000	80,000	-	8,769,996
Deposits and remittances	25,019,820	37,949,601	116,244,355	117,455,546	296,669,322
Lease liabilities (Note)	7,738	15,229	64,207	176,374	263,548
Other financial liabilities	2,798,702	3,281,320	494,340	-	6,574,362
<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	\$87,788	\$135,506	\$3,018	\$-	\$226,312
2024.12.31	\$87,174	\$167,408	\$8,966	\$-	\$263,548

5. Market Risk

(1) Source and definition of market risk

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

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

- ① The "trading book" includes positions in financial instruments (including spot instruments and derivative financial instruments) and physical commodities held for trading purposes or for hedging trading book positions. The term "trading purpose" stated in the preceding paragraph refers to the intention of a short-term gain or to generate or secure the arbitrage from actual or expected short-term price fluctuations.
- ② Financial products and physical assets that are not held for the aforementioned purpose are within the scope of the "banking book."
- ③ Scope of market risk management:
 - 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 of market risk management practices within the Bank.
- ② The market risk management strategies shall be appropriately adjusted in response to the Group's operating environment and changes in risk. They shall also be in line with the Group's business strategies and objectives, and cover all key market risks associated with the business.
- ③ The market risk management strategies shall include at least the following:
 - I. Methods for measuring market risk: including qualitative and quantitative approaches.
 - II. Methods for monitoring market risk: such as limit management, stop-loss etc.
 - III. The Group shall establish an approval hierarchy and regulate the standard operating procedure for overrun.

(3) Market risk management procedures

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

① Risk identification

- I. The so-called market risk factor refers to the market ratio and price that influence the price of the position. The Group's risk measurement system should have sufficient risk factors to measure 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 Group shall identify the market risk in business activities or financial products.

② Risk measurement

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

③ Risk communication

I. Internal report

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

II. External disclosure

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

④ Risk monitoring

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

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

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

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

i. Limit 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

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

iii. Overrun processing

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

(4) Trading book risk management policy

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

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

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

② Trading Book Authorization Projects:

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

③ Evaluation mechanism of the transaction book:

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

④ Management policies and procedures for position limits, monitoring, early warning, stop-loss, and reporting shall be handled in accordance with the Group's Regulations Governing Market Risk, Regulations Governing Securities Investment, Regulations Governing Derivative Financial Instruments Transactions, Regulations Governing Foreign Exchange Business, Regulations Governing Interbank Lending Business, Interest Rate Risk Management Policy, Liquidity Risk Management Policy, and other relevant regulations.

(5) Banking book interest rate risk management

① Management strategy and process

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

② Management organization and structure

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

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

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

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

The Group adopts the “ratio of the maximum change in Economic Value of Equity (Δ EVE) to net Tier 1 capital under six supervisory interest rate shock scenarios for banking book positions” as the monitoring indicator to control the Group’s interest rate risk in the banking book within an acceptable range. The indicator is reported to the Risk Management Committee on a monthly basis, compared with the previous month and analyzed for changes, providing senior management with accurate, consistent, and timely information as a reference for decision-making, and is disclosed in the risk management report submitted to the Board of Directors on a quarterly basis. The content and scope of the risk management report include: (I) Measurement indicators: 1. Earnings perspective (interest rate risk monitoring and reporting) 2. Economic value perspective (the ratio of the maximum change in Economic Value of Equity (Δ EVE) to net Tier 1 capital under six supervisory interest rate shock scenarios for banking book positions); (II) Stress testing: (1) the impact of interest rate changes on earnings over the next year (2) 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 Group's earnings or economic value, the Risk Management Department or the business units in the head office shall report it to the President and adopt appropriate risk offset methods or response measures to reduce the banking book interest rate sensitivity net impacted position or increase the Group's capital.

(6) Market risk valuation technique

① Stress test

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

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

- A. Domestic and foreign bonds and bills and equity investments in banking books
- a. Domestic bond 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 method for market risk stress testing under Pillar 2, the Group uses sensitivity analysis of market risk factors to calculate the impact on profit or loss resulting from asset impairment caused by changes in risk factors, including equity securities, interest rates, gold and foreign exchange rates, commodities, and credit derivative products. Changes in each risk factor may result in different gains or losses depending on the ratios set under mild and severe scenarios. Among various risk factors and domestic and foreign categories, changes under the same scenario may result in gains in some positions and losses in others. The larger losses resulting from upward or downward movements under each scenario are selected and aggregated to derive the estimated loss under the stress scenario.

② Sensitivity Analysis

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

A. Interest rate risk

Assuming that all other factors are unchanged, if the yield curves of all markets in the world shifted downward/upward by 100 base points on December 31, 2025, the Group's net profit or loss would increase/decrease by NTD 713,931 thousand.

B. Exchange rate risk

Assuming that all other factors are unchanged, if the major currency exchange rates on December 31, 2025 were relatively appreciated/depreciated by 3%, the Group's net profit or loss before tax would increase/decrease by NTD 12,724 thousand. The main currencies are the USD, EUR, and JPY.

C. Equity securities price risk

Other things being equal, if the price of equity securities on December 31, 2025 were relatively increased/decreased by 15%, the Group's net profit or loss before tax would increase/decrease by NTD 316,996 thousand.

D. Sensitivity analysis is compiled as follows:

Year 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%

The year 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%

(7) Exchange rate risk concentration information

The Group'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 Group, it is impossible to disclose the exchange gains and losses information of monetary financial assets and financial liabilities by each foreign currency with significant impact. The Group's foreign currency exchange gains (losses) from January 1 to December 31, 2025 and 2024 were NTD (9,126) thousand and NTD 195,439 thousand, respectively.

XV. Capital Management

1. Overview

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

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

2. Capital management procedure

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

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

- (2) Legal capital management

① Legal capital requirement

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

② Available legal capital

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

Tier 1 Capital:

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

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

- (2) Other Tier 1 capital other than common equity: includes perpetual non-cumulative preferred shares and related share premium, non-cumulative subordinated bonds without maturity, perpetual non-cumulative preferred shares and related share premium issued by the Bank's subsidiaries that are not directly or indirectly held by the Bank, non-cumulative subordinated bonds without maturity, and the deduction items specified in the instructions for the calculation method.

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.

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 Group's consolidated qualified regulatory capital ratio and risk assets ratio on December 31, 2025 and December 31, 2024 were 20.23% and 17.25%, respectively. These were in line with the capital management regulations of the competent authorities.

XVI. Supplementary Disclosure

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

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

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

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

2025

	Branch business	Financial market	Discontinued operations department	Adjustments and elimination	Total
Interest revenue	\$4,619,497	\$1,470,808	\$419,926	\$-	\$6,510,231
Service fee income	2,107,155	-	72,368	-	2,179,523
Investment profit	161,343	118,492	12,830	-	292,665
Other income and expenditures	64,043	-	35,784	-	99,827
Total revenue	<u>6,952,038</u>	<u>1,589,300</u>	<u>540,908</u>	<u>-</u>	<u>9,082,246</u>
Depreciation and amortization	(86,124)	(61,082)	(7,372)	-	(154,578)
Total operating expenses	(2,350,310)	(580,594)	(59,677)	-	(2,990,581)
Other major non-cash accounts					
Bad debt appropriation	451,802	-	(1,793,938)	-	(1,342,136)
Segment profit/loss	<u>\$4,967,406</u>	<u>\$947,624</u>	<u>\$(1,320,079)</u>	<u>\$-</u>	<u>\$4,594,951</u>

2024

	Branch business	Financial market	Adjustments and elimination	Total
Interest revenue	\$4,633,369	\$1,396,214	\$-	\$6,029,583
Service fee income	2,995,315	-	-	2,995,315
Investment profit	323,307	89,681	-	412,988
Other income and expenditures	170,682	-	-	170,682
Total revenue	<u>8,122,673</u>	<u>1,485,895</u>	<u>-</u>	<u>9,608,568</u>
Depreciation and amortization	(87,013)	(60,347)	-	(147,360)
Total operating expenses	(2,110,551)	(297,627)	-	(2,408,178)
Other major non-cash accounts				
Bad debt appropriation	(490,141)	-	-	(490,141)
Segment profit/loss	<u>\$5,434,968</u>	<u>\$1,127,921</u>	<u>\$-</u>	<u>\$6,562,889</u>

The information relating to the assets of the Group's operating department on December 31, 2025 and December 31, 2024 is shown in the following table:

	Branch business	Financial market	Discontinued operations department	Adjustments and elimination	Total
2025.12.31					
Segment assets	<u>\$268,866,881</u>	<u>\$92,828,183</u>	<u>\$12,269,930</u>	<u>\$315,381</u>	<u>\$374,280,375</u>
2024.12.31					
Segment assets	<u>\$295,011,392</u>	<u>\$97,490,454</u>	<u>\$-</u>	<u>\$367,449</u>	<u>\$392,869,295</u>

2. Product information:

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

3. Regional information:

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

4. Important customer information:

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

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

Table 1

Business Relationships and Significant Transactions Between Parent Company and Subsidiaries:

Unit: NTD thousand

Serial No. (Note 1)	Trader's name	Counterparty	Relationship with the transaction counterparty (Note 2)	2025.01.01~2025.12.31			
				Transactions			
				Account	Amount	Terms and conditions	Percentage of consolidated total revenue or total assets (Note 3)
0	The Company	Kings Town Bank International Lease Corporation	1	Deposits and remittances	174,782	General	0.05
0	The Company	Kings Town Bank International Lease Corporation	1	Other non-interest net profit or loss	1,752	General	0.02
0	The Company	Kings Town Intl. Construction Management Co., Ltd.	1	Deposits and remittances	10,029	General	-
0	The Company	Kings Town Intl. Construction Management Co., Ltd.	1	Other non-interest net profit or loss	576	General	0.01
0	The Company	Kings Town Securities Co., Ltd.	1	Deposits and remittances	70,746	General	0.02
0	The Company	Kings Town Securities Co., Ltd.	1	Payables	25	General	-
0	The Company	Kings Town Securities Co., Ltd.	1	Other non-interest net profit or loss	1,350	General	0.02
0	The Company	Kings Town Securities Co., Ltd.	1	Other liabilities	92	General	-

Note 1: Information on transactions between the parent company and subsidiaries shall be indicated in the numbering column, and the numbering method is as follows:

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

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

3. Parent company vs. subsidiaries
4. Subsidiaries vs. parent company
5. Subsidiary vs. subsidiary

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

Table 2
Loans to External Parties

Unit: NTD thousand

Serial No. (Note 1)	Lender of funds	Borrower of funds	Transaction title	Are they related parties	Maximum balance for the period	Ending balance	The actual disbursed Amount	Interest rate range	Nature of loan (Note 4)	Business transaction amount (Note 5)	Reason for the need of short-term Financing (Note 6)	Provision Amount of loss	Collateral		Loan limit amount for each individual (Note 2)	FINANCINGS PROVIDED Total amount limits (Note 3)
													Name	Value		
1	King's 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	King's 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	King's 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	King's 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	King's Town Bank International Lease Corporation	Company E	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	King's 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	King's 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	King's Town Bank International Lease Corporation	Other customer	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	King's Town Bank International Lease Corporation	Other customer	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."
2. Investee is numbered starting from number 1.

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

1. Business counterparty:

Unsecured: The amount of loans to a single counterparty shall not exceed 50% of the lender's net value, as shown in the latest audited financial statements.

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

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

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

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

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

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

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

Note 7: The investee, King's Town International Lease Corporation, has granted loans to 39 customers; however, only those that amounted to more than 5% are listed separately in the above table.

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

Table 3
Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Venture):

Unit: NTD thousand

Holding company	Type and name of marketable security (Note 1)	Relationship with the securities issuer	Financial Statement Account (Note 2)	End of period				Note
				Number of shares (In Thousands)	Book value (Note 2)	Shareholding ratio	Fair value	
King's Town Bank International Lease Corporation	Bank of Panhsin	-	Equity instruments measured at FVOCI	14,478	123,211	0.75%	123,211	
King's Town Bank International Lease Corporation	Hoyii Life Co., Ltd.	-	Equity instruments measured at FVOCI	132	1,489	1.28%	1,489	
King's Town Bank International Lease Corporation	Long-Shun Green Energy Technology Ltd.	-	Equity instruments measured at FVOCI	274	2,785	0.72%	2,785	
King's Town Bank International Lease Corporation	Lian Ding Capital Co., Ltd.	-	Financial assets measured 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 consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (continued)
(Unless otherwise provided, Unit: NTD Thousand)

Table 4

The Cumulative Amount of Purchases or Sales of the Same Securities Totaling NTD 300 Million or More, or 20% or More of the Paid-in Capital:

Unit: NTD thousand

Companies involved in buying and selling	Type and name of marketable security	Accounts in books	Counterparty	Relationship	Beginning		Purchases		Sales				Ending balance	
					Number of shares (In Thousands)	Amount	Number of shares (In Thousands)	Amount	Number of shares (In Thousands)	Selling price	Carrying amount	Gain on disposal (Note)	Number of shares (In Thousands)	Amount
King's Town Bank International Lease Corporation	Cathay No. 1 Real Estate Investment Trust (Trustee - Land Bank)	Equity instruments measured at FVOCI	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."

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	Secured	\$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 loan (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)										
	Secured	-	4,156,162	-	49,193	-	3,591	2,968,508	0.12%	34,836	970.16%
	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		\$56	\$56	100.00%	\$56	100.00%	\$425	\$425	100.00%	\$292	68.71%
Non-recourse receivables factoring business (Note 7)		-	-	-	-	-	-	-	-	-	-

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 consolidated financial statements of King's Town Bank Co., Ltd. and its subsidiaries (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 that the company or the group is engaged in (Note 2)	Total credit balance (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 the company or the group is engaged in (Note 2)	Total credit balance (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 business	6,846,045	12.53%
3	Company C (Group) - Film and television program production business	6,800,300	12.45%
4	Company (Group) D - Unclassified other financial service business	4,328,500	7.92%
5	Company (Group) E - Power supply business	3,951,509	7.23%
6	Company F - Other holding business	3,933,720	7.20%
7	Company G - Power supply business	3,628,771	6.64%
8	Company (Group) H - Unclassified other financial service business	3,592,978	6.58%
9	Company (Group) I - Non-Alcoholic Beverage Wholesale Industry	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."

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.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap = Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in NTD)

Table 8-1

Interest Rate Sensitive Assets and Liabilities Analysis Table (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 reports the amounts in USD for the head office and domestic branches, international banking branches, and overseas branches on a combined basis, excluding contingent assets and contingent liabilities.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap = Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Interest rate sensitivity assets and liabilities rate = Interest rate sensitivity assets ÷ interest rate sensitivity liabilities (i.e., interest rate sensitivity assets and interest rate sensitivity liabilities in USD)

Table 9

Profitability

Unit: %

Item		2025.12.31	2024.12.31
Return on Assets (ROA)	Before tax	1.20	1.69
	After tax	0.99	1.29
Return on Equity (ROE)	Before tax	8.41	12.53
	After tax	6.94	9.59
Net profit rate		44.39	58.04

Note:

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

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)

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 (Explanation 1)

Unit: NTD thousand

Items		Year (Explanation 2)		
		December 31, 2025	December 31, 2024	
Self-owned capital	Common stock equity	\$53,329,462	\$51,564,042	
	Other Tier 1 Capital			
	Tier 2 Capital	3,280,189	3,679,720	
	Self-owned capital	56,609,651	55,243,762	
Risk-weighted assets	Credit Risk	Standardized approach	237,095,883	284,792,203
		Internal ratings-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	-	17,479,999
		Standard Method/Selective Standard Method	18,511,733	-
		Advanced Measurement Method	-	-
	Market Risk	Standardized approach	24,173,267	18,068,351
		Internal models approach	-	-
	Total risk-weighted assets		279,780,883	320,340,553
	Capital adequacy ratio		20.23%	17.25%
Ratio of Common Stock Equity to Risk-Based assets		19.06%	16.10%	
Ratio of Tier 1 capital to Risk-Based Assets		19.06%	16.10%	
Leverage ratio		13.77%	12.83%	

Explanation:

- 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."
- 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.
- This table should demonstrate the following formula:
 - Self-owned capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital.
 - Total amount of risk-weighted-assets = Credit risk-weighted assets + Capital charge of (operational risk + market risk) x 12.5.
 - Capital Adequacy ratio = Total self-owned capital / Total amount risk-weighted assets.
 - Ratio of common stock equity to risk assets = Common stock equity / Total risk weighted assets.
 - Ratio of Tier 1 capital to risk-based assets = (Common stock equity + Tier 1 capital) / Total risk-weighted asset.
 - Leverage ratio = Tier 1 capital / Total exposure.
- This table may not be disclosed in the financial statements for Q1 and Q3.