

**King's Town Bank Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2026 and 2025 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Introduction

We have audited the accompanying consolidated balance sheet of King's Town Bank Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of June 30, 2026 and the related consolidated statement of comprehensive income for the three months ended June 30, 2026 and the six months ended June 30, 2026, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2026 and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2026, and its consolidated financial performance for the three months ended June 30, 2026, and its consolidated financial performance and consolidated cash flows for the six months ended June 30, 2026 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms, the guidelines issued by the competent authority, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (ROC).

Basis for Opinion

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

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2026. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the six months ended June 30, 2026 are as follows:

Impairment of Discounts and Loans

The management assesses, estimates and recognizes impairment of discounts and loans collectively at the higher amount determined according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans ("the Procedures") endorsed by the Financial Supervisory Commission (FSC) and according to International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). According to the Procedures, the management estimates the impairment of discounts and loans based on the overdue loans classified by loan term and the situation of pledged collateral. According to IFRS 9, impairment of discounts and loans is estimated based on assumptions of probability of default and loss given default based on historical experience, current market situation and forward-looking information. Assessment of evidence of probable default and credit impairment, whether the credit risk has increased significantly since the original recognition (including the adoption of forward-looking factors), and the assessment of the methodology and assumptions used for estimating impairment and the estimation of the amount and timing of future cash flows require critical judgments and estimates. The estimated provision for impairment of discounts and loans calculated according to either the Procedures or IFRS 9 has a significant impact on the consolidated financial statements. Therefore, the estimation of impairment of discounts and loans is identified as a key audit matter for the six months ended June 30, 2026.

Refer to Notes 4, 5 and 45(c) to the accompanying consolidated financial statements for the relevant accounting policies, judgments for estimations, estimation uncertainty and other related disclosures of the estimated impairment of discounts and loans.

Our key audit procedures performed with respect of the above area included the following:

We understood and assessed management's impairment assessment practices, accounting policies and related internal control procedures for discounts and loans and evaluated whether the classification of loan assets complied with the Procedures. In addition, we evaluated whether overdue loans, situation of pledged collateral, and the provision for impairment of discounts and loans complied with the related regulations issued by the authorities. We also evaluated whether the methodology, assumptions and inputs used in the impairment assessment conform to the IFRS 9 impairment model and appropriately reflected the actual outcome. We tested samples of discounts and loans to verify their rationality.

Other Matter

The financial report of the Group for the six months ended June 30, 2025 was audited by other auditors, and an unqualified audit report was issued on August 11, 2025.

We have also audited the parent company only financial statements of King's Town Bank as of and for the six months ended June 30, 2026 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms, the guidelines issued by the competent authority, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2026 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yi-Chun Wu and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 10, 2026

Notice to Readers

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

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

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

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2026		December 31, 2025		June 30, 2025	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS, NET (Notes 4 and 6)	\$ 2,605,544	1	\$ 2,851,033	1	\$ 3,710,649	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET (Notes 4 and 7)	42,664,110	11	33,226,999	9	29,917,616	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 41)	6,279,052	2	29,516,536	8	40,066,945	11
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9 and 41)	49,884,258	13	41,417,713	11	35,307,796	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 41)	29,106,914	7	19,470,062	5	13,898,132	4
RECEIVABLES, NET (Notes 4, 11 and 41)	3,383,543	1	2,334,159	1	14,394,009	4
ASSETS HELD FOR SALE, NET (Notes 4 and 13)	-	-	12,269,930	3	-	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 12 and 40)	238,709,895	63	225,060,646	60	222,435,701	61
OTHER FINANCIAL ASSETS, NET (Notes 4 and 15)	3,151	-	1,652	-	852	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 16)	4,893,681	1	4,877,655	1	5,075,008	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 17 and 40)	166,547	-	210,093	-	250,385	-
INVESTMENT PROPERTY, NET (Notes 4 and 18)	230,154	-	241,737	-	591,809	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 38)	368,362	-	315,381	-	360,194	-
OTHER ASSETS, NET (Notes 19 and 41)	<u>2,936,067</u>	<u>1</u>	<u>2,486,779</u>	<u>1</u>	<u>1,601,059</u>	<u>-</u>
TOTAL	<u>\$ 381,231,278</u>	<u>100</u>	<u>\$ 374,280,375</u>	<u>100</u>	<u>\$ 367,610,155</u>	<u>100</u>
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Note 20)	\$ 19,271,351	6	\$ 7,958,532	2	\$ 9,021,624	2
DUE TO THE CENTRAL BANK AND BANKS (Note 21)	-	-	-	-	5,229,000	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4 and 8)	108,119	-	26,447	-	19,239	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 10 and 22)	3,813,568	1	5,844,491	2	3,782,361	1
PAYABLES (Notes 4, 23 and 27)	3,333,064	1	2,731,037	1	3,196,284	1
CURRENT INCOME TAX LIABILITIES (Notes 4 and 38)	602,189	-	423,115	-	852,443	-
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE (Notes 4 and 13)	-	-	10,817,837	3	-	-
DEPOSITS AND REMITTANCES (Notes 24 and 40)	298,699,208	78	291,248,770	77	281,527,209	77
OTHER FINANCIAL LIABILITIES (Note 25)	-	-	-	-	5,594,855	2
PROVISIONS (Notes 4, 26 and 27)	161,493	-	133,302	-	147,183	-
LEASE LIABILITIES (Notes 4, 17 and 40)	174,116	-	218,161	-	258,300	-
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 38)	82,711	-	58,153	-	65,231	-
OTHER LIABILITIES (Note 28)	<u>519,919</u>	<u>-</u>	<u>180,024</u>	<u>-</u>	<u>500,210</u>	<u>-</u>
Total liabilities	<u>326,765,738</u>	<u>86</u>	<u>319,639,869</u>	<u>85</u>	<u>310,193,939</u>	<u>84</u>
EQUITY (Notes 4 and 29)						
Capital stock						
Common stock	<u>11,112,343</u>	<u>3</u>	<u>11,112,343</u>	<u>3</u>	<u>11,112,343</u>	<u>3</u>
Capital surplus	<u>55,192</u>	<u>-</u>	<u>55,192</u>	<u>-</u>	<u>55,192</u>	<u>-</u>
Retained earnings						
Legal reserve	19,338,837	5	18,199,225	5	18,199,225	5
Special reserve	120,039	-	120,039	-	120,039	-
Unappropriated earnings	<u>19,889,997</u>	<u>5</u>	<u>20,864,397</u>	<u>6</u>	<u>22,573,530</u>	<u>6</u>
Total retained earnings	<u>39,348,873</u>	<u>10</u>	<u>39,183,661</u>	<u>11</u>	<u>40,892,794</u>	<u>11</u>
Other equity	<u>3,949,132</u>	<u>1</u>	<u>4,289,310</u>	<u>1</u>	<u>5,355,887</u>	<u>2</u>
Total equity	<u>54,465,540</u>	<u>14</u>	<u>54,640,506</u>	<u>15</u>	<u>57,416,216</u>	<u>16</u>
TOTAL	<u>\$ 381,231,278</u>	<u>100</u>	<u>\$ 374,280,375</u>	<u>100</u>	<u>\$ 367,610,155</u>	<u>100</u>

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

(With Deloitte & Touche auditors’ report dated August 10, 2026)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2026		2025		2026		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME	\$ 2,590,239	107	\$ 2,690,550	133	\$ 5,053,922	106	\$ 5,281,877	131
INTEREST EXPENSES	(941,087)	(39)	(955,083)	(47)	(1,857,634)	(39)	(2,093,332)	(52)
NET INTEREST REVENUE (Notes 4 and 30)	1,649,152	68	1,735,467	86	3,196,288	67	3,188,545	79
NET REVENUES OTHER THAN INTEREST (Note 4)								
Service fee income, net (Note 31)	630,100	26	566,409	28	1,328,058	28	1,070,167	27
Gains on financial assets and liabilities at fair value through profit or loss, net (Note 32)	266,332	11	256,484	13	253,559	5	421,283	10
Realized gains (losses) on financial assets at fair value through other comprehensive income (Note 33)	51,022	2	(799,245)	(39)	149,459	3	(1,071,435)	(27)
Foreign exchange losses (Impairment loss) reversal of impairment loss on assets (Notes 9 and 10)	(198,182)	(8)	(116,376)	(6)	(174,968)	(4)	(131,782)	(3)
Net other revenue other than interest income (Note 34)	(2,066)	-	370,592	18	(5,019)	-	546,643	14
	29,948	1	8,850	-	39,292	1	16,124	-
Net revenues other than interest	777,154	32	286,714	14	1,590,381	33	851,000	21
NET REVENUE	2,426,306	100	2,022,181	100	4,786,669	100	4,039,545	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 11, 12 and 26)	934,612	38	1,686,923	84	576,583	12	1,275,172	31
OPERATING EXPENSES								
Employee benefits expenses (Notes 4, 27 and 35)	(388,297)	(16)	(880,598)	(44)	(744,667)	(16)	(1,218,734)	(30)
Depreciation and amortization expense (Notes 4, 16 17, 18 and 36)	(38,511)	(1)	(36,236)	(2)	(75,925)	(1)	(70,836)	(2)
Other general and administrative expenses (Notes 37 and 40)	(236,470)	(10)	(269,791)	(13)	(474,523)	(10)	(503,558)	(12)
Total operating expenses	(663,278)	(27)	(1,186,625)	(59)	(1,295,115)	(27)	(1,793,128)	(44)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2026		2025		2026		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 2,697,640	111	\$ 2,522,479	125	\$ 4,068,137	85	\$ 3,521,589	87
INCOME TAX EXPENSE (Notes 4 and 38)	<u>(480,764)</u>	<u>(20)</u>	<u>(720,042)</u>	<u>(36)</u>	<u>(600,285)</u>	<u>(13)</u>	<u>(892,791)</u>	<u>(22)</u>
NET PROFIT FROM CONTINUING OPERATIONS	2,216,876	91	1,802,437	89	3,467,852	72	2,628,798	65
NET (LOSS) PROFIT FROM DISCONTINUED OPERATIONS (Notes 4 and 13)	<u>-</u>	<u>-</u>	<u>(859,068)</u>	<u>(42)</u>	<u>287,775</u>	<u>6</u>	<u>(1,054,996)</u>	<u>(26)</u>
NET INCOME	<u>2,216,876</u>	<u>91</u>	<u>943,369</u>	<u>47</u>	<u>3,755,627</u>	<u>78</u>	<u>1,573,802</u>	<u>39</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Note 4)								
Items that will not be reclassified to profit or loss:								
Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income (Note 29)	(539,627)	(22)	190,085	9	433,769	9	362,606	9
Change on fair value of financial liability attributable to change in credit risk of liability (Note 29)	<u>-</u>	<u>-</u>	<u>(4,362)</u>	<u>-</u>	<u>(347)</u>	<u>-</u>	<u>58,672</u>	<u>1</u>
Items that will not be reclassified to profit or loss	<u>(539,627)</u>	<u>(22)</u>	<u>185,723</u>	<u>9</u>	<u>433,422</u>	<u>9</u>	<u>421,278</u>	<u>10</u>
Items that will be reclassified to profit or loss:								
Exchange differences on translation of foreign operations (Note 29)	846	-	90,933	5	(20,225)	-	81,006	2
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (Note 29)	349,927	15	451,991	22	(626,491)	(13)	730,182	18
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 29 and 38)	<u>(170)</u>	<u>-</u>	<u>(18,187)</u>	<u>(1)</u>	<u>4,045</u>	<u>-</u>	<u>(16,201)</u>	<u>-</u>
Items that will be reclassified to profit or loss	<u>350,603</u>	<u>15</u>	<u>524,737</u>	<u>26</u>	<u>(642,671)</u>	<u>(13)</u>	<u>794,987</u>	<u>20</u>
Other comprehensive (loss) income	<u>(189,024)</u>	<u>(7)</u>	<u>710,460</u>	<u>35</u>	<u>(209,249)</u>	<u>(4)</u>	<u>1,216,265</u>	<u>30</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,027,852</u>	<u>84</u>	<u>\$ 1,653,829</u>	<u>82</u>	<u>\$ 3,546,378</u>	<u>74</u>	<u>\$ 2,790,067</u>	<u>69</u>

(Continued)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2026		2025		2026		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME								
ATTRIBUTABLE TO:								
Owners of parent	\$ 2,216,876	91	\$ 943,369	47	\$ 3,755,627	78	\$ 1,573,802	39
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,216,876</u>	<u>91</u>	<u>\$ 943,369</u>	<u>47</u>	<u>\$ 3,755,627</u>	<u>78</u>	<u>\$ 1,573,802</u>	<u>39</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of parent	\$ 2,027,852	84	\$ 1,653,829	82	\$ 3,546,378	74	\$ 2,790,067	69
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,027,852</u>	<u>84</u>	<u>\$ 1,653,829</u>	<u>82</u>	<u>\$ 3,546,378</u>	<u>74</u>	<u>\$ 2,790,067</u>	<u>69</u>
EARNINGS PER SHARE								
(Note 39)								
Net income before tax of the continuing business units and profit or loss from discontinued operations								
Basic	<u>\$ 2.00</u>		<u>\$ 0.85</u>		<u>\$ 3.38</u>		<u>\$ 1.42</u>	
Diluted	<u>\$ 2.00</u>		<u>\$ 0.85</u>		<u>\$ 3.38</u>		<u>\$ 1.42</u>	
Net income before tax of the continuing business units								
Basic	<u>\$ 1.99</u>		<u>\$ 1.63</u>		<u>\$ 3.12</u>		<u>\$ 2.37</u>	
Diluted	<u>\$ 1.99</u>		<u>\$ 1.63</u>		<u>\$ 3.12</u>		<u>\$ 2.37</u>	

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

(With Deloitte & Touche auditors' report dated August 10, 2026)

(Concluded)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

							Other Equity (Notes 4, 9 and 29)				
	Capital Stock Common Stock	Capital Surplus	Retained Earnings			Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Equity Directly Related to Assets Held for Sale Translation of Comprehensive	Total	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2025	\$ 11,112,343	\$ 55,192	\$ 16,686,722	\$ 120,039	\$ 22,578,194	\$ 39,384,955	\$ (11,045)	\$ 4,084,704	\$ -	\$ 4,073,659	\$ 54,626,149
Appropriation of 2024 earnings											
Legal reserve	-	-	1,512,503	-	(1,512,503)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2025	-	-	-	-	1,573,802	1,573,802	-	-	-	-	1,573,802
Other comprehensive income for the six months ended June 30, 2025, net of income tax	-	-	-	-	-	-	64,805	1,151,460	-	1,216,265	1,216,265
Total comprehensive income for the six months ended June 30, 2025	-	-	-	-	1,573,802	1,573,802	64,805	1,151,460	-	1,216,265	2,790,067
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(65,963)	(65,963)	-	65,963	-	65,963	-
BALANCE AT JUNE 30, 2025	<u>\$ 11,112,343</u>	<u>\$ 55,192</u>	<u>\$ 18,199,225</u>	<u>\$ 120,039</u>	<u>\$ 22,573,530</u>	<u>\$ 40,892,794</u>	<u>\$ 53,760</u>	<u>\$ 5,302,127</u>	<u>\$ -</u>	<u>\$ 5,355,887</u>	<u>\$ 57,416,216</u>
BALANCE AT JANUARY 1, 2026	\$ 11,112,343	\$ 55,192	\$ 18,199,225	\$ 120,039	\$ 20,864,397	\$ 39,183,661	\$ 19,410	\$ 4,339,342	\$ (69,442)	\$ 4,289,310	\$ 54,640,506
Appropriation of 2025 earnings											
Legal reserve	-	-	1,139,612	-	(1,139,612)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,791,133)	(3,791,133)	-	-	-	-	(3,791,133)
Net income for the six months ended June 30, 2026	-	-	-	-	3,755,627	3,755,627	-	-	-	-	3,755,627
Other comprehensive loss for the six months ended June 30, 2026, net of income tax	-	-	-	-	-	-	(16,180)	(193,069)	-	(209,249)	(209,249)
Total comprehensive income (loss) for the six months ended June 30, 2026	-	-	-	-	3,755,627	3,755,627	(16,180)	(193,069)	-	(209,249)	3,546,378
Reclassifications to equity directly related to assets held for sale disposal group	-	-	-	-	-	-	-	347	69,442	69,789	69,789
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	200,718	200,718	-	(200,718)	-	(200,718)	-
BALANCE AT JUNE 30, 2026	<u>\$ 11,112,343</u>	<u>\$ 55,192</u>	<u>\$ 19,338,837</u>	<u>\$ 120,039</u>	<u>\$ 19,889,997</u>	<u>\$ 39,348,873</u>	<u>\$ 3,230</u>	<u>\$ 3,945,902</u>	<u>\$ -</u>	<u>\$ 3,949,132</u>	<u>\$ 54,465,540</u>

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

(With Deloitte & Touche auditors’ report dated August 10, 2026)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 4,068,137	\$ 3,521,589
Profit (loss) before income tax from discontinued operations	287,775	(1,054,831)
Adjustments to reconcile profit:		
Depreciation expenses	74,693	72,834
Amortization expenses	1,600	1,600
(Reversal of) provision for bad debt expense	(583,223)	27,792
Net gain arising from derecognition of financial assets measured at amortized cost	(266,257)	(373,062)
Interest expenses	1,873,800	2,214,166
Interest income	(5,086,657)	(5,656,412)
Net change in provisions for guarantee liabilities	27,500	(7,000)
(Gain) loss on disposal and retirement of property and equipment	(219)	358
Gain on disposal of investment property	-	(4,407)
Gain on disposal of other assets	(1,561)	(65)
Gain on disposal of assets held for sale disposal group	(287,132)	-
(Gain) loss on disposal investment	(105,703)	1,074,925
Impairment loss on financial assets	5,019	-
Reversal of impairment loss on financial assets	-	(546,643)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to banks	(541,338)	367,210
Decrease in financial assets at fair value through profit or loss	24,085,883	2,517,452
(Increase) decrease in financial assets at fair value through other comprehensive income	(8,557,128)	11,734,404
Increase in investments in debt instruments at amortized cost	(9,638,307)	(520,000)
Increase in receivables	(944,838)	(1,131,376)
(Increase) decrease in discounts and loans	(13,001,166)	18,795,757
Increase in other financial assets	(46,999)	(419)
(Increase) decrease in other assets	(449,327)	219,253
Increase (decrease) in deposits from the Central Bank and banks	11,312,819	(7,343,759)
(Decrease) increase in financial liabilities at fair value through profit or loss	(612,261)	2,968
Decrease in securities sold under repurchase agreements	(2,030,923)	(4,987,635)
Increase in payables	8,705	1,163,851
Increase (decrease) in deposits and remittances	7,265,628	(15,142,113)
Decrease in other financial liabilities	-	(979,507)
Increase (decrease) in provisions for employee benefits	691	(2,298)
Increase (decrease) in other liabilities	339,895	(435,160)
Net cash generated from operations	7,199,106	3,529,472
Interest received	5,012,956	5,906,770
		(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2026	2025
Dividends received	\$ 44,449	\$ 9,242
Interest paid	(1,874,412)	(2,270,861)
Income tax paid	<u>(451,660)</u>	<u>(844,043)</u>
Net cash generated from operating activities	<u>9,930,439</u>	<u>6,330,580</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of held for sale disposal group (after deduction of cash and cash equivalent balances acquired)	98,657	-
Acquisition of property and equipment	(34,215)	(83,629)
Proceeds from disposal of property and equipment	220	26
Acquisition of investment properties	-	(250,250)
Proceeds from disposal of investment properties	<u>-</u>	<u>178,324</u>
Net cash generated from (used in) investing activities	<u>64,662</u>	<u>(155,529)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and banks	-	(320,000)
Repayments of lease liabilities	(47,039)	(46,902)
Payment of cash dividends	<u>(3,791,133)</u>	<u>-</u>
Net cash used in financing activities	<u>(3,838,172)</u>	<u>(366,902)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(20,225)</u>	<u>81,006</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,136,704	5,889,155
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>28,893,928</u>	<u>18,048,736</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 35,030,632</u>	<u>\$ 23,937,891</u>

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2026 and 2025:

	June 30	
	2026	2025
Cash and cash equivalents in consolidated balance sheets	\$ 2,605,544	\$ 3,710,649
Due from the Central Bank and call loans to banks reclassified as cash and cash equivalents under the definition of IAS 7	<u>32,425,088</u>	<u>20,227,242</u>
Cash and cash equivalents at the end of the period	<u>\$ 35,030,632</u>	<u>\$ 23,937,891</u>

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

(With Deloitte & Touche auditors' report dated August 10, 2026)

(Concluded)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2026 AND 2025 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

King's Town Bank Co., Ltd. hereinafter referred to as "the Bank" and its subsidiaries (collectively referred to as "the Group") were restructured from Tainan District Joint Saving Co., Ltd., on January 1, 1978. The Group applied for restructuring into a commercial bank in accordance with the resolution adopted at the extraordinary Shareholders' Meeting on November 29, 2005 and was renamed as "King's Town Bank Co., Ltd." The Group was listed on the Taiwan Stock Exchange Corporation in July 1983. The registered office and principal place of business are located at No. 506, Section 1, Ximen Road, West Central District, Tainan City, and branches have been established nationwide.

The Group's main business services are: (1) accepting checking deposits, (2) accepting other deposits, (3) issuing financial bonds, (4) providing loans, (5) providing bill discounts, (6) conducting various investment businesses, (7) conducting domestic and foreign exchange, (8) conducting draft acceptance, (9) issuing domestic and foreign letters of credit, (10) providing domestic and foreign guarantees, (11) providing collections and advances, (12) providing depository and agency services related to the various businesses listed above, and (13) other business authorized by the government.

The Bank, 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 1.2375 common shares and pay cash of \$26.75 for each common share of the Bank. The share swap record date was October 1, 2025.

The ultimate parent of the Group and the ultimate controlling party is SinoPac Financial Holdings, which holds 100% of the Group's common stock.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on August 10, 2026.

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

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

The initial application of the amended IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Group's accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2027

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements	January 1, 2027 (Note 1)
IFRS 19 “Subsidiaries without Public Accountability: Disclosures” (including the 2025 amendments to IFRS 19)	January 1, 2027
Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”	January 1, 2027
Amendments to IAS 28 “Amendments to the Fair Value Option for Investments in Associates and Joint Ventures”	January 1, 2027 (Note 2)

Note 1: IFRS 18 will take effect starting from January 1, 2028 for domestic entities. Earlier application is permitted.

Note 2: An entity shall apply the amendments when it applies IFRS 18.

IFRS 18 “Presentation and Disclosure in Financial Statements” and consequential amendments

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

- To classify items of income and expenses presented in the statement of profit or loss into the operating, investing, financing, income taxes and discontinued operations categories, the Group shall assess whether it has specified main business activities of investing in particular types of assets and providing financing to customers.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as “other” only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

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

- The Group shall use operating profit or loss as the starting point when presenting cash flows from operating activities under the indirect method.

- Interest and dividends received by the Group shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. However, if, after assessment, the Group has a specific main operating activity, it shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how it classifies dividend income, interest income and interest expense in the statement of profit or loss. The total of each of these cash flows shall be classified in a single category in the statement of cash flows.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of the amendments on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 20 "Regulatory Assets and Regulatory Liabilities"	January 1, 2029

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

As of the date the consolidated financial statements were authorized for issue, the Group is continually assessing the impacts of the above amended standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The consolidated financial statements have been 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, the guidelines issued by the authority, and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in the consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

Basis of Preparation

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

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

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

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the Banking industry cannot be reasonably identified, the accounts included in the Group's consolidated financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 45 for the maturity analysis of assets and liabilities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e., its subsidiaries). Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation; for related information.

The details of subsidiaries, shareholding ratios and business activities please refer to Note 14.

Foreign Currencies

a. Foreign currency transactions

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

Transactions in foreign the currencies from the entities of the Group 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.

b. Translation of financial statements in foreign currency

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

Cash and Cash Equivalents

Cash and cash equivalent in financial statements includes cash on hand, demand deposits and investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. For the purposes of presenting cash flows, the cash and cash equivalent include cash and cash equivalents in balance sheets, due from the Central Bank and call loans to banks and securities purchased under resell agreements under IAS 7.

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.

a. Recognition and measurement of financial assets

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

The Bank 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:

- 1) Operating model of financial assets management.
- 2) Contractual cash flow characteristics of financial assets.

Financial assets at amortized costs

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

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

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

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

- 1) 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.
- 2) 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:

- 1) Operating model of financial assets management: Collect contractual cash flows and sell financial assets.
- 2) 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:

- 1) Before de-recognition or reclassification, except for the impairment profit or loss and foreign currency exchange gains and losses recognized in profit or loss, the profit or loss is recognized in other comprehensive income.
- 2) At the time of de-recognition, the cumulative profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- 3) 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 Group will choose (this is not reversible) to state its subsequent fair value changes in the other comprehensive income (loss). Amounts stated in other comprehensive income cannot be converted to income or loss (during disposal of such equity instrument, the accumulated amount stated in other equity item will be directly transferred to retained earnings), and will be stated in the balance sheet as financial assets measured at fair value through other comprehensive income (loss). Investment dividends will be recognized in income or loss, unless such dividends clearly represent a portion of the investment cost.

Financial assets at FVTPL

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

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

b. 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 Bank 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 Bank measures expected credit losses to reflect the following:

- 1) An amount that is unbiased and weighted by probability through evaluating each possible outcome
- 2) Time value of money
- 3) 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:

- 1) 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.
- 2) 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.
- 3) For accounts receivable or contractual assets arising from transactions within the scope of IFRS 15, the Bank measured the allowance for loss with the expected credit loss amount of the duration.
- 4) For the rent receivables arising from the transactions as stipulated in IFRS 16, the Company uses the expected credit losses for the duration of the period to measure the allowance for losses.

In addition to the aforementioned assessments, the Bank 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 Bank 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 45 for information related to credit risk.

c. Derecognizing financial assets

The Bank’s financial assets will be derecognized when one of the following conditions occurs:

- 1) The contractual right from the cash flow of the financial asset is terminated.
- 2) When nearly all risk and compensations associated with ownership of a financial asset has been transferred.
- 3) 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.
- 4) 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.

d. Financial liabilities and equity instruments

Classification of liability or equity

The Bank 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 Bank are recognized by the acquisition cost minus direct distribution costs.

Hybrid instruments

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

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

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

- 1) The primary purpose for acquisition of the asset is short-term sales;
- 2) 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
- 3) 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:

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

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

Financial liabilities measured at the amortized cost

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

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

De-recognition of financial liabilities

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

When the Bank 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.

e. Offsetting of financial assets and financial liabilities

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

Derivatives

Derivatives held or issued by the Bank 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.

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:

- a. Principal market of the asset or liability, or
- b. 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 Bank 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.

Repurchase and Resell Transactions

Securities under repurchase or resell agreements are accounted for as securities sold under repurchase agreements or securities purchased under resell agreements. Related interest expenses and interest income are accrued over the period from the date of sale to the date of repurchase or from the date of purchase to the date of resell.

Property and Equipment

Property and equipment (P&E) are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each part of a P&E item with a cost that is significant in relation to the total cost of the item is depreciated separately. The estimated useful lives, residual values and depreciation method are audited at the end of each reporting period, with the effect of any changes in estimate accounted for prospectively.

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

Investment Properties

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

The Group determines the transfer of real estate into or out of investment properties based on the actual use of the assets.

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

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).

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group audits the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

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

Noncurrent Assets Held for Sale and Discontinued Operations

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Other long-term employee benefits

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

d. Employee benefit - employees' preferential deposits

The Bank has granted a preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential interest rate in excess of market interest rate is considered employee benefits.

Under Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", if the Bank's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess would be subject to IAS 19 "Employee Benefits" upon the employees' retirement. The actuarial valuation assumptions and parameters are based on the guidelines announced by the authorities.

Income Tax

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

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

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

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

b. Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

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

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

c. Current and deferred taxes for the period

Current and deferred taxes are recognized in profit or loss, but taxes that relate to items recognized in other comprehensive income or directly in equity are also recognized in other comprehensive income or directly in equity respectively.

Recognition of Interest Income and Interest Expense

Except for financial assets and liabilities at fair value through profit or loss, all interest-earning financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest income and interest expense in the consolidated statement of comprehensive income.

Recognition of Service Fee Income and Service Fee Expense

Service fee income and expense are recognized when loans or other services are provided. Service fees on significant projects are recognized when the project has been completed, for instance, loan syndication fees are recognized as revenue when the syndication has been completed. If service fee income and expense are related to provide service on loans, service fee income and expense are either recognized over the period that service is performed or as an adjustment to the effective interest rate on the loans and receivables, mainly depending on the materiality of these loans.

Leases

The bank and its subsidiaries determine whether contracts are, or contain a lease at the inception of a contract.

a. The Bank and its subsidiaries as lessor

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

Under operating leases, lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Bank and its subsidiaries assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Bank and its subsidiaries. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Bank and its subsidiaries as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Bank and its subsidiaries are reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank and its subsidiaries use the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank and its subsidiaries remeasure the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of economic sentiment indicators, inflation and interest rate fluctuations on the cash flow projection, growth rates, discount rates and profitability, and the management will continue to review the estimates and underlying assumptions.

Estimated Impairment of Discounts and Loans

The estimate of impairment of discounts and loans is based on assumptions about probability of default and loss given default. In making these assumptions and in selecting the inputs to the impairment calculation, the Group considers its experience, existing market conditions as well as forward-looking estimates. Details of the key assumptions and inputs used are disclosed in Note 44(c). Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, in accordance with the regulations set forth by the relevant authorities, the Group ensures that the classification and allowance for impairment are in compliance with the requirements of such regulations.

Impairment losses on discounts and loans are shown in Note 45(c).

6. CASH AND CASH EQUIVALENTS

	June 30, 2026	December 31, 2025	June 30, 2025
Cash on hand	\$ 1,323,807	\$ 1,397,711	\$ 1,336,653
Due from other banks	1,007,378	1,208,040	2,141,425
Notes and checks for clearing	<u>274,359</u>	<u>245,282</u>	<u>232,571</u>
	<u>\$ 2,605,544</u>	<u>\$ 2,851,033</u>	<u>\$ 3,710,649</u>

For the reconciliation between the cash and cash equivalents balances in the consolidated statement of cash flows and the related items in the consolidated balance sheets as of June 30, 2026 and 2025, reference is made to the consolidated statement of cash flows. The reconciliation as of December 31, 2025 is presented below:

	December 31, 2025
Cash and cash equivalents recorded on the consolidated balance sheets	\$ 2,851,033
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	<u>23,529,315</u>
Cash and cash equivalents on the consolidated statement of cash flows	<u>\$ 28,893,928</u>

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

	June 30, 2026	December 31, 2025	June 30, 2025
Call loans to banks	\$ 25,660,000	\$ 15,165,000	\$ 13,557,000
Deposit reserve - checking accounts	6,724,332	8,324,056	6,631,967
Deposit reserve - demand accounts	10,239,021	9,697,684	9,690,374
Deposit reserve - foreign currencies	<u>40,757</u>	<u>40,259</u>	<u>38,275</u>
	<u>\$ 42,664,110</u>	<u>\$ 33,226,999</u>	<u>\$ 29,917,616</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD)-denominated deposit reserves are determined monthly at prescribed rates based on average balances of customers' NTD-denominated deposits. Deposit reserve - demand account should not be used, except for monthly adjustments to the deposit reserve account. In addition, the foreign-currency deposit reserves are determined at prescribed rates based on the balances of foreign-currency deposits. These reserves can be accessed at any time but do not accrue interest.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2026	December 31, 2025	June 30, 2025
Financial assets mandatorily classified as at fair value through profit or loss			
Government bonds	\$ 5,896,826	\$ 25,393,262	\$ 36,413,272
Derivative financial instruments	247,150	14,465	21,631
Stocks	34,615	-	373,156
Convertible corporate bonds	11,110	40,756	116,410
Futures margin - own funds	1,626	-	-
Fund beneficiary certificates	-	2,113,308	-
Corporate bonds	-	1,954,745	1,791,614
Bank debentures	-	-	1,099,998
Others	87,725	-	-
Limited partnership	<u>-</u>	<u>-</u>	<u>250,864</u>
	<u>\$ 6,279,052</u>	<u>\$ 29,516,536</u>	<u>\$ 40,066,945</u>
Held-for-trading financial liabilities			
Derivative financial instruments	<u>\$ 108,119</u>	<u>\$ 26,447</u>	<u>\$ 19,239</u>

The derivative financial instruments entered into by the Bank and its subsidiaries for trading purposes are primarily undertaken to meet customers' hedging and investment needs, as well as to manage and offset the Bank and its subsidiaries' positions and to accommodate funding requirements in different currencies.

Please refer to Note 41 for information relating to financial assets at fair value through profit or loss pledged as security.

The Group engages in derivative transactions mainly to accommodate customers' needs and manage its own exposures. Outstanding derivative contracts (nominal) on June 30, 2026, December 31, 2025 and June 30, 2025 were as follows:

	June 30, 2026	December 31, 2025	June 30, 2025
Currency swap contracts	\$ 26,503,329	\$ 3,474,283	\$ 2,232,814
Futures contracts	91,932	-	69,567

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2026	December 31, 2025	June 30, 2025
Equity instruments at fair value through other comprehensive income	\$ 6,379,540	\$ 6,321,726	\$ 7,382,189
Debt instruments at fair value through other comprehensive income	<u>43,504,718</u>	<u>35,095,987</u>	<u>27,925,607</u>
	<u>\$ 49,884,258</u>	<u>\$ 41,417,713</u>	<u>\$ 35,307,796</u>

a. Equity instruments at fair value through other comprehensive income

	June 30, 2026	December 31, 2025	June 30, 2025
Listed stocks	\$ 734,838	\$ 768,453	\$ -
Unlisted stocks	<u>5,644,702</u>	<u>5,553,273</u>	<u>7,382,189</u>
	<u>\$ 6,379,540</u>	<u>\$ 6,321,726</u>	<u>\$ 7,382,189</u>

The Group holds listed and unlisted stocks as medium- and long-term strategic investments, based on the investment principles of improving the efficiency of medium- and long-term capital utilization and pursuing stable investment performance. Such investments are managed based on the principle of earning dividend income while balancing profit and risk, and they are not held for trading purpose. Therefore, these equity instruments are designated as at fair value through other comprehensive income.

Due to the management of investment position task, the Group sold the stocks at fair values of \$1,003,313 and \$361,998 and the net losses or gains on disposal were gains of \$200,718 and losses of \$65,963 for the six months ended June 30, 2026 and 2025, respectively. The losses or gains were transferred from other equity to retained earnings.

Dividend income recognized by the Group from investments that were derecognized during the reporting period and those still held at the end of the reporting period is presented as follows:

	For the Six Months Ended June 30	
	2026	2025
<u>Dividend income</u>		
still held at the end of the reporting period	<u>\$ 28,344</u>	<u>\$ 3,490</u>

b. Debt instrument at fair value through other comprehensive income

	June 30, 2026	December 31, 2025	June 30, 2025
Government bonds	\$ 11,620,000	\$ 10,030,927	\$ 5,968,822
Bank debentures	8,173,286	3,548,027	1,196,233
Corporate bonds	<u>23,711,432</u>	<u>21,517,033</u>	<u>20,760,552</u>
	<u>\$ 43,504,718</u>	<u>\$ 35,095,987</u>	<u>\$ 27,925,607</u>

Please refer to Note 41 for information relating to debt instrument at fair value through other comprehensive income pledged as security.

Please refer to Note 45 for The Group Credit risk management and information of impairment valuation of debt instruments at FVTOCI.

10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	June 30, 2026	December 31, 2025	June 30, 2025
Negotiable certificates of deposits	\$ 18,680,000	\$ 16,780,000	\$ 13,900,000
Government bonds	7,625,503	1,831,452	-
Bank debentures	2,437,961	860,938	-
Corporate bonds	<u>367,231</u>	<u>-</u>	<u>-</u>
	29,110,695	19,472,390	13,900,000
Less: Allowance for impairment loss	<u>(3,781)</u>	<u>(2,328)</u>	<u>(1,868)</u>
	<u>\$ 29,106,914</u>	<u>\$ 19,470,062</u>	<u>\$ 13,898,132</u>

Please refer to Note 41 for information relating to Investments in debt instruments measured at amortized cost pledged as security.

Please refer to Note 45 for the Group Credit risk management and information of impairment valuation of Investments in debt instruments measured at amortized cost.

11. RECEIVABLES, NET

	June 30, 2026	December 31, 2025	June 30, 2025
Interest receivable	\$ 1,130,601	\$ 991,235	\$ 934,323
Accounts and notes receivable	1,514,836	814,759	11,068,792
Settlement receivables	192,998	475	19,718
Others	<u>548,500</u>	<u>532,616</u>	<u>2,616,355</u>
	3,386,935	2,339,085	14,639,188
Less: Allowance for impairment loss	<u>(3,392)</u>	<u>(4,926)</u>	<u>(245,179)</u>
	<u>\$ 3,383,543</u>	<u>\$ 2,334,159</u>	<u>\$ 14,394,009</u>

Please refer to Note 41 for information relating to receivables pledged as security.

Please refer to Note 45 for the Group's information of impairment valuation of receivables.

The Group received payments for loans previously written off of \$2,500 and \$113,395 for the six months ended June 30, 2026 and 2025, respectively, which were recognized as a deduction of provision expenses.

12. DISCOUNTS AND LOANS, NET

	June 30, 2026	December 31, 2025	June 30, 2025
Discounts and overdrafts	\$ 19,838	\$ 51,744	\$ 22,294
Short-term loans	13,148,662	14,049,307	14,488,088
Short-term secured loans	53,329,583	52,564,332	51,692,854
Medium-term loans	35,417,648	31,596,770	33,090,474
Medium-term secured loans	71,705,999	60,297,780	60,839,938
Long-term loans	11,840,219	11,722,313	10,420,930
Long-term secured loans	56,736,010	57,874,064	54,849,852
Nonperforming loans transferred from loans	<u>68,609</u>	<u>40,916</u>	<u>36,580</u>
	242,266,568	228,197,226	225,441,010
Less: Allowance for impairment loss	<u>(3,556,673)</u>	<u>(3,136,580)</u>	<u>(3,005,309)</u>
	<u>\$ 238,709,895</u>	<u>\$ 225,060,646</u>	<u>\$ 222,435,701</u>

The Bank and its subsidiaries have an allowance for impairment loss on discounts and loans. Refer to Note 45 for information relating to the credit risk management and impairment of discounts and loans.

13. DISCONTINUED OPERATIONS

On December 26, 2025, the Bank's Board of Directors approved the disposal of 100% of the equity interest in King's Town Bank International Leasing Corporation and entered into a share purchase agreement. The transaction was completed on January 30, 2026.

As the transaction meets the criteria of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the assets liabilities, and operating results of King's Town Bank International Leasing Corporation have been reclassified as discontinued operations.

Accordingly, to align with the presentation of discontinued operations in the current period's consolidated statement of comprehensive income, the Group have reclassified the prior period. This reclassification enhances the relevance and comparability of the financial statements between periods.

The details of profit (loss) from discontinued operations and the related cash flow information were as follows:

	January 1, 2026 - January 30, 2026	January 1, 2025 - June 30, 2025
Interest income	\$ 32,735	\$ 375,730
Interest expenses	<u>(16,166)</u>	<u>(120,834)</u>
Net interest revenue	16,569	254,896
Net revenues other than interest		
Service fee income, net	1,443	41,975
Gains (losses) on financial assets and liabilities at fair value through profit or loss, net	13,391	(42,469)
Net other revenue other than interest, net	<u>(6,001)</u>	<u>26,527</u>
Net revenue	<u>25,402</u>	<u>280,929</u>
Bad debts expense, commitment and guarantee liability provision	(20,860)	(1,295,964)
Operating expenses		
Employee benefits expenses	(2,289)	(24,121)
Depreciation and amortization expense	(368)	(3,598)
Other general and administrative expenses	<u>(1,433)</u>	<u>(12,052)</u>
Profit (loss) before tax	452	(1,054,806)
Income tax expense	<u>-</u>	<u>(165)</u>
Profit (loss) from discontinued operations before eliminations	452	(1,054,971)
Elimination of intercompany (related party) transactions	<u>191</u>	<u>(25)</u>
Net profit (loss) for the period	643	(1,054,996)
Gain on disposal	<u>287,132</u>	<u>-</u>
 Profit (loss) from discontinued operations	 <u><u>\$ 287,775</u></u>	 <u><u>\$ (1,054,996)</u></u>
 Cash flows		
Operating activities	\$ (603,957)	\$ 1,085,571
Investing activities	98,657	(71,926)
Financing activities	<u>-</u>	<u>(320,000)</u>
 Net cash (outflows) inflows	 <u><u>\$ (505,300)</u></u>	 <u><u>\$ 693,645</u></u>

The carrying amounts of the assets and liabilities of King's Town Bank International Leasing Corporation Limited at the date of disposal are disclosed in Note 48.

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			
			June 30, 2026	December 31, 2025	June 30, 2025	
King's Town Bank	King's Town Securities Co., Ltd.	Securities brokerage	100.00	100.00	100.00	Notes 2 and 3
King's Town Bank	Kings Town Bank International Lease Corporation	Leasing	-	100.00	100.00	Note 1
King's Town Bank International Lease Corporation	King's Town Intl. Construction Management Corporation	Construction management	-	100.00	100.00	Note 1

Note 1: The Bank disposed of its entire equity interest in King's Town Bank International Lease Corporation on January 30, 2026. For further information on the disposal of the subsidiary, please refer to Note 48.

Note 2: In the first half of 2025, King's Town Securities Co., Ltd. carried out a cash capital reduction, returning capital in the amount of \$670,000 to shareholders based on their shareholding ratio. This has been approved by the competent authority.

Note 3: Due to significant operational changes, on June 9, 2025, the Bank'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 share purchase agreement expired on June 9, 2026, and was therefore terminated. On June 26, 2026, the Bank's extraordinary shareholders' meeting (acting on behalf of the Board of Directors) resolved to approve the merger of King's Town Securities Co., Ltd. and SinoPac Securities Corporation. The merger date will be determined after obtaining approval from the competent authority.

15. OTHER FINANCIAL ASSETS, NET

	June 30, 2026	December 31, 2025	June 30, 2025
Short-term advances	\$ <u>3,151</u>	\$ <u>1,652</u>	\$ <u>852</u>

Please refer to Note 45 for information relating to the credit risk management and impairment of other financial assets.

16. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the six months ended June 30, 2026 and 2025 are summarized as follows:

	For the Six Months Ended June 30, 2026						
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>							
Balance, January 1	\$ 4,212,394	\$ 1,126,098	\$ 241,934	\$ 12,339	\$ 80,743	\$ 207,303	\$ 5,880,811
Addition	-	3,607	15,970	-	140	14,498	34,215
Deduction	-	-	(366)	(247)	(139)	-	(752)
Transferred	-	86,757	-	-	-	(86,757)	-
Reclassifications	<u>4,385</u>	<u>17,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,996</u>
Balance, June 30	<u>4,216,779</u>	<u>1,234,073</u>	<u>257,538</u>	<u>12,092</u>	<u>80,744</u>	<u>135,044</u>	<u>5,936,270</u>
<u>Accumulated depreciation</u>							
Balance, January 1	-	730,613	202,792	10,598	59,153	-	1,003,156
Depreciation	-	11,084	13,807	321	4,007	-	29,219
Deduction	-	-	(365)	(247)	(139)	-	(751)
Reclassifications	<u>-</u>	<u>10,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,965</u>
Balance, June 30	<u>-</u>	<u>752,662</u>	<u>216,234</u>	<u>10,672</u>	<u>63,021</u>	<u>-</u>	<u>1,042,589</u>
<u>Net amount</u>							
Balance, January 1	\$ <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>
Balance, June 30	<u>\$ 4,216,779</u>	<u>\$ 481,411</u>	<u>\$ 41,304</u>	<u>\$ 1,420</u>	<u>\$ 17,723</u>	<u>\$ 135,044</u>	<u>\$ 4,893,681</u>

For the Six Months Ended June 30, 2025							
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Prepayments for Equipment and Construction in Progress	Total
<u>Cost</u>							
Balance, January 1	\$ 4,407,174	\$ 1,216,820	\$ -	\$ 20,315	\$ 300,556	\$ 173,134	\$ 6,117,999
Addition	-	900	-	-	21,449	61,280	83,629
Deduction	-	(63,671)	-	-	(2,607)	-	(66,278)
Reclassifications	-	48,735	-	-	-	(48,735)	-
Balance, June 30	<u>4,407,174</u>	<u>1,202,784</u>	<u>-</u>	<u>20,315</u>	<u>319,398</u>	<u>185,679</u>	<u>6,135,350</u>
<u>Accumulated depreciation</u>							
Balance, January 1	-	841,832	-	14,533	245,651	-	1,102,016
Depreciation	-	9,571	-	982	13,667	-	24,220
Deduction	-	(63,377)	-	-	(2,517)	-	(65,894)
Balance, June 30	-	<u>788,026</u>	-	<u>15,515</u>	<u>256,801</u>	-	<u>1,060,342</u>
<u>Net amount</u>							
Balance, January 1	<u>\$ 4,407,174</u>	<u>\$ 374,988</u>	<u>\$ -</u>	<u>\$ 5,782</u>	<u>\$ 54,905</u>	<u>\$ 173,134</u>	<u>\$ 5,015,983</u>
Balance, June 30	<u>\$ 4,407,174</u>	<u>\$ 414,758</u>	<u>\$ -</u>	<u>\$ 4,800</u>	<u>\$ 62,597</u>	<u>\$ 185,679</u>	<u>\$ 5,075,008</u>

The above property and equipment are depreciated at the following estimated useful lives:

<u>Items</u>	<u>Years</u>
Buildings	3-60 years
Machinery and computer equipment	3-10 years
Transportation equipment	3-5 years
Other equipment	3-5 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	June 30, 2026	December 31, 2025	June 30, 2025
<u>Carrying amount</u>			
Buildings	\$ 163,710	\$ 206,255	\$ 247,058
Transportation equipment	1,045	1,278	-
Other equipment	<u>1,792</u>	<u>2,560</u>	<u>3,327</u>
	<u>\$ 166,547</u>	<u>\$ 210,093</u>	<u>\$ 250,385</u>
For the Six Months Ended June 30			
	2026	2025	
Additions to right-of-use assets	<u>\$ 1,008</u>	<u>\$ 47,184</u>	
Depreciation charge for right-of-use assets			
Buildings	\$ 43,553	\$ 44,454	
Transportation equipment	233	-	
Other equipment	<u>768</u>	<u>734</u>	
	<u>\$ 44,554</u>	<u>\$ 45,188</u>	

b. Lease liabilities

	June 30, 2026	December 31, 2025	June 30, 2025
Carrying amount	<u>\$ 174,116</u>	<u>\$ 218,161</u>	<u>\$ 258,300</u>

Range of discount rates for lease liabilities were as follows:

	June 30, 2026	December 31, 2025	June 30, 2025
Buildings	0.26%-3.74%	0.26%-3.74%	0.26%-3.74%
Machinery and computer equipment	0.26%	0.26%	0.26%
Transportation equipment	3.74%	3.74%	-

	For the Six Months Ended June 30	
	2026	2025
Interest expense on lease liabilities	<u>\$ 1,986</u>	<u>\$ 2,179</u>

c. Other lease information

The agreements for investment properties leased out by the Bank and its subsidiaries under operating leases are shown in Note 18.

	For the Six Months Ended June 30	
	2026	2025
Expenses relating to short-term leases	<u>\$ 454</u>	<u>\$ 1,466</u>
Expenses relating to low-value asset leases	<u>\$ 1,311</u>	<u>\$ 1,426</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 1,273</u>	<u>\$ 348</u>
Total cash outflow for leases	<u>\$ (48,804)</u>	<u>\$ (49,794)</u>

The Bank and its subsidiaries have opted to apply the exemption from the recognition requirements without recognizing their related right-of-use assets and lease liabilities for short-term or low-value subject leases.

The maturity analysis for lease arrangements was based on the earliest date required to repay and the undiscounted cash flow (including principal and estimated interest).

The maturity analysis for lease liabilities is as follows:

June 30, 2026

	0-30 Days	31-90 Days	91 Days - 1 Year	1-5 Years	Over 5 Years	Total
Lease liabilities	\$ 7,861	\$ 15,515	\$ 51,788	\$ 103,802	\$ 1,170	\$ 180,136

December 31, 2025

	0-30 Days	31-90 Days	91 Days - 1 Year	1-5 Years	Over 5 Years	Total
Lease liabilities	\$ 7,812	\$ 15,628	\$ 64,348	\$ 135,506	\$ 3,018	\$ 226,312

June 30, 2025

	0-30 Days	31-90 Days	91 Days - 1 Year	1-5 Years	Over 5 Years	Total
Lease liabilities	\$ 7,814	\$ 15,643	\$ 69,230	\$ 168,880	\$ 7,095	\$ 268,662

18. INVESTMENT PROPERTIES

The movements of investment property are summarized as follows:

	For the Six Months Ended June 30, 2026			
	Land	Buildings	Construction in Progress	Total
<u>Cost</u>				
Balance, January 1	\$ 210,555	\$ 106,220	\$ -	\$ 316,775
Addition	-	-	-	-
Reclassifications	<u>(4,385)</u>	<u>(17,611)</u>	<u>-</u>	<u>(21,996)</u>
Balance, June 30	<u>206,170</u>	<u>88,609</u>	<u>-</u>	<u>294,779</u>
<u>Accumulated depreciation</u>				
Balance, January 1	-	75,038	-	75,038
Depreciation	-	552	-	552
Reclassifications	<u>-</u>	<u>(10,965)</u>	<u>-</u>	<u>(10,965)</u>
Balance, June 30	<u>-</u>	<u>64,625</u>	<u>-</u>	<u>64,625</u>
<u>Net amount</u>				
Balance, June 30	<u>\$ 206,170</u>	<u>\$ 23,984</u>	<u>\$ -</u>	<u>\$ 230,154</u>

For the Six Months Ended June 30, 2025

	Land	Buildings	Construction in Progress	Total
<u>Cost</u>				
Balance, January 1	\$ 429,737	\$ 97,741	\$ -	\$ 527,478
Addition	131,494	110,891	7,865	250,250
Deduction	<u>(173,897)</u>	<u>(230)</u>	<u>-</u>	<u>(174,127)</u>
Balance, June 30	<u>387,334</u>	<u>208,402</u>	<u>7,865</u>	<u>603,601</u>
<u>Accumulated depreciation</u>				
Balance, January 1	-	8,576	-	8,576
Depreciation	-	3,426	-	3,426
Deduction	<u>-</u>	<u>(210)</u>	<u>-</u>	<u>(210)</u>
Balance, June 30	<u>-</u>	<u>11,792</u>	<u>-</u>	<u>11,792</u>
<u>Net amount</u>				
Balance, June 30	<u>\$ 387,334</u>	<u>\$ 196,610</u>	<u>\$ 7,865</u>	<u>\$ 591,809</u>

The Bank and its subsidiaries have not pledged investment properties as collateral.

The aforementioned investment properties of the Group are held for the purpose of generating rental income, capital appreciation, or both, and are transferred from property and equipment either in full or pro-rata based on the leased portion of their carrying amounts. As of June 30, 2026, December 31, 2025 and June 30, 2025, the fair values of these investment properties were \$450,767, \$490,298 and \$629,196, respectively. These fair values were based on the Group's internal valuation reports instead of assessments by independent professional appraisers, and were measured using Level 3 inputs.

Investment properties are leased out under operating leases with terms of 0.25 to 10 years. The lease contracts contain contingent rent clauses with annual rent adjustments based on a fixed ratio.

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

	June 30, 2026	December 31, 2025	June 30, 2025
Year 1	\$ 16,019	\$ 15,956	\$ 15,948
Year 2	14,853	15,486	15,659
Year 3	12,734	13,520	14,853
Year 4	7,722	10,451	12,734
Year 5	6,273	6,963	7,722
Over 5 years	<u>3,490</u>	<u>6,482</u>	<u>9,764</u>
	<u>\$ 61,091</u>	<u>\$ 68,858</u>	<u>\$ 76,680</u>

19. OTHER ASSETS

	June 30, 2026	December 31, 2025	June 30, 2025
Collateral assumed	\$ 1,080,553	\$ 1,080,553	\$ 262,138
Guarantee deposits	337,977	238,123	222,152
Temporary payment and suspense accounts	376,897	1,056	4,155
Interbank settlement fund	1,008,572	1,027,488	1,010,825
Others	<u>132,068</u>	<u>139,559</u>	<u>101,789</u>
Net amount	<u>\$ 2,936,067</u>	<u>\$ 2,486,779</u>	<u>\$ 1,601,059</u>

Please refer to Note 41 for information relating to other assets pledged as security.

20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2026	December 31, 2025	June 30, 2025
Call loans from banks	\$ 19,267,807	\$ 7,955,753	\$ 9,020,102
Deposits from banks	<u>3,544</u>	<u>2,779</u>	<u>1,522</u>
	<u>\$ 19,271,351</u>	<u>\$ 7,958,532</u>	<u>\$ 9,021,624</u>

21. DUE TO THE CENTRAL BANK AND BANKS

	June 30, 2026	December 31, 2025	June 30, 2025
Due to interbank	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,229,000</u>

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	June 30, 2026	December 31, 2025	June 30, 2025
Government bonds	\$ 3,813,568	\$ 3,254,931	\$ 3,782,361
Bank debentures	-	2,323,375	-
Corporate bonds	<u>-</u>	<u>266,185</u>	<u>-</u>
	<u>\$ 3,813,568</u>	<u>\$ 5,844,491</u>	<u>\$ 3,782,361</u>
Agreed-upon repurchase price	\$ 3,819,667	\$ 5,868,183	\$ 3,788,368
Par value	3,735,000	5,834,951	3,691,000
Maturity date	September 2026	March 2026	September 2025

23. PAYABLES

	June 30, 2026	December 31, 2025	June 30, 2025
Accounts payable	\$ 1,431,516	\$ 759,875	\$ 667,448
Accrued expenses	752,526	923,625	776,507
Interest payable	233,338	252,102	245,807
Notes and checks in clearing	274,359	245,282	232,571
Others	<u>641,325</u>	<u>550,153</u>	<u>1,273,951</u>
	<u>\$ 3,333,064</u>	<u>\$ 2,731,037</u>	<u>\$ 3,196,284</u>

24. DEPOSITS AND REMITTANCES

	June 30, 2026	December 31, 2025	June 30, 2025
Checking	\$ 2,100,247	\$ 3,647,908	\$ 2,517,874
Demand	61,449,193	64,044,377	57,431,188
Time deposits	56,907,020	43,865,091	45,580,388
Savings - demand	176,631,876	179,592,242	175,906,595
Negotiable certificates of deposits	1,576,000	76,000	76,000
Remittances outstanding	<u>34,872</u>	<u>23,152</u>	<u>15,164</u>
	<u>\$ 298,699,208</u>	<u>\$ 291,248,770</u>	<u>\$ 281,527,209</u>

25. OTHER FINANCIAL LIABILITIES

	June 30, 2026	December 31, 2025	June 30, 2025
China Bills Finance	\$ -	\$ -	\$ 1,400,000
Taiwan Finance Corporation	-	-	1,300,000
Mega Bills	-	-	1,000,000
Grand Bills Finance	-	-	900,000
Ta Ching Bills Finance Corporation	-	-	500,000
Dah Chung Bills Finance Corporation	<u>-</u>	<u>-</u>	<u>500,000</u>
	-	-	5,600,000
Less: Discount on commercial paper payable	<u>-</u>	<u>-</u>	<u>(5,145)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,594,855</u>

Range of interest rates for commercial paper payable was as follows:

	June 30, 2026	December 31, 2025	June 30, 2025
Range of interest rates (%)	-	-	2.00%-2.19%

26. PROVISIONS

	June 30, 2026	December 31, 2025	June 30, 2025
Provision for guarantee liabilities	\$ 136,714	\$ 109,214	\$ 118,214
Provision for financing commitment	21,818	21,818	24,818
Provision for decommissioning liabilities	2,270	2,270	-
Provision for employee benefits (Note 27)	<u>691</u>	<u>-</u>	<u>4,151</u>
	<u>\$ 161,493</u>	<u>\$ 133,302</u>	<u>\$ 147,183</u>

The movements of provision for guarantee liabilities, and provision for financing commitment were as follows:

	For the Six Months Ended June 30, 2026	
	Provision for Financing Commitment	Provision for Guarantee Liabilities
Balance, January 1	\$ 21,818	\$ 109,214
Provision	-	27,500
Effect of exchange rate changes and others	<u>-</u>	<u>-</u>
Balance, June 30	<u>\$ 21,818</u>	<u>\$ 136,714</u>

	For the Year Ended December 31, 2025	
	Provision for Financing Commitment	Provision for Guarantee Liabilities
Balance, January 1	\$ 24,818	\$ 125,214
Provision (reversal of provision)	(3,000)	(16,000)
Effect of exchange rate changes and others	<u>-</u>	<u>-</u>
Balance, December 31	<u>\$ 21,818</u>	<u>\$ 109,214</u>

	For the Six Months Ended June 30, 2025	
	Provision for Financing Commitment	Provision for Guarantee Liabilities
Balance, January 1	\$ 24,818	\$ 125,214
Provision (reversal of provision)	-	(7,000)
Effect of exchange rate changes and others	<u>-</u>	<u>-</u>
Balance, June 30	<u>\$ 24,818</u>	<u>\$ 118,214</u>

Please refer to Note 45 for information relating to the credit risk management and impairment of reserve for losses on guarantees and financial commitments.

27. EMPLOYEE BENEFITS PLANS

	June 30, 2026	December 31, 2025	June 30, 2025
Recognized in consolidated balance sheets			
Defined benefit plans	\$ -	\$ -	\$ 4,151
Others	<u>691</u>	<u>-</u>	<u>-</u>
	<u>\$ 691</u>	<u>\$ -</u>	<u>\$ 4,151</u>

a. Defined contribution plans

The Bank and its subsidiaries have a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, monthly contributions to employees' individual pension accounts are at 6% of monthly salaries and wages.

The total expenses recognized in profit or loss for the six months ended June 30, 2026 and 2025 were \$26,236 and \$22,102, respectively, which represent contributions payable to these plans by the Bank and its subsidiaries at rates specified in the rules of the plan.

b. Defined benefit plans

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 January 2015, it was adjusted from 15% to 2%, 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 June 30, 2025 and 2026, the Bank's defined benefit plans are both expected to contribute 0 thousand in the next year.

c. Other

Others included long-term incentive compensation plans.

28. OTHER LIABILITIES

	June 30, 2026	December 31, 2025	June 30, 2025
Temporary receipt and suspense accounts	\$ 464,262	\$ 126,350	\$ 396,565
Guarantee deposits received	25,551	25,263	64,857
Advance receipts	25,828	26,033	18,849
Others	<u>4,278</u>	<u>2,378</u>	<u>19,939</u>
	<u>\$ 519,919</u>	<u>\$ 180,024</u>	<u>\$ 500,210</u>

29. EQUITY

a. Common stock

As of June 30, 2026, December 31, 2025 and June 30, 2025, the authorized capital stock of the Bank amounted to \$18,000,000 for all periods, with the issued capital stock amounting to \$11,112,343 for each period. Each share has a par value of \$10, and there are 1,111,234 shares issued. Each share is entitled to one voting right and the right to receive dividends.

b. Capital surplus

	June 30, 2026	December 31, 2025	June 30, 2025
Share premium	\$ 52,563	\$ 52,563	\$ 52,563
Others	<u>2,629</u>	<u>2,629</u>	<u>2,629</u>
	<u>\$ 55,192</u>	<u>\$ 55,192</u>	<u>\$ 55,192</u>

The capital surplus arising from shares issued in excess of par (from the issuance of common shares, issuance of shares in a business combination, and treasury stock transactions, etc.) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a prescribed percentage of the Bank's paid-in capital and once per year).

c. Legal reserve

According to the Banking Act, the legal reserve is provided until its balance reaches the total paid-in capital of the company. According to The Banking Act of The Republic of China, before the legal reserve reaches the total capital, the maximum cash distribution of surplus shall not exceed 15% of the total capital. The legal reserve can be used to make up for deficits. When the company has no deficits, the portion of the legal reserve exceeding 25% of the total paid-in capital can be allocated in cash, in addition to other appropriations.

d. Special reserve

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.

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

The amounts of special reserve from first-time adoption as of January 1, 2026 and 2025, respectively, were both \$45,549. For the six months ended June 30, 2026 and 2025, there was no use, disposal, or reclassification of assets that resulted in the reversal of special reserve to undistributed earnings. As of June 30, 2026 and 2025, the amounts of special reserve from first-time adoption were both \$45,549.

e. Appropriation of earnings and dividends policy

The Bank’s Articles of Incorporation provide that annual net income should be appropriated after it has:

- 1) Paid all outstanding taxes;
- 2) Deducted any deficit of prior years;
- 3) Set aside 30% of remaining earnings as legal reserve;
- 4) Set aside any special reserve or retained earnings allocated at its option;
- 5) 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 Bank is based on the business operation needs of the Bank 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 \$0.1, it will not be distributed.

When distributing distributable retained earnings, the Bank shall appropriate a special reserve for the difference between the balance of the special reserve appropriated upon first adoption of IFRS and the net amount of other equity deductions in accordance with the applicable laws and regulations. Subsequently, when the net amount of other equity deductions is reversed, the portion of the special reserve corresponding to the reversal of the net amount of other equity deductions may be reversed for distribution of retained earnings.

Under the Financial Holding Company Act, the board of directors is empowered to execute the authority of the shareholders’ meeting, which is under no jurisdiction in the related regulations in the Company Act.

The appropriation of earnings for 2025 and 2024 has been resolved by the Bank's board of directors (on behalf of the shareholder's meeting) on May 4, 2026 and December 26, 2025. The appropriation and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2025	2024	2025	2024
Legal reserve	\$ 1,139,612	\$ 1,512,503		
Cash dividends	<u>3,791,133</u>	<u>4,000,000</u>	\$ 3.4	\$ 3.6
	<u>\$ 4,930,745</u>	<u>\$ 5,512,503</u>		

f. Other equity items

	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total
		Equity Instrument	Debt Instrument		
Balance January 1, 2026	\$ 19,410	\$ 4,029,115	\$ 310,227	\$ (69,442)	\$ 4,289,310
Exchange differences					
Exchange differences on translation of foreign operations	(20,225)	-	-	-	(20,225)
Related income tax	4,045	-	-	-	4,045
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	433,769	(630,264)	-	(196,495)
Adjustment for loss allowance of debt instruments	-	-	3,773	-	3,773
Reclassification adjustments	-	(347)	-	-	(347)
Cumulative realized gain or loss transferred to retained earnings due to disposal	-	(200,718)	-	-	(200,718)
Reclassification adjustments related to disposal	-	347	-	69,442	69,789
Balance June 30, 2026	<u>\$ 3,230</u>	<u>\$ 4,262,166</u>	<u>\$ (316,264)</u>	<u>\$ -</u>	<u>\$ 3,949,132</u>
Balance January 1, 2025	\$ (11,045)	\$ 5,198,859	\$ (1,114,155)	\$ -	\$ 4,073,659
Exchange differences					
Exchange differences on translation of foreign operations	81,006	-	-	-	81,006
Related income tax	(16,201)	-	-	-	(16,201)
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	362,606	1,312,893	-	1,675,499
Adjustment for loss allowance of debt instruments	-	-	(582,711)	-	(582,711)
Reclassification adjustments	-	58,672	-	-	58,672
Cumulative realized gain or loss transferred to retained earnings due to disposal	-	65,963	-	-	65,963
Related income tax	-	-	-	-	-
Balance June 30, 2025	<u>\$ 53,760</u>	<u>\$ 5,686,100</u>	<u>\$ (383,973)</u>	<u>\$ -</u>	<u>\$ 5,355,887</u>

30. NET INTEREST INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Interest income				
Loans	\$ 1,910,635	\$ 1,877,599	\$ 3,779,821	\$ 3,862,166
Investment in securities	547,187	396,171	1,036,606	895,168
Due from the Central Bank and call loans to banks	93,237	73,862	180,067	149,033
Others	<u>39,180</u>	<u>342,918</u>	<u>57,428</u>	<u>375,510</u>
	<u>2,590,239</u>	<u>2,690,550</u>	<u>5,053,922</u>	<u>5,281,877</u>
Interest expenses				
Deposits	(824,211)	(873,457)	(1,661,917)	(1,825,196)
Call loans from banks	(99,319)	(66,978)	(153,433)	(180,683)
Structured products	(16,613)	(13,482)	(40,298)	(85,274)
Others	<u>(944)</u>	<u>(1,166)</u>	<u>(1,986)</u>	<u>(2,179)</u>
	<u>(941,087)</u>	<u>(955,083)</u>	<u>(1,857,634)</u>	<u>(2,093,332)</u>
Net amount	<u>\$ 1,649,152</u>	<u>\$ 1,735,467</u>	<u>\$ 3,196,288</u>	<u>\$ 3,188,545</u>

31. SERVICE FEE INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Service fee income				
Loan services	\$ 345,732	\$ 390,397	\$ 742,644	\$ 710,307
Insurance services	120,197	75,426	299,163	159,502
Trust and related services	43,810	42,482	90,478	79,269
Others	<u>146,345</u>	<u>86,676</u>	<u>250,482</u>	<u>165,826</u>
	<u>656,084</u>	<u>594,981</u>	<u>1,382,767</u>	<u>1,114,904</u>
Service fee expenses				
Interbank services	(2,827)	(3,052)	(5,665)	(6,109)
Others	<u>(23,157)</u>	<u>(25,520)</u>	<u>(49,044)</u>	<u>(38,628)</u>
	<u>(25,984)</u>	<u>(28,572)</u>	<u>(54,709)</u>	<u>(44,737)</u>
Net amount	<u>\$ 630,100</u>	<u>\$ 566,409</u>	<u>\$ 1,328,058</u>	<u>\$ 1,070,167</u>

32. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Interest income	<u>\$ 35,416</u>	<u>\$ 109,641</u>	<u>\$ 98,400</u>	<u>\$ 220,062</u>
Dividend income	<u>693</u>	<u>2,553</u>	<u>693</u>	<u>3,911</u>
Disposal gain (loss) on financial assets and liabilities at fair value through profit or loss				
Derivative financial instruments	82,539	140,504	45,769	179,606
Corporate bonds	47,058	(550,232)	328,098	(477,617)
Stocks	(1,883)	420,767	(4,125)	288,444
Others	<u>57,513</u>	<u>4,160</u>	<u>67,521</u>	<u>4,160</u>
	<u>185,227</u>	<u>15,199</u>	<u>437,263</u>	<u>(5,407)</u>
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss				
Derivative financial instruments	106,829	21,294	151,013	16,659
Corporate bonds	(62,846)	100,931	(429,581)	195,231
Stocks	2,947	5,572	1,531	(10,467)
Others	<u>(1,934)</u>	<u>1,294</u>	<u>(5,760)</u>	<u>1,294</u>
	<u>44,996</u>	<u>129,091</u>	<u>(282,797)</u>	<u>202,717</u>
	<u>\$ 266,332</u>	<u>\$ 256,484</u>	<u>\$ 253,559</u>	<u>\$ 421,283</u>

33. REALIZED GAINS OR LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Dividend income	\$ 23,204	\$ 3,490	\$ 43,756	\$ 3,490
Gain or loss on disposal of debt instruments	<u>27,818</u>	<u>(802,735)</u>	<u>105,703</u>	<u>(1,074,925)</u>
	<u>\$ 51,022</u>	<u>\$ (799,245)</u>	<u>\$ 149,459</u>	<u>\$ (1,071,435)</u>

34. NET OTHER REVENUE THAN INTEREST INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Rental income from operating assets	\$ 4,606	\$ 3,879	\$ 9,042	\$ 7,740
Gain (loss) on disposal of properties	220	(380)	1,780	(313)
Others	<u>25,122</u>	<u>5,351</u>	<u>28,470</u>	<u>8,697</u>
	<u>\$ 29,948</u>	<u>\$ 8,850</u>	<u>\$ 39,292</u>	<u>\$ 16,124</u>

35. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Salaries and wages	\$ 340,397	\$ 345,489	\$ 651,292	\$ 629,970
Labor insurance, national health insurance and group life insurance	22,757	21,990	52,642	51,580
Post-employment benefit expense	12,656	10,872	26,236	22,102
Other employee benefits expense	<u>12,487</u>	<u>502,247</u>	<u>14,497</u>	<u>515,082</u>
	<u>\$ 388,297</u>	<u>\$ 880,598</u>	<u>\$ 744,667</u>	<u>\$ 1,218,734</u>

In accordance with the Bank's Articles of Incorporation, where the Bank has annual profits, it shall allocate employees' compensation at a rate of not less than 0.01% and directors' remuneration at a rate not exceeding 2% of such profits. However, if the Bank has accumulated losses, an amount shall first be reserved to offset such losses before any appropriation. At least 30% of the employees' compensation shall be distributed to grassroots employees. Employees' compensation may be distributed in the form of shares or cash, and shall be resolved by a board meeting attended by at least two-thirds of all directors, with the approval of a majority of the directors present. The resolution shall be reported to the shareholders' meeting. Information regarding employees' compensation and directors' remuneration as resolved by the Board of Directors is available on the Market Observation Post System (MOPS) of the Taiwan Stock Exchange. For the six months ended June 30, 2026 and 2025, the Bank accrued employees' compensation of \$435 and \$247, respectively.

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

On February 23, 2026 and February 24, 2025, the Bank's board of directors exercised the power and authority of the shareholders' meeting proposed amounts of employees' compensation that were the same as the accrued amounts reflected in the consolidated financial statements in 2025 and 2024.

36. DEPRECIATION AND AMORTIZATION

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Depreciation	\$ 37,711	\$ 35,436	\$ 74,325	\$ 69,236
Amortization	<u>800</u>	<u>800</u>	<u>1,600</u>	<u>1,600</u>
	<u>\$ 38,511</u>	<u>\$ 36,236</u>	<u>\$ 75,925</u>	<u>\$ 70,836</u>

37. GENERAL AND ADMINISTRATIVE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Rental	\$ 944	\$ 1,396	\$ 1,765	\$ 2,892
Others	<u>235,526</u>	<u>268,395</u>	<u>472,758</u>	<u>500,666</u>
	<u>\$ 236,470</u>	<u>\$ 269,791</u>	<u>\$ 474,523</u>	<u>\$ 503,558</u>

38. INCOME TAX

The major components of income tax expense were as follows:

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Current tax				
Current year	\$ 456,091	\$ 717,012	\$ 629,166	\$ 897,945
Adjustment of current income tax for previous fiscal years in the current period	<u>(4,503)</u>	<u>(2,906)</u>	<u>(4,503)</u>	<u>(2,906)</u>
	451,588	714,106	624,663	895,039
Deferred tax				
Temporary adjustment	<u>29,176</u>	<u>5,936</u>	<u>(24,378)</u>	<u>(2,248)</u>
Income tax expense recognized in profit or loss	<u>\$ 480,764</u>	<u>\$ 720,042</u>	<u>\$ 600,285</u>	<u>\$ 892,791</u>

b. Income tax recognized in equity

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
<u>Deferred tax</u>				
Adjustments of current period				
Exchange differences on translation of foreign operations	<u>\$ (170)</u>	<u>\$ (18,187)</u>	<u>\$ 4,045</u>	<u>\$ (16,201)</u>

Status of income tax return assessments:

As of June 30, 2026, the status of income tax return assessments of the Bank and its subsidiaries is as follows:

Kings Town Bank	Assessed up to 2024
King's Town Securities Co., Ltd.	Assessed up to 2024
Kings Town Bank International Lease Corporation (Note 14)	Assessed up to 2023
King's Town Intl. Construction Management Corporation (Note 14)	Assessed up to 2023

39. EARNINGS PER SHARE

Basic earnings per share is calculated by the gain or loss attributed to the Bank's shareholder divided by the weighted-average number of common stock outstanding.

Diluted earnings per share is calculated by dividing profit or loss attributable to the Bank's ordinary shareholders by the weighted-average number of ordinary shares outstanding, adjusted for the effect of all dilutive potential ordinary shares, assuming their conversion into ordinary shares.

	Dollars Per Share			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Basic EPS				
From continuing operations	\$ 1.99	\$ 1.63	\$ 3.12	\$ 2.37
From discontinued operations	<u>0.01</u>	<u>(0.78)</u>	<u>0.26</u>	<u>(0.95)</u>
	<u>\$ 2.00</u>	<u>\$ 0.85</u>	<u>\$ 3.38</u>	<u>\$ 1.42</u>
Diluted EPS				
From continuing operations	\$ 1.99	\$ 1.63	\$ 3.12	\$ 2.37
From discontinued operations	<u>0.01</u>	<u>(0.78)</u>	<u>0.26</u>	<u>(0.95)</u>
	<u>\$ 2.00</u>	<u>\$ 0.85</u>	<u>\$ 3.38</u>	<u>\$ 1.42</u>

Net income and the weighted-average number of common stock outstanding in the computation of basic EPS are as follows:

Net income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Net income for calculating basic and diluted EPS				
Net income before tax of the continuing business units	\$ 2,216,876	\$ 1,802,437	\$ 3,467,852	\$ 2,628,798
Profit or loss from discontinued operations	<u>-</u>	<u>(859,068)</u>	<u>287,775</u>	<u>(1,054,996)</u>
	<u>\$ 2,216,876</u>	<u>\$ 943,369</u>	<u>\$ 3,755,627</u>	<u>\$ 1,573,802</u>

Shares

	Shares in Thousands			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
The weighted-average number of common stock outstanding in the computation of basic EPS	<u>1,111,234</u>	<u>1,111,234</u>	<u>1,111,234</u>	<u>1,111,234</u>

40. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other notes to the consolidated financial statements, transactions, between the Group and other related parties are summarized as follows:

a. Related parties and their relationships with the Group

Related Party	Relationship with the Bank and Its Subsidiaries
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
Bank SinoPac Company Limited (Bank SinoPac)	Subsidiary of SPH
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
SinoPac Venture Capital Corporation (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
SinoPac Securities Investment Service Corporation (SinoPac Securities Investment Service)	Subsidiary of SinoPac Securities
SinoPac Securities Venture Capital Corporation (SinoPac Securities Venture Capital)	Subsidiary of SinoPac Securities

(Continued)

Related Party	Relationship with the Bank and Its Subsidiaries
SinoPac Securities (Asia) Ltd. (SinoPac Securities (Asia))	Subsidiary of SinoPac Securities
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac International Leasing Corporation (SPIL)	Subsidiary of SPL
SinoPac Capital International (HK) Limited (SinoPac Capital International (HK))	Subsidiary of SPL
Global Unichip Corp. (GUC)	Affiliate of SPH's chairman's spouse
Hsinex International Corp. (Hsinex International)	SPH's corporate director
Xing Yuan Co., Ltd. (Xing Yuan)	SPH's corporate director
Hsin-Yi Foundation	SPH's corporate director
Yong Hsin Yi Enterprise Co., Ltd. (Yong Hsin Yi Enterprise)	SPH's corporate director
Fu Hua Development Enterprise Co., Ltd. (Fu Hua Development)	SPH's corporate director
He Ze Yi Enterprise Co., Ltd. (He Ze Yi Enterprise)	SPH's corporate director
E Ink Holdings Inc. (E Ink Holdings)	Affiliate of SPH's director
China Color Printing Co., Ltd. (China Color Printing)	Affiliate of the Bank's director
Yuen Foong Yu Biotech Co., Ltd. (Yuen Foong Yu Biotech)	Affiliate of the Bank's director
Yuen Foong Paper Co., Ltd.	Affiliate of SPH's Corporate director
System Solutions Corp.	Substantial related party
System Corporation	Substantial related party
Taiwan Glass Industry Corporation	Affiliate of SinoPac Securities's Corporate Director
WaWoo Co., Ltd.	Substantial related party
Mercuries Data Systems Ltd.	Affiliate of the SPH's director's spouse
United Taste International Co., Ltd.	Affiliate of the SPH's director
Taiwan Pulp & Paper Co., Ltd.	Affiliate of the Bank's executive officer's siblings
Morley Industrial Co., Ltd.	Affiliate of the Bank's executive officer
Mentex Enterprise Co., Ltd.	Affiliate of the Bank's executive officer
AdvanPak Inc. Ltd.	Affiliate of the Bank's executive officer
U-Tan Precision Co., Ltd.	Affiliate of the Bank's executive officer's spouse
Pei Yu Co., Ltd.	Affiliate of the Bank's executive officer
Souliday Studio	Affiliate of the Bank's Executive Officer's spouse
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
Hung-Sung, Shen	Acting General Manager of the Corporation (acting since April 1, 2026)
Chen-Chih Tai	Chairman of the Corporation (term ended on 2025.10.1)

(Continued)

Related Party	Relationship with the Bank and Its Subsidiaries
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)
Hosun Universal Co., Ltd.	Affiliate of the Bank's director's and executive officer's children (before November 2025)
Olivia Co., Ltd.	Substantial related party (before April 2026)
King's Town Construction Co., Ltd.	Father of the Corporation's Vice Chairman (before October 2025)
Other	Representatives of the Corporation's executive officers, incorporated directors and supervisors, and second degree of kinship and substantial related parties

(Concluded)

b. Significant transactions with related parties are summarized as follows:

1) Deposits

	June 30, 2026	Percentage of Deposits (%)	December 31, 2025	Percentage of Deposits (%)	June 30, 2025	Percentage of Deposits (%)
Others	<u>\$ 1,012,313</u>	0.34	<u>\$ 1,225,680</u>	0.42	<u>\$ 451,822</u>	0.16

2) Loans

For the Six Months Ended June 30, 2026			
Ending Balance	Highest Balance	Interest/Fee Rates (%)	Interest Income (%)
<u>\$ 51,707</u>	<u>\$ 51,913</u>	0.02	1.67-2.78

Category	June 30, 2026						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	5	\$ 2,454	\$ 2,356	\$ 2,356	\$ -	None	None
Household mortgage loans	3	5,807	5,699	5,699	-	Real estate	None
Others:	Huang○○	300	300	300	-	Real estate	None
	Chang○○	6,632	6,632	6,632	-	Real estate	None
	Zhong○○	8,007	8,007	8,007	-	Real estate	None
	Jin○○	8,685	8,685	8,685	-	Real estate	None
	Lu○○	14,128	14,128	14,128	-	Real estate	None
	Lu○○	5,094	5,094	5,094	-	Real estate	None
	Yu○○	286	286	286	-	Real estate	None
	Wu○○	520	520	520	-	Real estate	None

December 31, 2025			
Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Income (%)
\$ 61,583	\$ 61,789	0.03	1.08-2.70

Category	December 31, 2025						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	5	\$ 2,546	\$ 2,447	\$ 2,447	\$ -	None	None
Household mortgage loans	3	6,129	6,022	6,022	-	Real estate	None
Others:	Chen○○	1,500	1,500	1,500	-	bank deposit	None
	Huang○○	300	300	300	-	Real estate	None
	Chang○○	4,996	4,996	4,996	-	Real estate	None
	Zhong○○	8,166	8,166	8,166	-	Real estate	None
	Jin○○	8,858	8,858	8,858	-	Real estate	None
	Lu○○	14,373	14,373	14,373	-	Real estate	None
	Lu○○	5,205	5,205	5,205	-	Real estate	None
	Yu○○	328	328	328	-	Real estate	None
	Lin○○	4,000	4,000	4,000	-	Real estate	None
	Yeh○○	4,800	4,800	4,800	-	Real estate	None
	Wu○○	588	588	588	-	Real estate	None

For the Six Months Ended June 30, 2025			
Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Income (%)
\$ 11,609	\$ 11,812	0.01	1.08-3.73

Category	June 30, 2025						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	5	\$ 2,840	\$ 2,743	\$ 2,743	\$ -	None	None
Household mortgage loans	3	6,448	6,342	6,342	-	Real estate	None
Others:	Chen○○	1,500	1,500	1,500	-	bank deposit	None
	Chang○○	724	724	724	-	Real estate	None
	Huang○○	300	300	300	-	Real estate	None

3) Lease

The rental expenses paid by the Bank and its subsidiaries to related parties for leasing office premises amounted to \$3,314 for the six months ended June 30, 2025, which were recognized as deduction of provision expenses.

For the six months ended June 30, 2026 and from October 1 to December 31, 2025. The Bank and its subsidiaries leased vehicles from related parties were as follows:

a) Right-of-use assets

Related Party	June 30, 2026	December 31, 2025
SinoPac Leasing Corporation		
Right-of-use assets	\$ 1,394	\$ 1,394
Depreciation charge for right-of-use assets	<u>(349)</u>	<u>(116)</u>
	<u>\$ 1,045</u>	<u>\$ 1,278</u>

b) Lease liabilities

Related Party	June 30, 2026	December 31, 2025
SinoPac Leasing Corporation	<u>\$ 1,060</u>	<u>\$ 1,284</u>

c) The total rental payments for the above lease transactions paid by the Bank and its subsidiaries amounted to \$246 and \$123 for the six-month period ended June 30, 2026 and the three-month period from October 1, 2025 to December 31, 2025, respectively.

4) Guarantees: None.

5) Derivative transactions: None.

6) Sale of non-performing loan: None.

7) Others

a. The Bank and its subsidiaries paid other expenses to related parties amounting to \$3,512 for the six-month period ended June 30, 2026, which were recognized under other operating and administrative expenses.

b. For business purposes, on June 12, 2025, the Bank sold a golf club membership certificate to a related party, which had been recorded under other assets. The selling price was \$12,750 (including a deposit of \$3,600), and the gain or loss on disposal was \$0.

Transactions between the Bank and its subsidiaries and related parties were conducted under terms comparable to those with non-related parties, except for employee deposits and loans, for which preferential interest rates were granted within the prescribed limits.

8) Remuneration of directors and key management personnel of the Group

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Short-term employee benefits	\$ 1,897	\$ 4,520	\$ 19,081	\$ 25,006
Post-employment benefits	<u>88</u>	<u>167</u>	<u>198</u>	<u>304</u>
	<u>\$ 1,985</u>	<u>\$ 4,687</u>	<u>\$ 19,279</u>	<u>\$ 25,310</u>

41. PLEDGED ASSETS

In addition to those disclosed in other notes, pledged or restricted assets of the Group are summarized as follows:

Restricted Assets	Object	June 30, 2026	December 31, 2025	June 30, 2025
Financial assets at fair value through profit or loss	Repurchase agreement	\$ -	\$ 2,958,993	\$ 3,670,277
Financial assets at fair value through profit or loss	Provisions and collateral for various operations	712,248	708,552	707,871
Financial assets at fair value through other comprehensive income	Repurchase agreements	2,029,681	1,938,379	-
Financial assets at fair value through other comprehensive income	Due to banks	706,579	699,903	649,959
Financial assets at fair value through other comprehensive income (assets held for sale)	Due to banks	-	85,100	-
Debt instruments measured at amortized cost	Repurchase agreements	1,684,347	932,319	-
Debt instruments measured at amortized cost	Provisions and collateral for various operations	5,028	-	-
Accounts receivable	Due to banks	-	-	2,559,700
Accounts receivable (assets held for sale)	Due to banks	-	2,471,000	-
Other assets	Remittance settlement guarantees	80,000	80,000	60,000

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those disclosed in other notes, significant unrecognized commitments of the Group as of June 30, 2026, December 31, 2025 and June 30, 2025 were as follows:

	June 30, 2026	December 31, 2025	June 30, 2025
Receivable and collection	\$ 7,733,860	\$ 9,060,412	\$ 9,801,861
Receivable guarantees	7,368,632	5,218,679	5,679,133
Receivables from L/C	-	14,755	8,850
Trust and custody	56,088,439	55,010,254	46,749,441
Agreed financing amount	24,891,290	25,889,527	31,029,627

b.

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

43. TRUST BUSINESS UNDER THE TRUST LAW

The trust-related items shown below were managed by the Bank's Trust Department. However, these items were not included in the Bank and its subsidiaries' consolidated financial statements.

Balance Sheets of Trust Accounts June 30, 2026 and 2025

	Trust Assets	
	2026	2025
Bank deposits	<u>\$ 1,344,929</u>	<u>\$ 1,923,700</u>
Short-term investments		
Mutual funds	13,312,350	12,226,640
Stock	<u>2,171,860</u>	<u>2,052,068</u>
	<u>15,484,210</u>	<u>14,278,708</u>
Real estate		
Land	26,310,543	20,440,586
Buildings	12,198,265	9,264,994
Construction in progress	<u>239,700</u>	<u>357,017</u>
	<u>38,748,508</u>	<u>30,062,597</u>
Other assets	<u>353,624</u>	<u>325,163</u>
Total trust assets	<u>\$ 55,931,271</u>	<u>\$ 46,590,168</u>
	Trust Liabilities	
	2026	2025
Medium-term loans	<u>\$ 10,404,115</u>	<u>\$ 8,968,674</u>
Other liabilities	<u>145,918</u>	<u>301,296</u>
Securities investment trust fund under custody	<u>46,375,637</u>	<u>38,539,059</u>
Reserves and cumulative earnings (deficit)		
Cumulative earnings (deficit)	(186,226)	(144,970)
Net income (loss)	<u>(808,173)</u>	<u>(1,073,891)</u>
	<u>(994,399)</u>	<u>(1,218,861)</u>
Total trust liabilities	<u>\$ 55,931,271</u>	<u>\$ 46,590,168</u>

Trust Income Statements
For the Six Months Ended June 30, 2026 and 2025

	2026	2025
Trust income		
Interest income	\$ 5,294	\$ 4,594
Cash dividends	59,836	55,867
Rental income	665,315	464,130
Others	13,324	11,928
Unrealized exchange gains	342,103	143,852
Unrealized capital income - common stock	62	-
Realized capital income - common stock	<u>394</u>	<u>234</u>
	<u>1,086,328</u>	<u>680,605</u>
Trust expenses		
Administrative expenses	54,771	41,704
Tax expenses	45,524	39,659
Interest expenses	114,196	98,331
Other expenses	17,420	20,658
Unrealized capital loss - common stock	<u>1,662,590</u>	<u>1,554,144</u>
	<u>1,894,501</u>	<u>1,754,496</u>
Net (loss) before tax	<u>(808,173)</u>	<u>(1,073,891)</u>
Income tax expenses	<u>-</u>	<u>-</u>
Net (loss) after tax	<u>\$ (808,173)</u>	<u>\$ (1,073,891)</u>

Trust Property of Trust Accounts
June 30, 2026 and 2025

Investment	2026	2025
Bank deposits	<u>\$ 1,344,929</u>	<u>\$ 1,923,700</u>
Short-term investments		
Mutual funds	13,312,350	12,226,640
Stock	<u>2,171,860</u>	<u>2,052,068</u>
	<u>15,484,210</u>	<u>14,278,708</u>
Real estate		
Land	26,310,543	20,440,586
Buildings	12,198,265	9,264,994
Construction in progress	<u>239,700</u>	<u>357,017</u>
	<u>38,748,508</u>	<u>30,062,597</u>
Others	<u>353,624</u>	<u>325,163</u>
	<u>\$ 55,931,271</u>	<u>\$ 46,590,168</u>

The funds recorded by the International Banking Branch under the business of “foreign currency specific money trust investments in foreign securities” amounted to \$0 as of June 30, 2026 and 2025.

44. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

a. Fair value

1) Overview

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:

- a) 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.
- b) 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.
- c) 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.
- d) 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).
- e) 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.
- f) 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.).

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

a) Level 1

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

b) Level 2

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

c) Level 3

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.

b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

The fair value of the Bank and its subsidiaries' financial instruments and properties are measured on a recurring basis. The fair value hierarchy of these financial instruments and investment properties as of June 30, 2026 and 2025 was as follows:

Financial Instruments Measured at Fair Value	June 30, 2026			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 34,615	\$ 34,615	\$ -	\$ -
Bonds	5,907,936	11,110	5,896,826	-
Others	87,725	87,725	-	-
Financial assets at fair value through other comprehensive income				
Stocks	6,379,540	734,838	-	5,644,702
Bonds	43,504,718	33,374,065	10,130,653	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	248,776	-	248,776	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	108,119	-	108,119	-

Financial Instruments Measured at Fair Value	December 31, 2025			
	Total	Level 1	Level 2	Level 3
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 27,388,763	\$ 1,995,501	\$ 25,393,262	\$ -
Others	2,113,308	2,113,308	-	-
Others (assets held for sale)	302,793	-	-	302,793
Financial assets at fair value through other comprehensive income				
Stocks	6,321,726	768,453	-	5,553,273
Stocks (assets held for sale)	127,485	-	-	127,485
Bonds	35,095,987	24,765,097	10,330,890	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	14,465	-	14,465	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	26,447	-	26,447	-

Financial Instruments Measured at Fair Value	June 30, 2025			
	Total	Level 1	Level 2	Level 3
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 373,156	\$ 373,156	\$ -	\$ -
Bonds	39,421,294	1,908,024	37,513,270	-
Others	250,864	-	-	250,864
Financial assets at fair value through other comprehensive income				
Stocks	7,382,189	-	-	7,382,189
Bonds	27,925,607	20,656,939	7,268,668	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	21,631	-	21,631	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	19,239	-	19,239	-

2) Transfer between Level I and Level II fair value

From January 1 to June 30, 2026 and 2025, 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.

3) 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:

For the Six Months Ended June 30, 2026								
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3	
Financial assets at fair value through profit or loss Financial assets mandatorily classified as at FVTPL (assets held for sale)	\$ 302,793	\$ -	\$ -	\$ -	\$ -	\$ 302,793	\$ -	\$ -
Financial assets at fair value through other comprehensive income	5,553,273	-	91,429	-	-	-	-	5,644,702
Financial assets at fair value through other comprehensive income (assets held for sale)	127,485	-	-	-	-	127,485	-	-

For the Six Months Ended June 30, 2025								
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3	
Financial assets at fair value through profit or loss Financial assets mandatorily classified as at FVTPL (assets held for sale)	\$ 292,695	\$ (41,831)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,864
Financial assets at fair value through other comprehensive income	6,952,009	-	430,180	-	-	-	-	7,382,189

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

Quantitative information about the significant unobservable inputs is set out below:

June 30, 2026

Financial Instruments Measured at Fair Value	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability					
Financial assets at fair value through other comprehensive income Stocks	\$ 5,644,702	Market approach	Discount factor of liquidity	20%-30%	The higher the lack of liquidity, the lower the estimated fair value

December 31, 2025

Financial Instruments Measured at Fair Value	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability					
Financial assets mandatorily classified as at FVTPL (assets held for sale) Partnership	\$ 302,793	Market approach	Discount factor of liquidity	10%	The higher the lack of liquidity, the lower the estimated fair value
Financial assets at fair value through other comprehensive income Stocks	5,553,273	Market approach	Discount factor of liquidity	20%-30%	The higher the lack of liquidity, the lower the estimated fair value
Financial assets at fair value through other comprehensive income Stocks (assets held for sale)	127,485	Market approach	Discount factor of liquidity	20%-30%	The higher the lack of liquidity, the lower the estimated fair value

June 30, 2025

Financial Instruments Measured at Fair Value	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationships between Inputs and Fair Value
Items measured at fair value based on repeatability					
Financial assets mandatorily classified as at FVTPL Partnership	\$ 250,864	Market approach	Discount factor of liquidity	10%	The higher the lack of liquidity, the lower the estimated fair value
Financial assets at fair value through other comprehensive income Stocks	7,382,189	Market approach	Discount factor of liquidity	20%-30%	The higher the lack of liquidity, the lower the estimated fair value

5) Valuation processes for fair value measurements categorized within Level 3

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.

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

1) Fair value information of financial instruments

Financial instruments not carried at fair value excluding the table below are reasonably close to their fair value, therefore no additional disclosure, for example: Cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, discounts and loans, some other financial assets, deposits from the Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittances and other financial liabilities.

Items	June 30, 2026	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 29,106,914	\$ 29,106,914
Investment properties	230,154	450,767

Items	December 31, 2025	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 19,470,062	\$ 19,470,062
Investment properties	241,737	490,298

Items	June 30, 2025	
	Carrying Amount	Fair Value
Investments in debt instruments at amortized cost	\$ 13,898,132	\$ 13,898,132
Investment properties	591,809	629,196

2) Fair value hierarchy of financial instruments

Assets and Liabilities Item	June 30, 2026			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 29,106,914	\$ 4,045,462	\$ 25,061,452	\$ -
Investment properties	450,767	-	-	450,767

Assets and Liabilities Item	December 31, 2025			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 19,470,062	\$ 1,579,274	\$ 17,890,788	\$ -
Investment properties	490,298	-	-	490,298

Assets and Liabilities Item	June 30, 2025			
	Total	Level 1	Level 2	Level 3
Investments in debt instruments at amortized cost	\$ 13,898,132	\$ -	\$ 13,898,132	\$ -
Investment properties	629,196	-	-	629,196

3) Measurement technique

Methods and assumptions applied in estimating the fair values of financial instruments not carried at fair value are as follows:

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, some of other financial assets, deposits from the Central Bank and banks, securities sold under repurchase agreements, payables and other financial liabilities approximate their fair value because of the short maturity or the similarity of the carrying amount and future price.
- b) Discounts and loans (including non-performing loans): The Group usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate should estimate its fair value by its discounted value of expected cash flow. Because this kind of loans is not significant in this item, using its carrying amount to consider the probability of repossession and estimate its fair value should be reasonable.
- c) The investments in debt instruments at amortized cost: Debt instruments investments at amortized cost with quoted price in an active market are using market price as fair value; debt instruments investments at amortized cost with no quoted price in an active market are estimated by valuation methods or opponent's price.

45. FINANCIAL RISK MANAGEMENT

a. 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.

b. Risk management framework

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:

- a) Add and amend the Group's risk management policy.
- b) Coordinate the risk management issues of the Bank, such as, credit risk, market risk, and operational risk.
- c) Review the ratio of the Group's regulatory capital to risk assets (referred to as "capital adequacy ratio")
- d) Handle and review the major risk exposure and unauthorized events which occur.
- e) Major issues or discussions related to risk management proposed by each unit.

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:

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

- d) Assess the Group's pricing strategy for deposit and loan interest rates.
- e) Estimate the Group's future operating performance and moderately adjust the Group's business strategy.
- f) 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:

- a) 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.
- b) 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.
- c) Review the proportion, allocation, and reinvestment-orientation of various financial investment projects.
- d) 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:

- a) Propose the information security policy of the Group.

- b) Promote the information security management system.
 - c) Assess the infrastructure of the information security management system.
 - d) Handle and review major information security incidents.
 - e) Major issues or discussions related to information security proposed by each unit.
 - f) Review of the overall implementation of annual information security measures.
 - g) Discussion of other information security issues.
- c. 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: a) 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. b) 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.

a) Credit extension (including loan commitments and guarantees)

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

i. 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.

ii. 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.

b) 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.

c) 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

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

b) 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.

c) 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.

- d) The determination since the initial recognition of the credit risk has increased significantly

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:

- i. 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.

- ii. Qualitative indicators:

The Bank 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.

- i) The records of bounced checks of the debtors reported by the Group.
- ii) The dishonored accounts announced by Taiwan Clearing House.
- iii) People whose collateral at the Bank is held by compulsory enforcement by other banks.
- iv) 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.
- v) Listed as a receivable on demand or written-off of bad debts.
- vi) 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.
- vii) 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.

e) Definition of financial asset default and credit impairment

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:

i. 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.

ii. 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:

i. Quantitative indicators

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

ii. Qualitative indicators

The Bank 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:

i) An event of default occurred.

ii) The issuer’s significant financial difficulties.

iii) 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.

f) 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.

4) 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 PD and 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 June 30, 2026.

5) 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 2026 was the economic growth rate. The relevant economic factors identified by the Group for debt instruments in 2026 were the global economic growth rate and the inflation rate.

6) Loss allowance

a) Financial assets at fair value through other comprehensive income - debt instruments

Total carrying value

	For the Six Months Ended June 30, 2026					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1 (Note)	\$ 34,806,515	\$ -	\$ -	\$ -	\$ -	\$ 34,806,515
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(2,783,584)	-	-	-	-	(2,783,584)
Originated or purchased financial assets	11,512,857	-	-	-	-	11,512,857
Effect of exchange rate changes and others	309,722	-	-	-	-	309,722
Balance, June 30 (Note)	<u>\$ 43,845,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,845,510</u>

Note: Total book value does not include valuation adjustment.

	For the Six Months Ended June 30, 2025					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1 (Note)	\$ 34,162,230	\$ 6,657,105	\$ -	\$ -	\$ -	\$ 40,819,335
Changes due to financial instruments that have been recognized at the beginning of the period:						
Derecognized financial assets in the current period	(3,776,870)	(6,657,105)	-	-	-	(10,433,975)
Originated or purchased financial assets	-	-	-	-	-	-
Effect of exchange rate changes and others	(2,052,539)	-	-	-	-	(2,052,539)
Balance, June 30 (Note)	<u>\$ 28,332,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,332,821</u>

Note: Total book value does not include valuation adjustment.

Expected credit losses

	For the Six Months Ended June 30, 2026							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 20,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,755
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	(2,257)	-	-	-	-	-	-	(2,257)
Originated or purchased financial assets	5,739	-	-	-	-	-	-	5,739
Impairment differences recognized in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans”	-	-	-	-	-	-	-	-
Change in model/risk parameters	78	-	-	-	-	-	-	78
Effect of exchange rate changes and others	214	-	-	-	-	-	-	214
Balance, June 30	\$ 24,529	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,529

	For the Six Months Ended June 30, 2025							Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	
Balance, January 1	\$ 23,730	\$ 582,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 605,953
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	(1,241)	(582,223)	-	-	-	-	-	(583,464)
Originated or purchased financial assets	-	-	-	-	-	-	-	-
Impairment differences recognized in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans”	-	-	-	-	-	-	-	-
Change in model/risk parameters	2,616	-	-	-	-	-	-	2,616
Effect of exchange rate changes and others	(1,864)	-	-	-	-	-	-	(1,864)
Balance, June 30	<u>\$ 23,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,241</u>

b) Investments in debt instruments at amortized cost

Total carrying value

	For the Six Months Ended June 30, 2026						Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)		
Balance, January 1	\$ 19,472,390	\$ -	\$ -	\$ -	\$ -		\$ 19,472,390
Changes due to financial instruments that have been recognized at the beginning of the period:							
Derecognized financial assets in the current period	(86,600,000)	-	-	-	-		(86,600,000)
Originated or purchased financial assets	96,200,561	-	-	-	-		96,200,561
Effect of exchange rate changes and others	37,744	-	-	-	-		37,744
Balance, June 30	<u>\$ 29,110,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 29,110,695</u>

	For the Six Months Ended June 30, 2025						Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)		
Balance, January 1	\$ 13,380,000	\$ -	\$ -	\$ -	\$ -		\$ 13,380,000
Changes due to financial instruments that have been recognized at the beginning of the period:							
Derecognized financial assets in the current period	(69,480,000)	-	-	-	-		(69,480,000)
Originated or purchased financial assets	70,000,000	-	-	-	-		70,000,000
Effect of exchange rate changes and others	-	-	-	-	-		-
Balance, June 30	<u>\$ 13,900,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 13,900,000</u>

Expected credit losses

	For the Six Months Ended June 30, 2026							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 2,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,328
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	(1,683)	-	-	-	-	-	-	(1,683)
Originated or purchased financial assets	3,119	-	-	-	-	-	-	3,119
Impairment differences recognized in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans”	-	-	-	-	-	-	-	-
Change in model/risk parameters	17	-	-	-	-	-	-	17
Effect of exchange rate changes and others	-	-	-	-	-	-	-	-
Balance, June 30	<u>\$ 3,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,781</u>

	For the Six Months Ended June 30, 2025							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 1,516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,516
Changes due to financial instruments that have been recognized at the beginning of the period:								
Derecognized financial assets in the current period	(1,358)	-	-	-	-	-	-	(1,358)
Originated or purchased financial assets	1,678	-	-	-	-	-	-	1,678
Impairment differences recognized in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans”	-	-	-	-	-	-	-	-
Change in model/risk parameters	32	-	-	-	-	-	-	32
Effect of exchange rate changes and others	-	-	-	-	-	-	-	-
Balance, June 30	<u>\$ 1,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,868</u>

c) Discounts and loans

Total carrying value

	For the Six Months Ended June 30, 2026					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 218,463,672	\$ 9,676,223	\$ -	\$ 57,331	\$ -	\$ 228,197,226
Changes due to financial instruments that have been recognized at the beginning of the period:						
Transferred to lifetime ECL	(15,891,694)	15,365,541	-	-	-	(526,153)
Transferred to credit impaired financial assets	(99,207)	(8,477)	-	107,504	-	(180)
Transfer out of financial assets with credit impairment	93,900	(93,900)	-	-	-	-
Transferred to 12-month ECL	-	-	-	-	-	-
Derecognized financial assets in the current period	(44,152,484)	(1,110,314)	-	165,785	-	(45,097,013)
Originated or purchased financial assets	59,731,977	154,059	-	247	-	59,886,283
Written off as bad debt expense	-	-	-	(193,595)	-	(193,595)
Balance, June 30	<u>\$ 218,146,164</u>	<u>\$ 23,983,132</u>	<u>\$ -</u>	<u>\$ 137,272</u>	<u>\$ -</u>	<u>\$ 242,266,568</u>

	For the Six Months Ended June 30, 2025					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 234,322,311	\$ 8,757,377	\$ -	\$ 56,298	\$ -	\$ 243,135,986
Changes due to financial instruments that have been recognized at the beginning of the period:						
Transferred to lifetime ECL	(3,187,932)	3,172,924	-	-	-	(15,008)
Transferred to credit impaired financial assets	-	(12,112)	-	11,448	-	(664)
Transferred to 12-month ECL	-	-	-	-	-	-
Derecognized financial assets in the current period	(71,527,552)	(1,470,985)	-	957,759	-	(72,040,778)
Transfer out of financial assets with credit impairment	170,808	(666,109)	-	-	-	(495,301)
Originated or purchased financial assets	55,354,050	481,455	-	31	-	55,835,536
Written off as bad debt expense	-	-	-	(978,761)	-	(978,761)
Balance, June 30	<u>\$ 215,131,685</u>	<u>\$ 10,262,550</u>	<u>\$ -</u>	<u>\$ 46,775</u>	<u>\$ -</u>	<u>\$ 225,441,010</u>

Expected credit losses

	For the Six Months Ended June 30, 2026							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 286,327	\$ 214,344	\$ -	\$ 14,862	\$ -	\$ 515,533	\$ 2,621,047	\$ 3,136,580
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(20,500)	60,217	-	-	-	39,717	-	39,717
Transferred to credit impaired financial assets	(137)	(13)	-	40,742	-	40,592	-	40,592
Transferred to 12-month ECL	259	(252)	-	-	-	7	-	7
Derecognized financial assets in the current period	(55,442)	(2,427)	-	(7,152)	-	(65,021)	-	(65,021)
Originated or purchased financial assets	89,156	3,729	-	193,613	-	286,498	-	286,498
Impairment differences recognized in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans”	-	-	-	-	-	-	311,205	311,205
Written off as bad debt expense	-	-	-	(193,595)	-	(193,595)	-	(193,595)
Effect of exchange rate changes and others	-	-	-	-	-	-	690	690
Balance, June 30	\$ 299,663	\$ 275,598	\$ -	\$ 48,470	\$ -	\$ 623,731	\$ 2,932,942	\$ 3,556,673

	For the Six Months Ended June 30, 2025							
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 274,803	\$ 187,848	\$ -	\$ 15,410	\$ -	\$ 478,061	\$ 2,690,521	\$ 3,168,582
Changes due to financial instruments that have been recognized at the beginning of the period:								
Transferred to lifetime ECL	(2,780)	19,909	-	-	-	17,129	-	17,129
Transferred to credit impaired financial assets	-	(57)	-	2,905	-	2,848	-	2,848
Transferred to 12-month ECL	167	(2,011)	-	-	-	(1,884)	-	(1,844)
Derecognized financial assets in the current period	(79,115)	(2,531)	-	(5,683)	-	(87,329)	-	(87,329)
Originated or purchased financial assets	94,012	3,324	-	978,761	-	1,076,097	-	1,076,097
Impairment differences recognized in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans"	-	-	-	-	-	-	(186,901)	(186,901)
Written off as bad debt expense	-	-	-	(978,761)	-	(978,761)	-	(978,761)
Effect of exchange rate changes and others	-	-	-	-	-	-	(4,512)	(4,512)
Balance, June 30	<u>\$ 287,087</u>	<u>\$ 206,482</u>	<u>\$ -</u>	<u>\$ 12,632</u>	<u>\$ -</u>	<u>\$ 506,201</u>	<u>\$ 2,499,108</u>	<u>\$ 3,005,309</u>

d) Receivables

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 June 30, 2026 and 2025 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 \$3,386,935 and \$14,639,188, respectively, and the allowance for losses was measured at expected credit loss rates ranging from 0.10% to 1.67%, resulting in allowances of \$3,392 and \$245,179 respectively.

Changes in allowances or loss of notes and accounts receivables of the Group from January 1 to June 30, 2026 and 2025 are as follows:

	For the Six Months Ended June 30	
	2026	2025
Balance, January 1	\$ 4,926	\$ 331,360
Amount (reversed) appropriated in current period	(1,500)	1,291,846
Write-off amount	(2,534)	(1,491,422)
Recovery of write-off amount	<u>2,500</u>	<u>113,395</u>
Balance, June 30	<u>\$ 3,392</u>	<u>\$ 245,179</u>

7) The maximum credit exposure of the financial instruments held of the Group

Maximum credit exposures of assets on balance sheet excluding collaterals and other credit enhancement instruments are almost equivalent to the carrying value. The maximum credit exposures (excluding collaterals, other credit enhancement instruments and undrawn maximum exposure) off-balance-sheet were as follows:

Off-Balance Sheet Items	The Maximum Credit Exposure		
	June 30, 2026	December 31, 2025	June 30, 2025
Undrawn credit card commitments	\$ 24,891,290	\$ 25,889,527	\$ 31,029,627
Undrawn loan commitments	51,149	1,377	49,044
Guarantees	7,368,632	5,218,679	5,679,133
Standby letter of credit	\$ 32,311,071	\$ 31,109,583	\$ 36,757,804

The maximum exposures of the financial assets pledged as collateral or other credit enhancements on and off balance sheet are the assets' carrying amount and are summarized as follows:

June 30, 2026

	Collateral	Master Netting Arrangements	Total
Balance sheet items			
Discounts and loans	\$ 182,497,503	\$ -	\$ 182,497,503
Off-balance sheet items			
Customer's developed and irrevocable loan commitments	12,542,894	-	12,542,894
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	<u>3,430,125</u>	<u>-</u>	<u>3,430,125</u>
	<u>\$ 198,470,522</u>	<u>\$ -</u>	<u>\$ 198,470,522</u>

December 31, 2025

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

June 30, 2025

	Collateral	Master Netting Arrangements	Total
Balance sheet items			
Discounts and loans	\$ 168,188,442	\$ -	\$ 168,188,442
Off-balance sheet items			
Customer's developed and irrevocable loan commitments	12,192,416	-	12,192,416
Customer's outstanding letters of credit amount	-	-	-
Guarantee payments	<u>1,044,704</u>	<u>-</u>	<u>1,044,704</u>
	<u>\$ 181,425,562</u>	<u>\$ -</u>	<u>\$ 181,425,562</u>

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

8) Concentration of credit risk exposure

When financial instruments transactions are concentrated on one counterparty or several counterparties. That engage in similar business activities, have similar economic characteristics and abilities to execute contracts, credit risk concentration arises.

Credit risk concentrations can arise in the Group's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either products or services) or through a combination of exposures across these broad categories. These include credit, due from banks and call loans to banks, investments, receivables, and derivatives. The Group maintains a diversified portfolio to limit its exposure to any geographic region, country, or individual creditor and monitors its exposures continually. The Group's most significant concentrations of credit risk are summarized by industry, region, and collateral as follows:

a) By industry

Industries	June 30, 2026		December 31, 2025		June 30, 2025	
	Amount	%	Amount	%	Amount	%
Private enterprise	\$ 65,006,252	27	\$ 65,414,898	29	\$ 62,605,535	28
Public enterprise	177,044,865	73	162,606,061	71	162,650,137	72
Financial institutions	-	-	-	-	-	-
Government sponsored enterprise and business	-	-	-	-	-	-
Nonprofit organization	215,451	-	176,267	-	185,338	-
Total	\$ 242,266,568	100	\$ 228,197,226	100	\$ 225,441,010	100

b) By region

The Bank and its subsidiaries conduct their principal operations in Taiwan, and there is no significant concentration of credit risk by geographic region.

c) By collateral

Collaterals	June 30, 2026		December 31, 2025		June 30, 2025	
	Amount	%	Amount	%	Amount	%
Credit	\$ 59,769,066	24	\$ 56,726,130	25	\$ 57,252,568	25
Secured						
Real estate stocks	135,543,655	56	126,564,208	56	124,001,649	55
Collateral loans	30,549,782	13	28,371,388	12	28,259,168	13
Guarantees	11,677,297	5	11,300,213	5	10,217,768	4
Others	4,726,768	2	5,235,287	2	5,709,857	3
Total	\$ 242,266,568	100	\$ 228,197,226	100	\$ 225,441,010	100

d) Classification of credit ratings quality risk

June 30, 2026	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Due from the Central Bank and call loans to banks									
Call loans to banks	\$ 25,660,000	\$ -	\$ -	\$ 25,660,000	\$ -	\$ -	\$ -	\$ -	\$ -
Due from banks for trade finance	-	-	-	-	-	-	-	-	-
Discounts and loans									
Corporate banking	192,474,695	23,629,230	101,890	216,205,815	291,036	274,789	37,033	2,579,105	3,181,963
Consumer banking	25,671,469	353,902	35,382	26,060,753	8,627	809	11,438	353,836	374,710
Receivables									
Credit card receivables measured under IFRS 9	-	-	43	43	-	-	43	-	43
Factored receivables, net, measured under IFRS 9	-	-	-	-	-	-	-	-	-
Receivables subject to IFRS 9 general model (three-stage impairment approach)	2,645,394	-	-	2,645,394	1,050	-	-	-	1,050
Other receivables	741,498	-	-	741,498	2,299	-	-	-	2,299
Other financial assets									
Short-term advances	3,151	-	-	3,151	-	-	-	-	-
Non-loan transferred overdue receivables under collection	-	-	-	-	-	-	-	-	-
Debt instruments at fair value through other comprehensive income	43,504,718	-	-	43,504,718	24,529	-	-	-	24,529
Debt instruments at amortized cost	29,110,695	-	-	29,110,695	3,781	-	-	-	3,781

December 31, 2025	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Due from the Central Bank and call loans to banks									
Call loans to banks	\$ 15,165,000	\$ -	\$ -	\$ 15,165,000	\$ -	\$ -	\$ -	\$ -	\$ -
Due from banks for trade finance	-	-	-	-	-	-	-	-	-
Discounts and loans									
Corporate banking	191,804,327	9,324,132	53,471	201,181,930	278,230	213,671	13,564	2,236,694	2,742,159
Consumer banking	26,659,345	352,091	3,860	27,015,296	8,097	673	1,298	384,353	394,421
Receivables									
Credit card receivables measured under IFRS 9	-	-	56	56	-	-	56	-	56
Factored receivables, net, measured under IFRS 9	-	-	-	-	-	-	-	-	-
Receivables subject to IFRS 9 general model (three-stage impairment approach)	1,816,447	-	-	1,816,447	1,537	-	-	-	1,537
Other receivables	522,582	-	-	522,582	3,333	-	-	-	3,333
Other financial assets									
Short-term advances	1,652	-	-	1,652	-	-	-	-	-
Non-loan transferred overdue receivables under collection	-	-	-	-	-	-	-	-	-
Debt instruments at fair value through other comprehensive income	35,095,987	-	-	35,095,987	20,755	-	-	-	20,755
Debt instruments at amortized cost	19,472,390	-	-	19,472,390	2,328	-	-	-	2,328

June 30, 2025	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Due from the Central Bank and call loans to banks									
Call loans to banks	\$ 13,557,000	\$ -	\$ -	\$ 13,557,000	\$ -	\$ -	\$ -	\$ -	\$ -
Due from banks for trade finance	-	-	-	-	-	-	-	-	-
Discounts and loans									
Corporate banking	192,119,656	9,942,973	38,108	202,100,737	279,996	205,968	9,642	2,178,905	2,674,511
Consumer banking	23,012,029	319,577	8,667	23,340,273	7,091	514	2,990	320,203	330,798
Receivables									
Credit card receivables measured under IFRS 9	-	-	292	292	-	-	292	-	292
Factored receivables, net, measured under IFRS 9	-	-	-	-	-	-	-	-	-
Receivables subject to IFRS 9 general model (three-stage impairment approach) (Note)	12,009,124	-	-	12,009,124	1,301	-	-	-	1,301
Other receivables	2,629,772	-	-	2,629,772	2,769	-	-	-	2,769
Other financial assets									
Short-term advances	852	-	-	852	-	-	-	-	-
Non-loan transferred overdue receivables under collection	-	-	-	-	-	-	-	-	-
Debt instruments at fair value through other comprehensive income	27,925,607	-	-	27,925,607	23,241	-	-	-	23,241
Debt instruments at amortized cost	13,900,000	-	-	13,900,000	1,868	-	-	-	1,868

Note: Including accounts receivable arising from the Bank's leasing subsidiary operations (sales transactions, installment sales, finance leases, and loan financing).

- 9) As of June 30, 2026, December 31, 2025 and June 30, 2025, the Group's maximum exposure to credit risk from financial assets amounted to \$311,296,998, \$279,605,940 and \$264,236,199, respectively, including financial assets measured at fair value through other comprehensive income and discounts and loans.
- 10) The maximum exposure to credit risk of financial instruments not subject to impairment requirements is as follows:

	June 30, 2026	December 31, 2025	June 30, 2025
Financial assets measured at FVTPL			
Debt instruments	\$ 5,907,936	\$ 27,388,763	\$ 39,421,294
Derivatives	248,776	14,465	21,631

11) 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 used methods is to require borrowers to provide collateral. For collateral assessment and the calculation of loan collateral values, the Group has established procedures covering the range of collateral accepted, as well as the valuation, management, and disposal of collateral, to ensure loan quality. The main types of collateral for the Group's financial assets are as follows:

- a) 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.
- b) 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.
- c) Property: An appropriate loan amount is determined depending on ease of disposal and cost.
- d) Certificate of deposit: Mainly refers to the Bank's certificate of deposit in foreign currency.
- e) Credit insurance: It is handled with credit insurance for small and medium-sized enterprises.
- f) 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	<u>\$ 110,813</u>	<u>\$ 30,312</u>	<u>\$ 80,501</u>

12) Analysis of financial assets that are past due but not impaired

As of June 30, 2026, December 31, 2025 and June 30, 2025, neither the Bank nor its subsidiaries had any financial assets that were past due but not impaired.

13) Disclosures prepared in conformity with the regulations governing the preparation of financial reports by Public Banks

a) Overdue loans and receivables

Date			June 30, 2026				
Items			Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 75,070	\$ 156,686,349	0.05%	\$ 2,302,898	3,067.67%
	Unsecured		24,860	59,519,466	0.04%	879,065	3,536.06%
Consumer loan	Mortgage (Note 4)		6,078	21,648,725	0.03%	322,738	5,309.94%
	Cash card		-	-	-	-	-
	Micro credit (Note 5)		174	43,236	0.40%	735	422.41%
	Others (Note 6)	Secured	25,380	4,062,837	0.62%	47,613	187.60%
		Unsecured	888	305,955	0.29%	3,624	408.11%
Total			\$ 132,450	\$ 242,266,568	0.05%	\$ 3,556,673	2,685.29%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			\$ 43	\$ 43	100.00%	\$ 43	100%
Accounts receivable - factoring with no recourse (Note 7)			-	-	-	-	-

Date			December 31, 2025				
Items			Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 50,751	\$ 144,705,278	0.04%	\$ 2,008,654	3,957.86%
	Unsecured		-	56,476,652	-	733,505	-
Consumer loan	Mortgage (Note 4)		-	22,523,434	-	340,912	-
	Cash card		-	-	-	-	-
	Micro credit (Note 5)		298	36,276	0.82%	831	278.86%
	Others (Note 6)	Secured	-	4,156,162	-	49,193	-
		Unsecured	-	299,424	-	3,485	-
Total			\$ 51,049	\$ 228,197,226	0.02%	\$ 3,136,580	6,144.25%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			\$ 56	\$ 56	100.00%	\$ 56	100.00%
Accounts receivable - factoring with no recourse (Note 7)			-	-	-	-	-

Date			June 30, 2025				
Items			Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 34,643	\$ 144,984,098	0.02%	\$ 1,953,628	5,639.32%
	Unsecured		-	57,116,639	-	720,883	-
Consumer loan	Mortgage (Note 4)		-	19,428,349	-	284,324	-
	Cash card		-	-	-	-	-
	Micro credit (Note 5)		308	54,147	0.57%	1,034	335.71%
	Others (Note 6)	Secured	3,899	3,642,524	0.11%	43,078	1,104.84%
		Unsecured	-	215,253	-	2,362	-
Total			\$ 38,850	\$ 225,441,010	0.02%	\$ 3,005,309	7,735.67%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			\$ 425	\$ 425	100.00%	\$ 292	68.71%
Accounts receivable - factoring with no recourse (Note 7)			-	-	-	-	-

Note 1: For loan business: Overdue loans represent the amounts 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”.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: $NPL \text{ ratio} = NPL \div \text{Total loans}$.

For credit card business: $\text{Delinquency ratio} = \text{Overdue receivables} \div \text{Accounts receivables}$.

Note 3: For loan business: $\text{Coverage ratio} = LLR \div NPL$.

For credit card business: $\text{Coverage ratio} = \text{Allowance for credit losses} \div \text{Overdue receivables}$.

Note 4: Household mortgage loan is a financing to be used by a borrower to buy, build, or fix a dwelling, and the dwelling owned by the borrower, spouse, or children is used to fully secure the loan.

Note 5: Micro credit loan is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950) and is not credit and debit cards’ micro credit loan.

Note 6: Others in consumer loans refers to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.

Note 7: For accounts receivable - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 0945000494), which is equal to dated August 24, 2009 (Ref. 09850003180), and allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

b) Excluded NPLs and excluded overdue receivables

	June 30, 2026		December 31, 2025		June 30, 2025	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreement (Note 1)	\$ 24	\$ 1	\$ 50	\$ 3	\$ 103	\$ 4
As a result of consumer debt clearance (Note 2)	890	-	1,252	-	1,447	-
Total	\$ 914	\$ 1	\$ 1,302	\$ 3	\$ 1,550	\$ 4

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

Note 2: The disclosure of excluded NPLs, pre-mediation and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

c) Concentration of credit extensions

Unit: NTD Thousand, %

Year	June 30, 2026		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (real estate leasing and sales)	\$ 11,884,294	21.82
2	B Group (general merchandise wholesale)	8,035,693	14.75
3	C Company (non-renewable energy power generation)	5,500,000	10.10
4	D Group (investment advisory services)	5,285,644	9.70
5	E Group (real estate development activities)	4,796,045	8.81
6	F Group (non-renewable energy power generation)	3,755,435	6.90
7	G Company (real estate development activities)	3,662,900	6.73
8	H Company (wire and cable manufacturing)	3,503,064	6.43
9	I Group (other unclassified financial services)	3,229,431	5.93
10	J Company (non-renewable energy power generation)	3,175,718	5.83

Unit: NTD Thousand, %

Year	June 30, 2025		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (real estate leasing and sales)	\$ 13,422,081	23.38
2	B Group (general merchandise wholesale)	7,486,117	13.04
3	C Group (other unclassified financial services)	5,369,200	9.35
4	D Group (construction engineering)	4,528,731	7.89
5	E Group (electricity supply)	3,972,164	6.92
6	F Company (electricity supply)	3,470,999	6.05
7	G Group (other unclassified financial services)	3,366,000	5.86
8	H Group (non-alcoholic beverage wholesale)	3,334,585	5.81
9	I Group (other unclassified financial services)	3,283,693	5.72
10	J Company (wire and cable manufacturing)	3,152,379	5.49

Note 1: Ranking of top 10 groups (excluding government or state - owned enterprises) whose total credit consists of loans. If the borrower is a member of any of the above groups, the total amount of credits of the entire group must be listed and disclosed by code and line of industry. If the borrower is the group enterprise, for the risk exposure maximum, the line of industry must be disclosed. The line of industry must be classified and filled to the industry name of sub-category which is based on the industry classification standard of Department of Budget, Accounting and Statistics.

Note 2: Groups were those as defined in Articles 6 of the Supplementary Provision to the Taiwan Stock Exchange Corporation's Rules for Review of Securities Listings Law.

Note 3: Total credit is the sum of all loans (including import and export bills negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and non-performing loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantee deposit issued.

d. 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:

- a) Schedule daily funding, monitor future cash flows to ensure the fulfillment of various needs.
- b) Maintain an appropriate amount of high liquidity assets that can be easily realized to buffer unforeseen and unexpected events that may interrupt cash flow.
- c) 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.

4) Maturity analysis of non-derivative financial liabilities

Cash outflow analyses of non-derivative financial liabilities of the Group are summarized in the following tables. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

June 30, 2026	0-30 Days	31-90 Days	1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 19,271,351	\$ -	\$ -	\$ -	\$ 19,271,351
Deposits and remittances	34,416,028	33,452,519	110,485,061	120,345,600	298,699,208
Securities sold under repurchase agreements	2,563,568	-	1,250,000	-	3,813,568
Derivative financial liabilities with principal settlement	108,119	-	-	-	108,119
Total	56,359,066	33,452,519	111,735,061	120,345,600	321,892,246

December 31, 2025	0-30 Days	31-90 Days	1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 7,958,532	\$ -	\$ -	\$ -	\$ 7,958,532
Deposits from the Central Bank and banks (assets held for sale)	1,400,000	3,330,000	5,990,000	-	10,720,000
Deposits and remittances	28,982,685	33,808,325	106,294,192	122,163,568	291,248,770
Securities sold under repurchase agreements	2,592,543	3,251,948	-	-	5,844,491
Derivative financial liabilities with principal settlement	26,447	-	-	-	26,447
Total	40,960,207	40,390,273	112,284,192	122,163,568	315,798,240

June 30, 2025	0-30 Days	31-90 Days	1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 9,021,624	\$ -	\$ -	\$ -	\$ 9,021,624
Deposits and remittances	22,315,467	35,113,048	109,740,161	114,358,533	281,527,209
Securities sold under repurchase agreements	2,154,878	367,483	1,260,000	-	3,782,361
Derivative financial liabilities with principal settlement	19,239	-	-	-	19,239
Total	33,511,208	35,480,531	111,000,161	114,358,533	294,350,433

5) Disclosures prepared in conformity with the regulations governing the preparation of financial reports by Public Bank

a) Maturity analysis of assets and liabilities of the Bank (New Taiwan dollars)

Unit: NTD Thousand

June 30, 2026							
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 346,058,783	\$ 43,771,720	\$ 18,091,112	\$ 27,627,626	\$ 37,747,536	\$ 51,823,811	\$ 166,996,978
Main capital outflow on maturity	368,059,168	17,764,768	24,083,432	36,208,041	42,756,026	71,875,562	175,371,339
Gap	(22,000,385)	26,006,952	(5,992,320)	(8,580,415)	(5,008,490)	(20,051,751)	(8,374,361)

Unit: NTD Thousand

June 30, 2025							
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 330,404,863	\$ 65,249,891	\$ 14,232,617	\$ 18,307,226	\$ 32,977,774	\$ 41,219,615	\$ 158,417,740
Main capital outflow on maturity	359,002,474	14,913,399	14,547,120	33,604,750	42,832,199	79,494,973	173,610,033
Gap	(28,597,611)	50,336,492	(314,503)	(15,297,524)	(9,854,425)	(38,275,358)	(15,192,293)

b) Maturity analysis of assets and liabilities of the Bank (U.S. dollars)

Unit: USD Thousand

June 30, 2026						
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,523,139	\$ 550,474	\$ 95,542	\$ 87,598	\$ 23,952	\$ 765,573
Main capital outflow on maturity	1,509,125	771,789	372,126	92,991	128,006	144,213
Gap	14,014	(221,315)	(276,584)	(5,393)	(104,054)	621,360

Unit: USD Thousand

June 30, 2025						
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 936,632	\$ 109,688	\$ 11,639	\$ 21,007	\$ 23,662	\$ 770,636
Main capital outflow on maturity	922,764	279,294	339,042	68,661	151,674	84,093
Gap	13,868	(169,606)	(327,403)	(47,654)	(128,012)	686,543

e. 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.

- a) 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.
- b) Financial products and physical assets that are not held for the aforementioned purpose are within the scope of the “banking book.”
- c) 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

- a) 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.
- b) 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.
- c) 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.

a) 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.

b) 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.

c) 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.

d) 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) The status of the transaction shall be monitored immediately and comprehensively, such as whether the changes in position, changes in profit or loss, trading patterns, and subject matter of the transaction are within the scope of business authorization.
- iii) Information needed for the review of financial products valuation should be obtained by the Company externally or through a channel other than the trading unit in order to avoid manipulation of price data due to conflicts of interest.
- iv) The Company shall stipulate the limits management, stop-loss mechanism, and overrun process to effectively monitor market risks.

- Limits management

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

- Stop-loss mechanism

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

- 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:

- a) 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.
- b) 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.
- c) 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 "Mark 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.
- d) 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

a) 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.

b) Management organization and structure

- i. 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.
- ii. 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.
- iii. 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.
- iv. 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.
- v. 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.
- vi. All units (including business units) of the Bank 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.

c) 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.

d) 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

a) 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:

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

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

- ii) Domestic equity investments: The book value as of the base date is treated as the EAD. The PD is estimated with reference to the stress testing of credit risk for credit exposures, and the LGD is estimated at 100% since the probability of recovery is minimal.
- iii) 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 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.

ii. 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.

b) 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.

i. 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 June 30, 2026, the Group's net profit or loss would increase/decrease by \$240,212.

ii. Exchange rate risk

Assuming that all other factors are unchanged, if the major currency exchange rates on June 30, 2026 were relatively appreciated/depreciated by 3%, the Group's net profit or loss before tax would increase/decrease by \$13,640. The main currencies are the USD, EUR and JPY.

iii. Equity securities price risk

Other things being equal, if the price of equity securities on June 30, 2026 were relatively increased/decreased by 15%, the Group's net profit or loss before tax would increase/decrease by \$18,351.

iv. Sensitivity analysis is compiled as follows:

June 30, 2026

Market Category	Scenario	Affected Profit or Loss Amount	Minimum Capital Computed for Market Risk	Percentage
Equity market	Major stock markets +15%	\$ 18,351	\$ 377,635	4.86%
	Major stock markets -15%	(18,351)		(4.86%)
Interest rate market	Main interest rate +100bp	(240,212)		(63.61%)
	Main interest rate -100bp	240,212		63.61%
Foreign exchange market	Main currency +3%	13,640		3.61%
	Main currency -3%	(13,640)		(3.61%)
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%	(244,923)		(64.86%)

June 30, 2025

Market Category	Scenario	Affected Profit or Loss Amount	Minimum Capital Computed for Market Risk	Percentage
Equity market	Major stock markets +15%	\$ 55,973	\$ 973,427	5.75%
	Major stock markets -15%	(55,973)		(5.75%)
Interest rate market	Main interest rate +100bp	(1,116,322)		(114.68%)
	Main interest rate -100bp	1,116,322		114.68%
Foreign exchange market	Main currency +3%	11,844		1.22%
	Main currency -3%	(11,844)		(1.22%)
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%	(1,160,451)		(119.21%)

7) Exchange rate risk concentration information

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

June 30, 2026			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 952,996	31.84	\$ 30,344,426
HKD	204,599	4.06	830,693
AUD	220,670	21.90	4,832,073
JPY	836,898	0.20	164,199
EUR	247,163	36.27	8,963,896
CNY	7,331	4.69	34,365
Nonmonetary items	-	-	-
<u>Financial liabilities</u>			
Monetary items			
USD	1,224,280	31.84	38,982,437
HKD	12,120	4.06	49,210
AUD	24,742	21.90	541,788
JPY	3,827,979	0.20	751,049
EUR	1,913	36.27	69,396
CNY	149,659	4.69	701,571
Nonmonetary items	-	-	-
December 31, 2025			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 883,483	31.45	\$ 27,787,734
HKD	199,100	4.04	804,464
AUD	178,776	21.03	3,758,882
JPY	1,073,054	0.20	215,362
EUR	25,476	36.90	940,161
CNY	13,438	4.50	60,460
Nonmonetary items	-	-	-
<u>Financial liabilities</u>			
Monetary items			
USD	904,791	31.45	28,457,953
HKD	9,222	4.04	37,263
AUD	141,861	21.03	2,982,733
JPY	4,433,158	0.20	889,735
EUR	11,764	36.90	434,123
CNY	158,478	4.50	713,038
Nonmonetary items	-	-	-

June 30, 2025			
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 911,127	29.90	\$ 27,244,522
HKD	197,677	3.81	752,973
AUD	5,252	19.53	102,554
JPY	1,907,692	0.21	395,846
EUR	1,701	35.05	59,613
CNY	13,400	4.17	55,938
Nonmonetary items	-	-	-
<u>Financial liabilities</u>			
Monetary items			
USD	913,941	29.90	27,328,659
HKD	8,852	3.81	33,719
AUD	25,712	19.53	502,062
JPY	4,185,251	0.21	868,440
EUR	1,824	35.05	63,920
CNY	165,524	4.17	690,979
Nonmonetary items	-	-	-

8) Compliance with the regulations governing the preparation of financial reports by Public Banks

a) Interest rate sensitivity information (New Taiwan dollars)

June 30, 2026

Unit: NTD Thousand, %

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 274,807,266	\$ 16,228,329	\$ 4,910,346	\$ 18,350,641	\$ 314,296,582
Interest rate-sensitive liabilities	231,352,822	16,726,133	27,302,155	3,390,117	278,771,227
Interest rate-sensitive gap	43,454,444	(497,804)	(22,391,809)	14,960,524	35,525,355
Net worth					54,499,560
Ratio of interest rate-sensitive assets to liabilities (%)					112.74%
Ratio of interest rate-sensitive gap to net worth (%)					65.18%

June 30, 2025

Unit: NTD Thousand, %

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 240,002,501	\$ 16,203,211	\$ 1,733,442	\$ 44,818,354	\$ 302,757,508
Interest rate-sensitive liabilities	215,087,232	14,319,543	30,556,795	2,909,694	262,873,264
Interest rate-sensitive gap	24,915,269	1,883,668	(28,823,353)	41,908,660	39,884,244
Net worth					58,720,441
Ratio of interest rate-sensitive assets to liabilities (%)					115.17%
Ratio of interest rate-sensitive gap to net worth (%)					67.92%

Note 1: The above amounts include only New Taiwan dollars held by the Bank and exclude contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

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

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

b) Interest rate sensitivity information (U.S. dollars)

June 30, 2026

Unit: USD Thousand, %

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 128,774	\$ 57,491	\$ 19,855	\$ 690,774	\$ 896,894
Interest rate-sensitive liabilities	997,069	92,772	127,798	-	1,217,639
Interest rate-sensitive gap	(868,295)	(35,281)	(107,943)	690,774	(320,745)
Net worth					11,820
Ratio of interest rate-sensitive assets to liabilities (%)					73.66%
Ratio of interest rate-sensitive gap to net worth (%)					(2,713.58%)

June 30, 2025

Unit: USD Thousand, %

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 137,771	\$ 1,738	\$ 9,710	\$ 741,027	\$ 890,246
Interest rate-sensitive liabilities	702,546	54,096	150,903	-	907,545
Interest rate-sensitive gap	(564,775)	(52,358)	(141,193)	741,027	(17,299)
Net worth					(43,617)
Ratio of interest rate-sensitive assets to liabilities (%)					98.09%
Ratio of interest rate-sensitive gap to net worth (%)					39.66%

Note 1: The above amounts include only USD held by the Bank and exclude contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earnings assets and interest-bearing liabilities are affected by interest-rate changes.

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in USD).

f. Transfers of financial assets

Transferred financial assets that are not fully derecognized

The transferred financial assets of the Group that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreements. The transaction transfers the contractual rights to receive the cash flows of the financial assets, but the Group retains the liabilities to repurchase the transferred financial assets at fixed price in the future period. The Group cannot use, sell, or pledge such transferred financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investments in debt instruments at amortized cost within the validity period of the transaction. However, the Group still bears the interest rate risk and credit risk thus, the Group does not derecognize it. The analysis of financial assets and related liabilities that did not completely meet the derecognizing condition is shown in the following table:

Category of Financial Asset	June 30, 2026				
	Transferred Financial Assets - Carry Amount	Related Financial Liabilities - Carry Amount	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	\$ 2,029,681	\$ 2,063,567	\$ 2,029,681	\$ 2,063,567	\$ (33,886)
Securities purchased under resell agreements Transactions under repurchase agreements	1,684,347	1,750,000	1,684,347	1,750,000	(65,653)

Category of Financial Asset	December 31, 2025				
	Transferred Financial Assets - Carry Amount	Related Financial Liabilities - Carry Amount	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through profit or loss Transactions under repurchase agreements	\$ 2,958,993	\$ 3,055,719	\$ 2,958,993	\$ 3,055,719	\$ (96,726)
Financial assets at fair value through other comprehensive income Transactions under repurchase agreements	1,938,379	1,916,118	1,938,379	1,916,118	22,261
Securities purchased under resell agreements Transactions under repurchase agreements	932,319	872,654	932,319	872,654	59,665

Category of Financial Asset	June 30, 2025				
	Transferred Financial Assets - Carry Amount	Related Financial Liabilities - Carry Amount	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through profit or loss Transactions under repurchase agreements	\$ 3,670,277	\$ 3,782,361	\$ 3,670,277	\$ 3,782,361	\$ (112,084)

46. CAPITAL MANAGEMENT

a. 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.

b. Capital management procedures

- 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

a) 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.

b) 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:

- i. 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.

- ii. 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.

- c) 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.

c. Capital adequacy

Items			Year	June 30, 2026	
			Standalone	Consolidated	
Eligible capital	Common equity		\$ 53,361,861	\$ 53,335,055	
	Other Tier 1 capital		-	-	
	Tier 2 capital		3,329,957	3,322,966	
	Eligible capital		56,691,818	56,658,021	
Risk-weighted assets	Credit risk	Standardized approach	245,639,360	246,239,727	
		Internal ratings-based approach	-	-	
		Securitization exposure	-	-	
	Operational risk	Standardized approach	17,538,876	18,511,733	
		Standardized approach	4,720,439	4,720,439	
	Market risk	Simplified standardized approach	-	-	
		Internal model approach (IMA)	-	-	
	Risk-weighted assets		267,898,675	269,471,899	
Common stock equity risk-based capital ratio			19.92%	19.79%	
Tier 1 risk-based capital ratio			19.92%	19.79%	
Capital adequacy ratio			21.16%	21.03%	
Leverage ratio			13.52%	13.47%	

Items			Year	December 31, 2025	
				Standalone	Consolidated
Eligible capital	Common equity		\$	53,376,471	\$ 53,329,462
	Other Tier 1 capital			-	-
	Tier 2 capital			3,155,279	3,280,189
	Eligible capital			56,531,750	56,609,651
Risk-weighted assets	Credit risk	Standardized approach		226,535,832	237,095,883
		Internal ratings-based approach		-	-
		Securitization exposure		-	-
	Operational risk	Standardized approach		17,538,876	18,511,733
	Market risk	Standardized approach		24,173,267	24,173,267
		Simplified standardized approach		-	-
		Internal model approach (IMA)		-	-
	Risk-weighted assets			268,247,975	279,780,883
Common stock equity risk-based capital ratio				19.90%	19.06%
Tier 1 risk-based capital ratio				19.90%	19.06%
Capital adequacy ratio				21.07%	20.23%
Leverage ratio				14.19%	13.77%

Items			Year	June 30, 2025	
				Standalone	Consolidated
Eligible capital	Common equity		\$	54,314,887	\$ 54,116,427
	Other Tier 1 capital			-	-
	Tier 2 capital			3,050,907	3,139,599
	Eligible capital			57,365,794	57,256,026
Risk-weighted assets	Credit risk	Standardized approach		231,396,599	238,712,039
		Internal ratings-based approach		-	-
		Securitization exposure		-	-
	Operational risk	Standardized approach		22,080,894	23,329,190
	Market risk	Standardized approach		12,167,837	12,669,564
		Simplified standardized approach		-	-
		Internal model approach (IMA)		-	-
	Risk-weighted assets			265,645,330	274,710,793
Common stock equity risk-based capital ratio				20.45%	19.70%
Tier 1 risk-based capital ratio				20.45%	19.70%
Capital adequacy ratio				21.59%	20.84%
Leverage ratio				14.72%	14.23%

- 1) The amount of eligible capital, risk-weighted assets, and total risk exposure should be calculated in accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Banks” and “Description and Table of Calculation Methods for Capital and Risk Assets of Banks.”
- 2) This table should demonstrate the following formula:
 - a) Self-owned capital = Common stock equity Other Tier 1 Capital Tier 2 Capital.
 - b) Total amount of risk-weighted-assets = Credit risk-weighted assets Capital charge of (operational risk market risk) x 12.5.

- c) Capital Adequacy ratio = Total self-owned capital/Total amount risk-weighted assets.
- d) Ratio of common stock equity to risk assets = Common stock equity/Total risk weighted assets
- e) Ratio of Tier 1 capital to risk-based assets = (Common stock equity Tier 1 capital)/Total risk-weighted asset.
- f) Leverage ratio = Tier 1 capital/Total exposure.

47. PROFITABILITY

Items		June 30, 2026	June 30, 2025
Return on total assets	Before income tax	1.08%	0.93%
	After income tax	0.92%	0.69%
Return on net worth	Before income tax	7.46%	6.29%
	After income tax	6.36%	4.69%
Profit margin		72.45%	65.08%

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

Note 2: Return on net worth = Income before (after) income tax ÷ Average net worth (including non-controlling interests).

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

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2026 and 2025.

48. DISPOSAL OF SUBSIDIARIES

The disposal was completed on January 30, 2026, on which dates control of King's Town Bank International Leasing Corporation passed to the acquirer.

- a. Consideration received from disposals

	King's Town Bank International Leasing
Consideration received in cash and cash equivalents	\$ 2,000,000

b. Analysis of assets and liabilities on the date control was lost

	King's Town Bank International Leasing
Current assets	
Cash and cash equivalents	\$ 1,901,343
Financial assets at fair value through profit or loss	316,184
Financial assets at fair value through other comprehensive income	127,138
Receivables, net	8,357,451
Current income tax	7,153
Property and equipment, net	175
Investment properties, net	308,535
Deferred tax assets	426,080
Other assets, net	26,038
Liabilities	
Due to the Central Bank and banks	(9,720,000)
Payables	(11,343)
Other liabilities	<u>(95,675)</u>
Net assets disposed of	<u>\$ 1,643,079</u>

c. Gain on disposal of subsidiaries

	King's Town Bank International Leasing
Consideration received	\$ 2,000,000
Net assets disposed of	(1,643,079)
Disposal of equity instruments at fair value through other comprehensive income	(65,963)
Realized gains on financial assets at fair value through other comprehensive income	<u>(3,826)</u>
Gain on disposals	<u>\$ 287,132</u>

d. Net cash inflow on disposals of subsidiaries

	King's Town Bank International Leasing
Consideration received in cash and cash equivalents	\$ 2,000,000
Less: Cash and cash equivalent balances disposed of	<u>(1,901,343)</u>
	<u>\$ 98,657</u>

49. ALLOCATION OF REVENUES, COSTS, EXPENSES AND PROFIT OR LOSS UNDER FINANCIAL HOLDING COMPANY STRUCTURE

When a bank is a subsidiary of a financial holding company, the methods for allocating revenues, costs, expenses, and profit or loss arising from business transactions, joint marketing activities, information sharing, or the shared use of business facilities or premises between the financial holding company and its subsidiaries are as follows:

The Bank became a wholly owned subsidiary of SinoPac Financial Holdings Company Limited on October 1, 2025. For the periods from January 1 to June 30, 2026 and from October 1 to December 31, 2025, the brokerage business promotion bonuses received from SinoPac Securities for joint marketing activities were \$46,441 and \$0, respectively.

For other restricted or prohibited transactions with the financial holding company and its subsidiaries, please refer to Note 40.

50. OTHERS

To expand the scale of operations and enhance operating efficiency, the Bank resolved at the special shareholders' meeting (acting through the Board of Directors) held on March 27, 2026 to merge with Bank SinoPac (BSP), a wholly owned subsidiary of SPH. Upon the completion of the merger, BSP will be the surviving entity and the Bank will be the dissolved entity.

The merger is a reorganization under common control of SPH. The merger consideration was determined based on the book value of the Bank held by SPH as of the day preceding the merger record date. BSP plans to issue 1,865,000 newly issued common shares at \$24 per share (totaling \$44,760,000) as share consideration, and the remaining balance of the merger consideration after deducting the share consideration will be settled entirely in cash. The merger proposal was approved by the competent authority on July 7, 2026, and the subsequent merger procedures date will be jointly determined and announced by the chairmen of both parties.

In addition, to effectively integrate the Group's internal resources, achieve operational synergies, and strengthen its market share in Taiwan's stock brokerage market, the Bank's Board of Directors acting on behalf of the shareholders' meeting resolved on June 26, 2026 to approve the merger of King's Town Securities Co., Ltd. and SinoPac Securities Corporation. The merger date will be determined after obtaining approval from the Financial Supervisory Commission.

51. ADDITIONAL DISCLOSURES

a. Relevant information of material transaction:

No.	Item	Explanation
1	Allowance for service fee to related parties amounting to at least NT\$5 million	None
2	Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital	None
3	Trading information - sales of non-performing loans	None
4	Financial asset securitization	None
5	Related parties transaction	Table 1
6	Other significant transactions which may affect the decisions of financial report users	None

b. Information related to subsidiary:

No.	Item	Explanation
1	Financing provided	None (Note)
2	Endorsements/guarantees provided	None (Note)
3	Significant marketable securities held	None (Note)

Note: Subsidiaries which belong to financial, insurance, securities industries and its main business registration include financing provided, endorsements/guarantees provided, acquisition and disposal of marketable securities do not need to disclose above information.

c. The related information and proportionate share in investees: Table 2.

d. Information on incorporate branches and investment in Mainland China: None.

52. OPERATING SEGMENT INFORMATION

Based on chief decision maker's resource allocation and department performance review, the Group has divided the business segments based on the services and products provided, excluding subsidiary accounted under the equity method.

The accounting standards and policies apply to all the business segments in accordance with IFRS 8 "Operating Segments". The Group's operating segments for the six months ended June 30, 2026 and 2025 are without change. The Group reports the following:

- 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.
- Financial market operation department: Take charge of the Group's fund scheduling and investment related work.

The Group's reporting segments revenue and operating result are shown in the following table.

June 30, 2026

	Branch Business	Financial Market	Discontinued Operations Department	Total
Interest revenue	\$ 2,222,969	\$ 973,319	\$ 16,569	\$ 3,212,857
Service fee income	1,328,058	-	1,443	1,329,501
Other income and expenditures	<u>71,768</u>	<u>190,555</u>	<u>7,390</u>	<u>269,713</u>
Total revenue	<u>3,622,795</u>	<u>1,163,874</u>	<u>25,402</u>	<u>4,812,071</u>
Depreciation and amortization	(44,898)	(31,027)	(368)	(76,293)
Total operating expenses	(1,062,982)	(156,208)	(3,722)	(1,222,912)
Bad debt (appropriation) reversal	<u>576,583</u>	<u>-</u>	<u>(20,860)</u>	<u>555,723</u>
Total expense	<u>(531,297)</u>	<u>(187,235)</u>	<u>(24,950)</u>	<u>(743,482)</u>
Segment profit/loss	<u>\$ 3,091,498</u>	<u>\$ 976,639</u>	<u>\$ 452</u>	<u>\$ 4,068,589</u>

June 30, 2025

	Branch Business	Financial Market	Discontinued Operations Department	Total
Interest revenue	\$ 2,461,596	\$ 726,949	\$ 254,896	\$ 3,443,441
Service fee income	1,070,167	-	41,976	1,112,142
Other income and expenditures	<u>36,612</u>	<u>(255,779)</u>	<u>(15,942)</u>	<u>(235,109)</u>
Total revenue	<u>3,568,375</u>	<u>471,170</u>	<u>280,929</u>	<u>4,320,474</u>
Depreciation and amortization	(41,520)	(29,316)	(3,598)	(74,434)
Total operating expenses	(1,284,513)	(437,779)	(36,173)	(1,758,465)
Bad debt (appropriation) reversal	<u>1,275,172</u>	<u>-</u>	<u>(1,295,964)</u>	<u>(20,792)</u>
Total expense	<u>(50,861)</u>	<u>(467,095)</u>	<u>(1,335,735)</u>	<u>(1,853,691)</u>
Segment profit/loss	<u>\$ 3,517,514</u>	<u>\$ 4,075</u>	<u>\$ (1,054,806)</u>	<u>\$ 2,466,783</u>

TABLE 1

KING’S TOWN BANK AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
JUNE 30, 2026
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counter-party	Flow of Transactions (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage to Consolidated Revenue/Assets (Note 3)
0	The Company	Kings Town Securities Co., Ltd.	a.	Deposits and remittances	\$ 71,032	Note 4	0.02
		Kings Town Securities Co., Ltd.	a.	Payables	24	Note 4	-
		Kings Town Securities Co., Ltd.	a.	Other non-interest net profit or loss	277	Note 4	0.01
		Kings Town Securities Co., Ltd.	a.	Other liabilities	92	Note 4	-
Note 6	The Company	Kings Town Bank International Lease Corporation	Note 6	Other non-interest net profit or loss	143	Note 4	-
		Kings Town Intl. Construction Management Co., Ltd.	Note 6	Other non-interest net profit or loss	48	Note 4	-

Note 1: The parent company and subsidiaries are numbered as follows:

- a. Parent: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: The flow of transactions among related parties is as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Between subsidiaries.

Note 3: For calculating the percentages, the asset or liability account is divided by total consolidated assets, and the revenue or expense account is divided by the total consolidated net revenue of the period.

Note 4: For the transactions between the Bank and related parties, the terms are similar to those transacted with unrelated parties.

Note 5: The transactions and balances above had been eliminated in the preparation of consolidated financial statement.

Note 6: On December 26, 2025, the Bank’s Board of Directors approved the disposal of its entire (100%) equity interest in its subsidiary, Kings Town Bank International Lease Corporation. The transaction was completed on January 30, 2026.

KING’S TOWN BANK AND SUBSIDIARIES

INFORMATION ON INVESTEEES
JUNE 30, 2026
(In Thousands of New Taiwan Dollars)

Investee Company (Note 1)	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Share of Profit	The Proportionate Share of the Company and Its Affiliates in Investees (Note 1)				Note
						Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
								Shares (Thousands)	Percentage of Ownership	
Kings Town Bank International Lease Corporation	Taiwan	Leasing	-	\$ -	\$ 452	-	-	-	-	Note 5
King’s Town Construction Management	Taiwan	Construction management	-	-	-	-	-	-	-	Note 5
Kings Town Securities Co., Ltd.	Taiwan	Securities brokerage	100.00	451,927	40,141	23,000	-	23,000	100.00	

- Note 1: Please present separately by Financial and Non-Financial.
- Note 2: Shares or pro forma shares held by the Company, directors, supervisors, president, vice president and affiliates in accordance with the Company Act have been included.
- Note 3: Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Paragraph 2 of Article 36 and Article 37 of the Financial Holding Company Act.
- a. Equity-based securities are covered by Paragraph 1 Article 11 of the “Securities and Exchange Law Enforcement Rules,” such as convertible bonds and warrants.
 - b. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in International Financial Reporting Standard 39.
- Note 4: Exempt from disclosure in the preparation of the first and third quarters of the financial reports.
- Note 5: The Bank disposed of its entire equity interest in Kings Town Bank International Lease Corporation on January 30, 2026.