

KGI 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

KGI Bank Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of KGI Bank Co., Ltd. (the “Bank”) and its subsidiaries, which comprise the consolidated balance sheets as of June 30, 2026, December 31, 2025 and June 30, 2025, the related consolidated statements of comprehensive income for the three months ended June 30, 2026 and 2025 and for the six months ended June 30, 2026 and 2025, the consolidated statements of changes in equity and cash flows for the six months then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of June 30, 2026, December 31, 2025 and June 30, 2025, their consolidated financial performance for the three months ended June 30, 2026 and 2025 and for the six months ended June 30, 2026 and 2025 and their consolidated cash flows for the six months then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis for Opinion

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

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 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 for the consolidated financial statements of the Bank and its subsidiaries for the six months ended June 30, 2026 are stated as follows:

Impairment of Discounts and Loans

The management assesses the impairment of discounts and loans according to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans (the “Procedures”) issued by the FSC of the ROC and IFRS 9, respectively, and then recognizes the higher estimated amount as a reserve for asset impairment. Under the Procedures, impairment is based on the length of time overdue and the status of the collateral, and under IFRS 9, impairment is assessed by considering the probability of default and loss given default, estimated based on historical experience, the present market situation and forward-looking information. Since the important assumptions and input values used in revisions and adjustments involve critical judgments and estimates, the impairment of discounts and loans is deemed to be a key audit matter for the six months ended June 30, 2026.

Refer to Notes 4, 5 and 42 for the material accounting policy information, critical judgment, estimation uncertainty and related disclosure of the impairment of discounts and loans.

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

We obtained an understanding of the accounting policies and internal controls related to the recognition of impairment. We verified that the impairment assessment procedures, including the classification of the credit assets, the length of time overdue and the status of the collaterals complied with the Procedures. We understood the methodology, main assumptions and parameters adopted by the management in accordance with the IFRS 9 impairment model, as well as the important assumptions and input values considered in its revision and adjustment. We selected samples of discounts and loans and evaluated the reasonableness of measuring expected credit losses.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the six months ended June 30, 2026 and 2025 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the 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 Mei-Hui Wu and Chun-Lin Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 18, 2026

Notice to Readers

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

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

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2026		December 31, 2025		June 30, 2025	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 6 and 38)	\$ 6,475,063	1	\$ 10,278,929	1	\$ 8,741,399	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	99,708,437	10	57,477,139	6	58,250,828	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 38)	40,111,953	4	44,800,924	5	45,962,197	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11 and 39)	139,712,619	14	118,714,558	13	125,470,259	14
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 10 and 39)	75,361,750	8	82,509,065	9	72,335,469	8
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11)	240,877	-	103,094	-	153,205	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	24,299,154	2	35,924,465	4	49,677,895	5
RECEIVABLES, NET (Notes 13, 38 and 39)	35,074,707	4	27,039,965	3	26,144,339	3
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 38)	536,540,221	54	525,257,255	56	502,602,584	55
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 15)	11,939,412	1	11,343,248	1	9,939,034	1
OTHER FINANCIAL ASSETS, NET (Notes 16, 38 and 39)	100,778	-	422,198	-	3,112,482	-
PROPERTY AND EQUIPMENT, NET (Notes 17 and 39)	5,365,807	1	5,362,525	1	5,208,681	1
RIGHT-OF-USE ASSETS, NET (Notes 18 and 38)	2,721,073	-	2,792,876	-	2,655,845	-
INVESTMENT PROPERTY, NET (Notes 19 and 39)	2,814,272	-	2,628,863	-	2,632,626	-
INTANGIBLE ASSETS, NET	1,153,136	-	1,197,993	-	1,110,857	-
DEFERRED TAX ASSETS (Notes 4 and 36)	470,257	-	508,896	-	517,867	-
OTHER ASSETS, NET (Notes 20, 38 and 39)	<u>13,050,647</u>	<u>1</u>	<u>13,000,333</u>	<u>1</u>	<u>4,644,962</u>	<u>1</u>
TOTAL	<u>\$ 995,140,163</u>	<u>100</u>	<u>\$ 939,362,326</u>	<u>100</u>	<u>\$ 919,160,529</u>	<u>100</u>
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Note 21)	\$ 8,866,326	1	\$ 9,772,012	1	\$ 15,615,366	2
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 38)	19,486,833	2	22,704,871	2	33,643,312	4
Financial liabilities for hedging (Notes 4 and 11)	711,567	-	820,134	-	616,003	-
Notes and bonds issued under repurchase agreements (Notes 8, 9, 10 and 22)	67,986,663	7	51,953,012	6	38,345,722	4
Payables (Notes 23 and 38)	8,068,992	1	6,199,374	1	8,298,513	1
Current tax liabilities (Notes 4, 36 and 38)	1,048,399	-	1,467,507	-	1,285,769	-
Deposits and remittances (Notes 24 and 38)	725,490,437	73	685,667,700	73	665,360,857	72
Bank debentures payable (Notes 11 and 25)	26,722,956	2	26,685,014	3	24,023,227	3
Principal received on structured notes	36,952,889	4	35,012,291	4	37,371,517	4
Other financial liabilities (Note 26)	17,889,121	2	14,706,793	2	12,576,103	1
Provisions (Note 27)	335,448	-	397,495	-	360,178	-
Lease liabilities (Notes 18 and 38)	2,942,298	-	2,987,489	-	2,848,007	-
Deferred tax liabilities (Notes 4 and 36)	628,787	-	572,053	-	309,496	-
Other liabilities (Notes 29 and 38)	<u>2,660,814</u>	<u>-</u>	<u>1,957,765</u>	<u>-</u>	<u>5,400,466</u>	<u>1</u>
Total liabilities	<u>919,791,530</u>	<u>92</u>	<u>860,903,510</u>	<u>92</u>	<u>846,054,536</u>	<u>92</u>
EQUITY (Note 30)						
Capital						
Common stock	<u>47,036,254</u>	<u>5</u>	<u>47,036,254</u>	<u>5</u>	<u>47,036,254</u>	<u>5</u>
Capital surplus						
Additional paid-in capital	7,825,977	1	7,825,977	1	7,825,977	1
Other capital surplus	<u>201,809</u>	<u>-</u>	<u>227,975</u>	<u>-</u>	<u>219,071</u>	<u>-</u>
Total capital surplus	<u>8,027,786</u>	<u>1</u>	<u>8,053,952</u>	<u>1</u>	<u>8,045,048</u>	<u>1</u>
Retained earnings						
Legal reserve	16,068,407	2	14,028,433	1	14,028,433	2
Special reserve	730,244	-	3,231,762	-	3,231,762	-
Unappropriated earnings	<u>4,171,321</u>	<u>-</u>	<u>6,799,913</u>	<u>1</u>	<u>3,387,673</u>	<u>-</u>
Total retained earnings	<u>20,969,972</u>	<u>2</u>	<u>24,060,108</u>	<u>2</u>	<u>20,647,868</u>	<u>2</u>
Other equity	<u>(685,379)</u>	<u>-</u>	<u>(691,498)</u>	<u>-</u>	<u>(2,623,177)</u>	<u>-</u>
Total equity	<u>75,348,633</u>	<u>8</u>	<u>78,458,816</u>	<u>8</u>	<u>73,105,993</u>	<u>8</u>
TOTAL	<u>\$ 995,140,163</u>	<u>100</u>	<u>\$ 939,362,326</u>	<u>100</u>	<u>\$ 919,160,529</u>	<u>100</u>

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

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (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 REVENUE (Notes 31 and 38)	\$ 7,216,392	136	\$ 6,595,900	153	\$ 13,969,469	137	\$ 13,293,343	152
INTEREST EXPENSE (Notes 18, 31 and 38)	<u>(3,762,566)</u>	<u>(71)</u>	<u>(4,083,473)</u>	<u>(95)</u>	<u>(7,417,167)</u>	<u>(73)</u>	<u>(8,590,028)</u>	<u>(98)</u>
NET INTEREST	<u>3,453,826</u>	<u>65</u>	<u>2,512,427</u>	<u>58</u>	<u>6,552,302</u>	<u>64</u>	<u>4,703,315</u>	<u>54</u>
NET REVENUE OTHER THAN INTEREST								
Service fee income, net (Notes 32 and 38)	1,085,815	21	766,814	18	2,067,956	20	1,668,497	19
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Note 33)	335,893	6	760,783	18	793,417	8	1,564,511	18
Realized gain on financial assets measured at fair value through other comprehensive income	15,380	-	94,715	2	39,677	-	143,786	1
Foreign exchange gain (loss), net	66,029	1	(280,296)	(6)	181,999	2	(72,891)	(1)
Reversal of impairment loss (impairment loss) on assets, net	125	-	10,333	-	(1,392)	-	11,947	-
Share of the profit of associates accounted for using equity method	238,605	5	393,875	9	452,363	5	681,952	8
Other non-interest gain, net	<u>108,701</u>	<u>2</u>	<u>39,336</u>	<u>1</u>	<u>124,028</u>	<u>1</u>	<u>66,377</u>	<u>1</u>
Total net revenue other than interest	<u>1,850,548</u>	<u>35</u>	<u>1,785,560</u>	<u>42</u>	<u>3,658,048</u>	<u>36</u>	<u>4,064,179</u>	<u>46</u>
TOTAL NET REVENUE	<u>5,304,374</u>	<u>100</u>	<u>4,297,987</u>	<u>100</u>	<u>10,210,350</u>	<u>100</u>	<u>8,767,494</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	<u>(185,661)</u>	<u>(4)</u>	<u>(116,807)</u>	<u>(3)</u>	<u>(145,373)</u>	<u>(2)</u>	<u>(427,184)</u>	<u>(5)</u>
OPERATING EXPENSES (Notes 18, 28, 34, 35 and 38)								
Employee benefits expense	(1,525,562)	(29)	(1,310,307)	(30)	(3,032,656)	(30)	(2,622,147)	(30)
Depreciation and amortization expense	(262,059)	(5)	(240,594)	(6)	(519,379)	(5)	(481,183)	(5)
Other general and administrative expenses	<u>(768,665)</u>	<u>(14)</u>	<u>(683,150)</u>	<u>(16)</u>	<u>(1,475,511)</u>	<u>(14)</u>	<u>(1,298,011)</u>	<u>(15)</u>
Total operating expenses	<u>(2,556,286)</u>	<u>(48)</u>	<u>(2,234,051)</u>	<u>(52)</u>	<u>(5,027,546)</u>	<u>(49)</u>	<u>(4,401,341)</u>	<u>(50)</u>
INCOME BEFORE INCOME TAX	2,562,427	48	1,947,129	45	5,037,431	49	3,938,969	45
INCOME TAX EXPENSE (Notes 4 and 36)	<u>(385,346)</u>	<u>(7)</u>	<u>(274,546)</u>	<u>(6)</u>	<u>(761,050)</u>	<u>(7)</u>	<u>(559,984)</u>	<u>(7)</u>
NET INCOME	<u>2,177,081</u>	<u>41</u>	<u>1,672,583</u>	<u>39</u>	<u>4,276,381</u>	<u>42</u>	<u>3,378,985</u>	<u>38</u>

(Continued)

KGI 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	%
OTHER COMPREHENSIVE INCOME (Notes 4 and 36)								
Items that will not be reclassified subsequently to profit or loss, net of tax								
Gain on equity instruments measured at fair value through other comprehensive income	\$ 136,244	3	\$ 9,863	-	\$ 130,900	1	\$ 5,465	-
Share of other comprehensive income of associates accounted for using equity method	26,980	-	63,665	2	(40,967)	-	67,741	1
Items that will be reclassified subsequently to profit or loss, net of tax								
Exchange differences on translation of foreign financial statements	76,202	1	(904,340)	(21)	368,693	4	(741,366)	(8)
Share of other comprehensive income (loss) of associates accounted for using equity method	(5,490)	-	(126,398)	(3)	16,760	-	(112,093)	(1)
Gain (loss) on debt instruments measured at fair value through other comprehensive income	237,868	5	845,212	20	(473,321)	(5)	1,416,093	16
Impairment loss (reversal of impairment loss) on debt instruments measured at fair value through other comprehensive income	(501)	-	(11,018)	-	1,289	-	(12,400)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(19,608)	-	(22,688)	(1)	4,495	-	(46,323)	(1)
Other comprehensive income (loss), net of tax	451,695	9	(145,704)	(3)	7,849	-	577,117	7
TOTAL COMPREHENSIVE INCOME, NET OF TAX	<u>\$ 2,628,776</u>	<u>50</u>	<u>\$ 1,526,879</u>	<u>36</u>	<u>\$ 4,284,230</u>	<u>42</u>	<u>\$ 3,956,102</u>	<u>45</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 37)								
Basic	<u>\$ 0.46</u>		<u>\$ 0.36</u>		<u>\$ 0.91</u>		<u>\$ 0.72</u>	

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

(Concluded)

KGI BANK CO., LTD. AND SUBSIDIARIES

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

	Common Stock	Capital Surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2025	\$ 47,036,254	\$ 8,028,499	\$ 12,022,954	\$ 3,416,448	\$ 6,684,929	\$ 295,553	\$ (3,487,159)	\$ 73,997,478
Appropriation of earnings								
Legal reserve	-	-	2,005,479	-	(2,005,479)	-	-	-
Reversal of special reserve	-	-	-	(184,686)	184,686	-	-	-
Cash dividends - common stock	-	-	-	-	(4,864,136)	-	-	(4,864,136)
Net income for the six months ended June 30, 2025	-	-	-	-	3,378,985	-	-	3,378,985
Other comprehensive income (loss) for the six months ended June 30, 2025, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(853,459)</u>	<u>1,430,576</u>	<u>577,117</u>
Total comprehensive income (loss) for the six months ended June 30, 2025	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,378,985</u>	<u>(853,459)</u>	<u>1,430,576</u>	<u>3,956,102</u>
Share-based payments	-	16,549	-	-	-	-	-	16,549
Disposal of equity instruments at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,688</u>	<u>-</u>	<u>(8,688)</u>	<u>-</u>
BALANCE AT JUNE 30, 2025	<u>\$ 47,036,254</u>	<u>\$ 8,045,048</u>	<u>\$ 14,028,433</u>	<u>\$ 3,231,762</u>	<u>\$ 3,387,673</u>	<u>\$ (557,906)</u>	<u>\$ (2,065,271)</u>	<u>\$ 73,105,993</u>
BALANCE AT JANUARY 1, 2026	\$ 47,036,254	\$ 8,053,952	\$ 14,028,433	\$ 3,231,762	\$ 6,799,913	\$ 417,428	\$ (1,108,926)	\$ 78,458,816
Appropriation of earnings								
Legal reserve	-	-	2,039,974	-	(2,039,974)	-	-	-
Reversal of special reserve	-	-	-	(2,501,518)	2,501,518	-	-	-
Cash dividends - common stock	-	-	-	-	(7,261,457)	-	-	(7,261,457)
Net income for the six months ended June 30, 2026	-	-	-	-	4,276,381	-	-	4,276,381
Other comprehensive income (loss) for the six months ended June 30, 2026, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,454</u>	<u>(377,605)</u>	<u>7,849</u>
Total comprehensive income (loss) for the six months ended June 30, 2026	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,276,381</u>	<u>385,454</u>	<u>(377,605)</u>	<u>4,284,230</u>
Changes in equity of associates accounted for using equity method	-	(35,070)	-	-	(106,790)	-	-	(141,860)
Share-based payments	-	8,904	-	-	-	-	-	8,904
Disposal of equity instruments at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,730</u>	<u>-</u>	<u>(1,730)</u>	<u>-</u>
BALANCE AT JUNE 30, 2026	<u>\$ 47,036,254</u>	<u>\$ 8,027,786</u>	<u>\$ 16,068,407</u>	<u>\$ 730,244</u>	<u>\$ 4,171,321</u>	<u>\$ 802,882</u>	<u>\$ (1,488,261)</u>	<u>\$ 75,348,633</u>

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

KGI 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		
Income before income tax	\$ 5,037,431	\$ 3,938,969
Adjustments for:		
Depreciation expense	352,192	319,826
Amortization expense	167,187	161,357
Bad debts expense, commitments and guarantee liability provisions	145,373	427,184
Net gain on financial assets and liabilities measured at fair value through profit or loss	(782,748)	(1,553,758)
Interest expense	7,417,167	8,590,028
Interest income	(13,969,469)	(13,293,343)
Dividend income	(23,902)	(23,740)
Share of profit of associates accounted for using equity method	(452,363)	(681,952)
Others	4,658	(7,492)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(2,215,562)	(2,663,574)
Financial assets at fair value through profit or loss	12,695,552	14,387,425
Financial assets at fair value through other comprehensive income	(21,548,667)	16,577,574
Debt investments measured at amortized cost	7,146,978	(2,280,799)
Securities purchased under resell agreements	(2,285,658)	(7,910,428)
Receivables	(7,572,754)	2,272,241
Discounts and loans	(11,334,386)	(30,041,536)
Other financial assets	321,420	(1,988,090)
Other assets	(76,707)	3,836,419
Deposits from the Central Bank and banks	(905,686)	3,502,457
Financial liabilities at fair value through profit or loss	(10,441,871)	(6,782,747)
Notes and bonds issued under repurchase agreements	16,033,651	(31,809,538)
Payables	1,656,037	1,997,077
Deposits and remittances	39,822,737	33,468,285
Other financial liabilities	5,167,690	(1,415,990)
Other liabilities	626,754	3,546,824
Cash flows generated from (used in) operations	24,985,054	(7,427,321)
Interest received	13,517,320	14,012,098
Dividends received	5,837	11,017
Interest paid	(7,204,247)	(8,833,812)
Income taxes paid	(1,065,464)	(691,269)
Net cash flows generated from (used in) operating activities	30,238,500	(2,929,287)

(Continued)

KGI 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 INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (169,312)	\$ (102,407)
Acquisition of intangible assets	(122,081)	(78,378)
Acquisition of investment properties	(187,795)	(70,283)
Other investment activities	<u>8,664</u>	<u>78,050</u>
Net cash flows used in investing activities	<u>(470,524)</u>	<u>(173,018)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liabilities	(175,681)	(180,133)
(Decrease) increase in other financial liabilities	(36,237)	419,572
Cash dividends paid	<u>(7,261,457)</u>	<u>(4,864,136)</u>
Net cash flows used in financing activities	<u>(7,473,375)</u>	<u>(4,624,697)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>6,300</u>	<u>(10,587)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,300,901	(7,737,589)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>74,039,551</u>	<u>88,464,340</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 96,340,452</u>	<u>\$ 80,726,751</u>

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 the consolidated balance sheets	\$ 6,475,063	\$ 8,741,399
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	72,374,049	34,875,250
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	<u>17,491,340</u>	<u>37,110,102</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 96,340,452</u>	<u>\$ 80,726,751</u>

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

(Concluded)

KGI BANK CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

As of June 30, 2026, the Bank had an International Banking Department, a Trust Department, an Insurance Department, other core business and functional departments, an Offshore Banking Unit (OBU), 51 domestic branches, and a Hong Kong branch.

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors and authorized for issue on August 18, 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 and the revised Regulations Governing the Preparation of Financial Reports by Public Banks.

The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC, and the revised Regulations Governing the Preparation of Financial Reports by Public Banks, did not have any material impact on the Bank and its subsidiaries.

- 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:

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

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

- 1) The Bank and its subsidiaries shall use operating profit or loss as the starting point when presenting cash flows from operating activities under the indirect method.

- 2) Interest and dividends received shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. However, if, after assessment, the Bank and its subsidiaries have a specified main business activity, they shall determine to have a specific main operating activity, they 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.

The Bank and its subsidiaries have not elected to apply IFRS 18 and consequential amendments earlier.

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

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, guidelines issued by authority and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial reports is less than that required for a full set of annual financial reports.

Basis of Preparation

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

The operating cycle in the banking industry cannot be reasonably identified; thus, asset and liability accounts were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized in accordance with the nature of each account and sequenced according to their liquidity. Please refer to Note 42 for the maturity analysis of assets and liabilities.

Principles for Preparing Consolidated Financial Statements

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

The consolidated entities were as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership (%)		
			June 30, 2026	December 31, 2025	June 30, 2025
The Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00
	KGI Asset Management Co., Ltd.	Trading and management of nonperforming loans of financial institution	100.00	100.00	100.00
CDIB Management Consulting Corporation	KGI Finance & Leasing Corporation	Leasing	100.00	100.00	100.00
	CDIB International Leasing Corporation	Leasing	100.00	100.00	100.00

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank and its subsidiaries become a party to the contractual provisions of the instruments.

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

Financial assets

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

a. Classification and measurement

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

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria. A financial asset may be designated as at FVTPL upon initial recognition, if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any dividends and remeasurement gains or losses on the financial assets are recognized in net revenues other than interest. Fair value is determined in the manner described in Note 41.

2) Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

For financial assets that have subsequently become credit-impaired, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. For all other financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount.

3) Investments in debt instruments at FVTOCI

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

For the financial assets, the Bank and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance or accumulated impairment account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of the financial assets are not reduced.

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

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

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

c. Derecognition of financial assets

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

Financial liabilities at FVTPL

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

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

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

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Modification of financial instruments

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

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

Other Material Accounting Policy Information

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2025.

Retirement Benefits

Pension cost for an interim period is calculated on a year-to-date basis using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Income Tax Expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Impairment of Discounts and Loans

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2026	December 31, 2025	June 30, 2025
Due from banks	\$ 4,015,911	\$ 7,878,169	\$ 6,433,023
Cash on hand	1,550,391	1,568,653	1,480,281
Checks for clearing	364,870	118,513	110,226
Cash in banks	311,409	595,443	508,639
Excess margin from futures	<u>232,482</u>	<u>118,151</u>	<u>209,230</u>
	<u>\$ 6,475,063</u>	<u>\$ 10,278,929</u>	<u>\$ 8,741,399</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2025 as follows; please refer to the consolidated statements of cash flows for the reconciliation information as of June 30, 2026 and 2025:

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

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

	June 30, 2026	December 31, 2025	June 30, 2025
Call loans to banks	\$ 66,175,434	\$ 23,601,576	\$ 22,606,162
Deposit reserve - demand accounts	20,530,120	18,594,637	18,065,283
Deposit reserve - checking accounts	6,879,811	10,060,330	12,869,195
Due from the Central Bank - interbank settlement funds	5,900,213	5,000,530	4,500,874
Deposit reserve - foreign currencies	<u>222,859</u>	<u>220,066</u>	<u>209,314</u>
	<u>\$ 99,708,437</u>	<u>\$ 57,477,139</u>	<u>\$ 58,250,828</u>

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

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

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2026	December 31, 2025	June 30, 2025
Financial assets mandatorily classified as at FVTPL			
Derivative instruments			
Currency swap contracts	\$ 14,368,104	\$ 14,738,951	\$ 25,623,602
Interest rate swap contracts	4,245,259	4,487,313	3,699,790
Option contracts	1,911,630	1,596,596	1,312,251
Non-deliverable forward contracts	62,444	1,433,058	51,267
Others	<u>204,036</u>	<u>177,171</u>	<u>457,104</u>
	<u>20,791,473</u>	<u>22,433,089</u>	<u>31,144,014</u>

(Continued)

	June 30, 2026	December 31, 2025	June 30, 2025
Non-derivative financial assets			
Commercial papers	\$ 18,836,166	\$ 21,518,425	\$ 14,051,604
Others	<u>484,314</u>	<u>849,410</u>	<u>766,579</u>
	<u>19,320,480</u>	<u>22,367,835</u>	<u>14,818,183</u>
Financial assets at FVTPL	<u>\$ 40,111,953</u>	<u>\$ 44,800,924</u>	<u>\$ 45,962,197</u>
<u>Financial liabilities held for trading</u>			
Derivative instruments			
Currency swap contracts	\$ 12,758,033	\$ 14,816,278	\$ 28,270,396
Interest rate swap contracts	4,076,431	4,339,542	3,645,741
Option contracts	2,262,197	1,884,837	1,491,718
Non-deliverable forward contracts	56,201	1,458,940	105,261
Others	<u>333,971</u>	<u>205,274</u>	<u>130,196</u>
Financial liabilities at FVTPL	<u>\$ 19,486,833</u>	<u>\$ 22,704,871</u>	<u>\$ 33,643,312</u>
			(Concluded)

The contract (notional) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments as of June 30, 2026, December 31, 2025 and June 30, 2025 were summarized as follows:

	Contract Amount		
	June 30, 2026	December 31, 2025	June 30, 2025
Currency swap contracts	\$ 1,150,379,793	\$ 1,123,179,847	\$ 1,197,276,810
Interest rate swap contracts	499,077,915	434,166,582	384,817,984
Option contracts	248,968,617	215,747,950	122,571,952
Forward exchange contracts	8,623,820	3,943,060	8,468,216
Cross-currency swap contracts	6,707,165	7,151,141	10,128,622
Non-deliverable forward exchange contracts	6,054,728	210,033,565	12,009,788
Futures contracts	835,165	2,618,785	1,136,276
Commodity swap contracts	458,511	292,061	125,331

As of June 30, 2026, December 31, 2025 and June 30, 2025, financial assets at FVTPL with aggregate carrying values of \$4,574,113 thousand, \$5,500,941 thousand and \$1,415,498 thousand, respectively, were sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2026	December 31, 2025	June 30, 2025
Investments in debt instruments at FVTOCI	\$ 138,622,235	\$ 117,755,074	\$ 124,512,723
Investments in equity instruments at FVTOCI	<u>1,090,384</u>	<u>959,484</u>	<u>957,536</u>
	<u>\$ 139,712,619</u>	<u>\$ 118,714,558</u>	<u>\$ 125,470,259</u>

a. Investments in debt instruments at FVTOCI

	June 30, 2026	December 31, 2025	June 30, 2025
Corporate bonds	\$ 65,971,338	\$ 46,943,070	\$ 51,145,303
Government bonds	49,700,619	52,263,389	58,039,761
Bank debentures	19,274,260	13,474,427	12,310,139
Others	<u>3,676,018</u>	<u>5,074,188</u>	<u>3,017,520</u>
	<u>\$ 138,622,235</u>	<u>\$ 117,755,074</u>	<u>\$ 124,512,723</u>

As of June 30, 2026, December 31, 2025 and June 30, 2025, investments in debt instruments at FVTOCI, with aggregate carrying values of \$59,534,678 thousand, \$43,055,342 thousand and \$34,726,089 thousand, respectively, were sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

There was no significant increase in the credit risk of investments in debt instruments at FVTOCI of the Bank and its subsidiaries; therefore, the impairment loss was assessed based on 12 months expected credit losses. An adjustment in the investment portfolio resulted in the recognition of impairment loss of \$37,076 thousand, \$35,787 thousand and \$37,012 thousand on June 30, 2026, December 31, 2025 and June 30, 2025, respectively.

b. Investments in equity instruments at FVTOCI

	June 30, 2026	December 31, 2025	June 30, 2025
Unlisted stocks	<u>\$ 1,090,384</u>	<u>\$ 959,484</u>	<u>\$ 957,536</u>

For the six months ended June 30, 2026 and 2025, the Bank and its subsidiaries did not dispose of equity instruments at FVTOCI.

For the three months ended June 30, 2026 and 2025, dividend income were \$13,233 thousand and \$12,987 thousand, respectively, and for the six months ended June 30, 2026 and 2025, dividend income were \$13,233 thousand and \$12,987 thousand, respectively, and those related to investments held as of June 30, 2026 and 2025 were \$13,233 thousand and \$12,987 thousand, respectively.

For the information on financial assets at FVTOCI pledged as collateral for the Bank and its subsidiaries, please refer to Note 39.

10. DEBT INVESTMENTS MEASURED AT AMORTIZED COST

	June 30, 2026	December 31, 2025	June 30, 2025
Negotiable certificates of deposit	\$ 55,180,000	\$ 62,185,000	\$ 53,325,000
Bank debentures	14,354,097	15,357,793	14,354,181
Corporate bonds	5,503,721	4,649,628	4,375,632
Others	<u>329,800</u>	<u>322,150</u>	<u>285,770</u>
	75,367,618	82,514,571	72,340,583
Accumulated impairment	<u>(5,868)</u>	<u>(5,506)</u>	<u>(5,114)</u>
Net amount	<u>\$ 75,361,750</u>	<u>\$ 82,509,065</u>	<u>\$ 72,335,469</u>

As of June 30, 2026, December 31, 2025 and June 30, 2025, debt investments measured at amortized cost, with aggregate carrying values of \$3,877,872 thousand, \$3,396,729 thousand and \$2,204,135 thousand were sold, respectively, under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on the debt investments measured at amortized cost pledged as collateral for the Bank and its subsidiaries, please refer to Note 39.

There was no significant increase in the credit risk of debt investments measured at amortized cost of the Bank and its subsidiaries; therefore, the impairment loss was assessed based on 12 months expected credit losses. The recognition of impairment loss of \$5,868 thousand, \$5,506 thousand and \$5,114 thousand on June 30, 2026, December 31, 2025 and June 30, 2025, respectively.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2026	December 31, 2025	June 30, 2025
<u>Financial assets for hedging</u>			
Fair value hedge - interest rate swap	<u>\$ 240,877</u>	<u>\$ 103,094</u>	<u>\$ 153,205</u>
<u>Financial liabilities for hedging</u>			
Fair value hedge - interest rate swap	<u>\$ 711,567</u>	<u>\$ 820,134</u>	<u>\$ 616,003</u>

Fair Value Hedges

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

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

June 30, 2026

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	\$ 27,659,697	2027.03.05-2038.03.25	Financial assets and liabilities for hedging	\$ 240,877	\$ 711,567
Hedged Items	Carrying Amount			Accumulated Amount of Fair Value Adjustments	
	Asset	Liability		Asset	Liability
Fair value hedge					
Financial assets at FVTOCI	\$ 12,096,415	\$ -		\$ (226,264)	\$ -
Bank debentures payable	-	14,402,956		-	(697,044)

December 31, 2025

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

June 30, 2025

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount	
				Asset	Liability
Fair value hedge					
Interest rate swap contracts	\$ 29,438,009	2027.03.05-2038.03.25	Financial assets and liabilities for hedging	\$ 153,205	\$ 616,003
Hedged Items	Carrying Amount			Accumulated Amount of Fair Value Adjustments	
	Asset	Liability		Asset	Liability
Fair value hedge					
Financial assets at FVTOCI	\$ 13,733,846	\$ -		\$ (63,914)	\$ -
Bank debentures payable	-	14,573,227		-	(526,773)

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2026	December 31, 2025	June 30, 2025
Commercial papers	\$ 10,612,177	\$ 5,874,738	\$ 18,598,374
Corporate bonds	6,207,687	12,488,339	14,376,637
Negotiable certificates of deposit	5,221,838	13,478,802	14,614,245
Bank debentures	1,323,450	1,328,666	1,221,832
Government bonds	<u>934,002</u>	<u>2,753,920</u>	<u>866,807</u>
	<u>\$ 24,299,154</u>	<u>\$ 35,924,465</u>	<u>\$ 49,677,895</u>
Agreed-upon resell amounts	<u>\$ 24,333,538</u>	<u>\$ 35,989,261</u>	<u>\$ 49,736,900</u>

13. RECEIVABLES, NET

	June 30, 2026	December 31, 2025	June 30, 2025
Accounts receivable factoring without recourse	\$ 16,573,762	\$ 9,289,492	\$ 9,269,666
Interest receivable	6,678,876	6,225,906	5,566,893
Credit card	5,300,249	4,853,396	4,097,967
Installment accounts and lease receivables	5,184,820	5,559,796	5,362,555
PEM receivable	781,136	771,346	733,659
Others	<u>2,491,348</u>	<u>2,205,937</u>	<u>2,904,036</u>
	37,010,191	28,905,873	27,934,776
Less: Unrealized interest	(388,689)	(409,360)	(388,209)
Allowance for bad debts	<u>(1,546,795)</u>	<u>(1,456,548)</u>	<u>(1,402,228)</u>
Net amount	<u>\$ 35,074,707</u>	<u>\$ 27,039,965</u>	<u>\$ 26,144,339</u>

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

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

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

(In Thousands of USD/NTD)

	June 30, 2026		December 31, 2025		June 30, 2025	
	USD	NTD	USD	NTD	USD	NTD
Life insurance policies	\$ 8,975	\$ 285,743	\$ 8,975	\$ 282,161	\$ 8,975	\$ 268,375
Non-life insurance policies	<u>15,561</u>	<u>495,393</u>	<u>15,561</u>	<u>489,185</u>	<u>15,561</u>	<u>465,284</u>
	24,536	781,136	24,536	771,346	24,536	733,659
Less: Allowance for bad debts	<u>(18,559)</u>	<u>(590,857)</u>	<u>(18,445)</u>	<u>(579,849)</u>	<u>(17,896)</u>	<u>(535,119)</u>
Net amount	<u>\$ 5,977</u>	<u>\$ 190,279</u>	<u>\$ 6,091</u>	<u>\$ 191,497</u>	<u>\$ 6,640</u>	<u>\$ 198,540</u>

Changes in Loss Allowance on Receivables

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

For the six months ended June 30, 2026

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance on January 1	\$ 46,997	\$ 27,813	\$ -	\$ 1,214,961	\$ -	\$ 1,289,771	\$ 166,777	\$ 1,456,548
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(1,031)	7,823	-	(6,792)	-	-	-	-
Transferred to credit - impaired financial assets	(206)	(2,567)	-	2,773	-	-	-	-
Transferred to 12 months ECL	688	(645)	-	(43)	-	-	-	-
Derecognizing financial assets during the current period	(55,369)	(3,478)	-	(2,871)	-	(61,718)	-	(61,718)
Purchased or originated new financial assets	59,546	1,663	-	1,262	-	62,471	-	62,471
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	-	-	85,713	85,713
Write-off	-	-	-	(8,339)	-	(8,339)	-	(8,339)
Recovery of written-off	-	-	-	4,982	-	4,982	-	4,982
Effects of exchange rate changes and others	(4,807)	(307)	-	12,252	-	7,138	-	7,138
Balance on June 30	<u>\$ 45,818</u>	<u>\$ 30,302</u>	<u>\$ -</u>	<u>\$ 1,218,185</u>	<u>\$ -</u>	<u>\$ 1,294,305</u>	<u>\$ 252,490</u>	<u>\$ 1,546,795</u>

For the six months ended June 30, 2025

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance on January 1	\$ 40,389	\$ 38,520	\$ -	\$ 1,188,569	\$ -	\$ 1,267,478	\$ 186,001	\$ 1,453,479
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(460)	1,606	-	(1,146)	-	-	-	-
Transferred to credit - impaired financial assets	(209)	(5,423)	-	5,632	-	-	-	-
Transferred to 12 months ECL	755	(635)	-	(120)	-	-	-	-
Derecognizing financial assets during the current period	(35,701)	(7,555)	-	(8,593)	-	(51,849)	-	(51,849)
Purchased or originated new financial assets	47,351	656	-	1,080	-	49,087	-	49,087
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	-	-	(15,698)	(15,698)
Write-off	-	-	-	(15,120)	-	(15,120)	-	(15,120)
Recovery of written-off	-	-	-	2,524	-	2,524	-	2,524
Effects of exchange rate changes and others	(10,957)	1,714	-	(10,952)	-	(20,195)	-	(20,195)
Balance on June 30	<u>\$ 41,168</u>	<u>\$ 28,883</u>	<u>\$ -</u>	<u>\$ 1,161,874</u>	<u>\$ -</u>	<u>\$ 1,231,925</u>	<u>\$ 170,303</u>	<u>\$ 1,402,228</u>

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

For the six months ended June 30, 2026

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance on January 1	\$ 26,561,236	\$ 279,373	\$ -	\$ 1,655,904	\$ -	\$ 28,496,513
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(161,903)	127,700	-	34,203	-	-
Purchased or originated new receivables	22,800,689	12,535	-	4,968	-	22,818,192
Write-off	-	-	-	(8,339)	-	(8,339)
Derecognition	(14,691,138)	(48,421)	-	(41,484)	-	(14,781,043)
Effects of exchange rate changes and others	84,109	3	-	12,067	-	96,179
Balance on June 30	<u>\$ 34,592,993</u>	<u>\$ 371,190</u>	<u>\$ -</u>	<u>\$ 1,657,319</u>	<u>\$ -</u>	<u>\$ 36,621,502</u>

For the six months ended June 30, 2025

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance on January 1	\$ 28,503,249	\$ 352,422	\$ -	\$ 1,672,368	\$ -	\$ 30,528,039
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(132,469)	61,219	-	71,250	-	-
Purchased or originated new receivables	14,558,855	6,503	-	5,040	-	14,570,398
Write-off	-	-	-	(15,120)	-	(15,120)
Derecognition	(16,829,020)	(106,734)	-	(51,399)	-	(16,987,153)
Effects of exchange rate changes and others	(465,874)	(749)	-	(82,974)	-	(549,597)
Balance on June 30	<u>\$ 25,634,741</u>	<u>\$ 312,661</u>	<u>\$ -</u>	<u>\$ 1,599,165</u>	<u>\$ -</u>	<u>\$ 27,546,567</u>

For the impairment loss analysis of receivables, please refer to Note 42.

For the information on receivables pledged as collateral for the Bank and its subsidiaries, please refer to Note 39.

14. DISCOUNTS AND LOANS, NET

	June 30, 2026	December 31, 2025	June 30, 2025
Short-term loans	\$ 99,501,054	\$ 92,774,880	\$ 92,196,397
Medium-term loans	263,389,510	273,130,186	264,792,492
Long-term loans	179,816,120	165,411,169	151,422,428
Overdue loans	708,466	758,109	718,215
Export negotiations	<u>4,673</u>	<u>-</u>	<u>21,245</u>
	543,419,823	532,074,344	509,150,777
Less: Allowance for bad debts	(6,777,451)	(6,709,803)	(6,457,897)
Less: Discounts on discounts and loans	<u>(102,151)</u>	<u>(107,286)</u>	<u>(90,296)</u>
Net amount	<u>\$ 536,540,221</u>	<u>\$ 525,257,255</u>	<u>\$ 502,602,584</u>

Changes in Loss Allowance on Discounts and Loans

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

For the six months ended June 30, 2026

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance on January 1	\$ 1,078,189	\$ 597,813	\$ -	\$ 604,821	\$ -	\$ 2,280,823	\$ 4,428,980	\$ 6,709,803
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(3,064)	9,704	-	(6,640)	-	-	-	-
Transferred to credit - impaired financial assets	(6,554)	(29,546)	-	36,100	-	-	-	-
Transferred to 12 months ECL	12,277	(9,619)	-	(2,658)	-	-	-	-
Derecognizing financial assets during the current period	(222,768)	(13,613)	-	(22,200)	-	(258,581)	-	(258,581)
Purchased or originated new financial assets	384,092	-	-	34	-	384,126	-	384,126
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	-	-	-	304,052	304,052
Write-off	-	-	-	(449,046)	-	(449,046)	-	(449,046)
Recovery of written-off	-	-	-	447,446	-	447,446	-	447,446
Effects of exchange rate changes and others	(177,652)	(241,420)	-	58,723	-	(360,349)	-	(360,349)
Balance on June 30	<u>\$ 1,064,520</u>	<u>\$ 313,319</u>	<u>\$ -</u>	<u>\$ 666,590</u>	<u>\$ -</u>	<u>\$ 2,044,419</u>	<u>\$ 4,733,032</u>	<u>\$ 6,777,451</u>

For the six months ended June 30, 2025

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance on January 1	\$ 892,185	\$ 309,852	\$ -	\$ 604,318	\$ -	\$ 1,806,355	\$ 4,312,952	\$ 6,119,307
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(3,063)	11,161	-	(8,098)	-	-	-	-
Transferred to credit - impaired financial assets	(5,851)	(34,502)	-	40,353	-	-	-	-
Transferred to 12 months ECL	29,736	(27,738)	-	(1,998)	-	-	-	-
Derecognizing financial assets during the current period	(573,260)	(15,656)	-	(15,261)	-	(604,177)	-	(604,177)
Purchased or originated new financial assets	566,559	32,345	-	72	-	598,976	-	598,976
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans	-	-	-	(480,803)	-	(480,803)	172,718	172,718
Write-off	-	-	-	514,086	-	514,086	-	(480,803)
Recovery of written-off	-	-	-	(59,291)	-	137,790	-	514,086
Effects of exchange rate changes and others	175,962	21,119	-	-	-	-	-	137,790
Balance on June 30	\$ 1,082,268	\$ 296,581	\$ -	\$ 593,378	\$ -	\$ 1,972,227	\$ 4,485,670	\$ 6,457,897

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

For the six months ended June 30, 2026

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance on January 1	\$ 526,587,909	\$ 2,384,507	\$ -	\$ 3,101,928	\$ -	\$ 532,074,344
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(735,705)	150,567	-	585,138	-	-
Purchased or originated new discounts and loans	319,595,892	-	-	185	-	319,596,077
Write-off	-	-	-	(449,046)	-	(449,046)
Derecognition	(309,087,403)	(129,232)	-	(124,373)	-	(309,341,008)
Effects of exchange rate changes and others	1,543,222	(1,701)	-	(2,065)	-	1,539,456
Balance on June 30	\$ 537,903,915	\$ 2,404,141	\$ -	\$ 3,111,767	\$ -	\$ 543,419,823

For the six months ended June 30, 2025

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance on January 1	\$ 474,277,080	\$ 2,012,763	\$ -	\$ 2,895,019	\$ -	\$ 479,184,862
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(703,926)	19,172	-	684,754	-	-
Purchased or originated new discounts and loans	321,747,765	63,147	-	539	-	321,811,451
Write-off	-	-	-	(480,803)	-	(480,803)
Derecognition	(284,084,078)	(102,316)	-	(75,353)	-	(284,261,747)
Effects of exchange rate changes and others	(7,055,332)	(42,389)	-	(5,265)	-	(7,102,986)
Balance on June 30	<u>\$ 504,181,509</u>	<u>\$ 1,950,377</u>	<u>\$ -</u>	<u>\$ 3,018,891</u>	<u>\$ -</u>	<u>\$ 509,150,777</u>

For the impairment loss analysis of discounts and loans, please refer to Note 42.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET

Immaterial associates:

	June 30, 2026		December 31, 2025		June 30, 2025	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Suyin KGI Consumer Finance Co., Ltd.	\$ 10,872,315	33.41	\$ 10,161,491	37.63	\$ 8,912,978	37.63
CDIB & Partners Investment Holding Corporation	<u>1,067,097</u>	4.95	<u>1,181,757</u>	4.95	<u>1,026,056</u>	4.95
	<u>\$ 11,939,412</u>		<u>\$ 11,343,248</u>		<u>\$ 9,939,034</u>	

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

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

16. OTHER FINANCIAL ASSETS, NET

	June 30, 2026	December 31, 2025	June 30, 2025
Purchased debt receivables	\$ 100,778	\$ 107,818	\$ 121,982
Overdue receivables	26,408	29,253	30,248
Call loan to security brokers	-	314,380	2,990,200
Pledged time deposits	<u>-</u>	<u>-</u>	<u>300</u>
	127,186	451,451	3,142,730
Less: Allowance for bad debts - overdue receivables	<u>(26,408)</u>	<u>(29,253)</u>	<u>(30,248)</u>
Net amount	<u>\$ 100,778</u>	<u>\$ 422,198</u>	<u>\$ 3,112,482</u>

For the information on other financial assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 39.

17. PROPERTY AND EQUIPMENT, NET

	June 30, 2026	December 31, 2025	June 30, 2025
Land	\$ 3,286,493	\$ 3,289,011	\$ 3,263,551
Buildings and facilities	1,082,928	1,089,010	1,088,214
Machinery and computer equipment	501,585	482,710	380,197
Leasehold improvements	351,272	339,843	336,954
Miscellaneous equipment	73,479	76,785	76,502
Transportation equipment	34	41	48
Prepayments for acquisition of equipment	<u>70,016</u>	<u>85,125</u>	<u>63,215</u>
	<u>\$ 5,365,807</u>	<u>\$ 5,362,525</u>	<u>\$ 5,208,681</u>

Except for depreciation recognized, the Bank and its subsidiaries had no significant addition, disposal and impairment of property and equipment during the six months ended June 30, 2026 and 2025.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

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

For the information on property and equipment pledged as collateral by the Bank and its subsidiaries, please refer to Note 39.

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2026	December 31, 2025	June 30, 2025
Carrying amounts			
Buildings and facilities	\$ 2,714,768	\$ 2,787,002	\$ 2,649,221
Transportation equipment	5,460	4,416	4,530
Computer equipment	311	837	1,363
Miscellaneous equipment	<u>534</u>	<u>621</u>	<u>731</u>
	<u>\$ 2,721,073</u>	<u>\$ 2,792,876</u>	<u>\$ 2,655,845</u>
		For the Six Months Ended June 30	
		2026	2025
Additions to right-of-use assets		<u>\$ 125,688</u>	<u>\$ 79,161</u>
	For the Three Months Ended June 30		For the Six Months Ended June 30
	2026	2025	2026
			2025
Depreciation of right-of-use assets			
Buildings and facilities	\$ 99,251	\$ 90,274	\$ 196,760
Transportation equipment	767	772	1,498
Computer equipment	263	263	526
Miscellaneous equipment	<u>45</u>	<u>46</u>	<u>90</u>
	<u>\$ 100,326</u>	<u>\$ 91,355</u>	<u>\$ 198,874</u>
			<u>\$ 182,390</u>

b. Lease liabilities

	June 30, 2026	December 31, 2025	June 30, 2025
Carrying amounts	<u>\$ 2,942,298</u>	<u>\$ 2,987,489</u>	<u>\$ 2,848,007</u>
	For the Three Months Ended June 30		For the Six Months Ended June 30
	2026	2025	2026
			2025
Interest expense (other interest expenses)	<u>\$ 9,035</u>	<u>\$ 6,663</u>	<u>\$ 17,952</u>
			<u>\$ 13,532</u>

Ranges of discount rates for lease liabilities were as follows:

	June 30, 2026	December 31, 2025	June 30, 2025
Buildings and facilities	0.64%-3.14%	0.64%-3.14%	0.64%-2.12%
Computer equipment	1.50%-1.60%	1.50%-1.60%	1.50%-1.60%
Transportation equipment	1.64%-1.83%	1.49%-1.83%	1.38%-1.83%
Miscellaneous equipment	1.03%-3.61%	1.03%-3.61%	1.03%-3.61%

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

	June 30, 2026	December 31, 2025	June 30, 2025
Less than 1 year	\$ 390,326	\$ 397,547	\$ 390,393
1 year to 5 years	1,298,375	1,311,507	1,336,521
Over 5 years	<u>1,379,896</u>	<u>1,441,840</u>	<u>1,240,202</u>
	<u>\$ 3,068,597</u>	<u>\$ 3,150,894</u>	<u>\$ 2,967,116</u>

c. Material leasing activities and terms

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

d. Other lease information

For lease arrangements under operating leases for the leasing out of investment properties for the Bank and its subsidiaries, please refer to Note 19.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Expenses relating to short-term leases	<u>\$ 10,253</u>	<u>\$ 2,975</u>	<u>\$ 21,895</u>	<u>\$ 5,938</u>
Expenses relating to low-value asset leases	<u>\$ 1,329</u>	<u>\$ 1,326</u>	<u>\$ 2,578</u>	<u>\$ 2,664</u>
Total cash outflow for leases			<u>\$ 213,625</u>	<u>\$ 202,366</u>

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

	June 30, 2026	December 31, 2025	June 30, 2025
Short-term lease commitments	<u>\$ 9,232</u>	<u>\$ 26,558</u>	<u>\$ 3,891</u>

19. INVESTMENT PROPERTY, NET

	June 30, 2026	December 31, 2025	June 30, 2025
Land	\$ 2,338,340	\$ 2,181,315	\$ 2,202,408
Buildings and facilities	<u>475,932</u>	<u>447,548</u>	<u>430,218</u>
	<u>\$ 2,814,272</u>	<u>\$ 2,628,863</u>	<u>\$ 2,632,626</u>

Except for depreciation recognized, the Bank and its subsidiaries had no significant addition, disposal and impairment of investment property during the six months ended June 30, 2026 and 2025.

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

Buildings and facilities	
Main building and parking spaces	24-60 years

The fair values of the Bank and its subsidiaries' investment properties were assessed by an external independent appraiser and are reviewed by the Bank and its subsidiaries' management that consider the validity of appraisal report in 2025 and 2024 and regard the fair value on June 30, 2026 and 2025 as effective. The sales comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transactions, and the income approach takes the net operating income of the rent collected and divides it by the capitalization rate. Based on these valuations, the fair values of the Bank and its subsidiaries' investment properties as of June 30, 2026, December 31, 2025 and June 30, 2025 were \$3,695,332 thousand, \$3,481,181 thousand and \$3,448,854 thousand, respectively. Investment properties were categorized into Level 3.

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

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

	June 30, 2026	December 31, 2025	June 30, 2025
Year 1	\$ 44,287	\$ 42,167	\$ 41,284
Year 2	40,322	39,556	34,156
Year 3	21,541	28,363	31,957
Year 4	16,449	16,219	13,249
Year 5	11,957	11,783	8,325
Over 5 years	<u>23,433</u>	<u>27,792</u>	<u>4,791</u>
	<u>\$ 157,989</u>	<u>\$ 165,880</u>	<u>\$ 133,762</u>

For the information on investment property pledged as collateral by the Bank and its subsidiaries, please refer to Note 39.

20. OTHER ASSETS, NET

	June 30, 2026	December 31, 2025	June 30, 2025
Guarantee deposits paid	\$ 11,696,749	\$ 11,855,138	\$ 3,598,277
Prepaid expenses	886,932	719,267	606,766
Prepaid pensions	168,982	160,066	165,343
Others	<u>297,984</u>	<u>265,862</u>	<u>274,576</u>
	<u>\$ 13,050,647</u>	<u>\$ 13,000,333</u>	<u>\$ 4,644,962</u>

For the information on other assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 39.

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2026	December 31, 2025	June 30, 2025
Call loans from banks	\$ 8,685,770	\$ 9,591,456	\$ 15,434,810
Deposits from Chunghwa Post Co., Ltd.	<u>180,556</u>	<u>180,556</u>	<u>180,556</u>
	<u>\$ 8,866,326</u>	<u>\$ 9,772,012</u>	<u>\$ 15,615,366</u>

22. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2026	December 31, 2025	June 30, 2025
Corporate bonds	\$ 25,421,953	\$ 25,134,408	\$ 16,727,997
Government bonds	23,344,892	9,522,205	10,324,083
Bank debentures	14,645,706	11,795,458	9,878,143
Commercial papers	<u>4,574,112</u>	<u>5,500,941</u>	<u>1,415,499</u>
	<u>\$ 67,986,663</u>	<u>\$ 51,953,012</u>	<u>\$ 38,345,722</u>
Repurchase amounts	<u>\$ 68,818,314</u>	<u>\$ 52,464,826</u>	<u>\$ 38,946,827</u>

23. PAYABLES

	June 30, 2026	December 31, 2025	June 30, 2025
Accounts payable factoring	\$ 3,234,921	\$ 1,428,531	\$ 1,352,401
Accrued interest	1,765,312	1,535,361	1,830,059
Accrued expenses	1,262,570	1,658,240	1,031,500
Collection payable	176,476	165,330	2,113,037
Acceptances	17,768	368,067	358,844
Others	<u>1,611,945</u>	<u>1,043,845</u>	<u>1,612,672</u>
	<u>\$ 8,068,992</u>	<u>\$ 6,199,374</u>	<u>\$ 8,298,513</u>

24. DEPOSITS AND REMITTANCES

	June 30, 2026	December 31, 2025	June 30, 2025
Time deposits	\$ 303,632,931	\$ 296,614,000	\$ 277,136,301
Savings deposits	257,815,710	227,268,040	212,420,523
Demand deposits	160,942,068	142,264,968	164,535,933
Checking deposits	3,021,595	3,941,434	3,179,912
Negotiable certificates of deposit	11,500	15,511,500	8,011,500
Remittances	<u>66,633</u>	<u>67,758</u>	<u>76,688</u>
	<u>\$ 725,490,437</u>	<u>\$ 685,667,700</u>	<u>\$ 665,360,857</u>

25. BANK DEBENTURES PAYABLE

Name	June 30, 2026	December 31, 2025	June 30, 2025	Issuance Period	Method of Paying Principle and Interests	Interest Rate
P07 KGIB 1	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	3,350,000	3,350,000	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
P08 KGIB 1	3,100,000	3,100,000	3,100,000	2019.06.26-2034.06.26	Interest payable annually; principal due on maturity	1.40%
P09 KGIB 1	1,200,000	1,200,000	1,200,000	2020.03.05-2027.03.05	Interest payable annually; principal due on maturity	0.75%
P09 KGIB 2	4,800,000	4,800,000	4,800,000	2020.03.05-2030.03.05	Interest payable annually; principal due on maturity	0.80%
P09 KGIB 3	4,800,000	4,800,000	4,800,000	2020.08.07-2030.08.07	Interest payable annually; principal due on maturity	0.71%
P10 KGIB 1	4,300,000	4,300,000	4,300,000	2021.02.04-2031.02.04	Interest payable annually; principal due on maturity	0.57%
P14 KGIB 1	<u>2,870,000</u>	<u>2,870,000</u>	-	2025.12.30, no maturity date	Interest payable annually (Note)	4.50%
	27,420,000	27,420,000	24,550,000			
Valuation adjustments	<u>(697,044)</u>	<u>(734,986)</u>	<u>(526,773)</u>			
Net amount	<u>\$ 26,722,956</u>	<u>\$ 26,685,014</u>	<u>\$ 24,023,227</u>			

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

26. OTHER FINANCIAL LIABILITIES

	June 30, 2026	December 31, 2025	June 30, 2025
Cumulative earnings on appropriated loan fund	\$ 13,205,656	\$ 9,987,092	\$ 7,948,894
Commercial paper payable	3,649,465	3,719,701	3,364,623
Short-term borrowings	<u>1,034,000</u>	<u>1,000,000</u>	<u>1,262,586</u>
	<u>\$ 17,889,121</u>	<u>\$ 14,706,793</u>	<u>\$ 12,576,103</u>
Commercial paper payable	2.00%-2.37%	1.76%-2.22%	1.75%-2.24%
Short-term borrowings	1.95%-2.38%	1.96%-2.30%	2.01%-2.27%

For the information on collateral for borrowings, please refer to Note 39.

27. PROVISIONS

	June 30, 2026	December 31, 2025	June 30, 2025
Provisions for guarantee liabilities	\$ 170,051	\$ 155,640	\$ 131,932
Provisions for loan commitments	94,112	99,219	100,586
Provisions for decommissioning, restoration and rehabilitation cost	71,149	69,636	54,755
Others	<u>136</u>	<u>73,000</u>	<u>72,905</u>
	<u>\$ 335,448</u>	<u>\$ 397,495</u>	<u>\$ 360,178</u>

28. RETIREMENT BENEFIT PLANS

The Bank and its subsidiaries' retirement plans consist of defined contribution and defined benefit plans. For defined benefit plans, the pension expenses for the six months ended June 30, 2026 and 2025 were calculated using the actuarially determined pension cost as of December 31, 2025 and 2024, respectively.

For the three months ended June 30, 2026 and 2025 and for the six months ended June 30, 2026 and 2025, the Bank and its subsidiaries (a) recognized their contributions under the defined benefit plans as pension benefits (recognized as a deduction of employee benefits expense) of \$344 thousand, \$279 thousand, \$689 thousand and \$557 thousand, respectively, and (b) recognized under the defined contribution plans pension expenses (recognized as employee benefits expense) of \$44,635 thousand, \$40,975 thousand, \$88,117 thousand and \$80,224 thousand, respectively.

29. OTHER LIABILITIES

	June 30, 2026	December 31, 2025	June 30, 2025
Guarantee deposits received	\$ 1,569,849	\$ 737,344	\$ 3,981,977
Temporary receipts and suspense accounts	807,388	948,479	1,220,743
Others	<u>283,577</u>	<u>271,942</u>	<u>197,746</u>
	<u>\$ 2,660,814</u>	<u>\$ 1,957,765</u>	<u>\$ 5,400,466</u>

30. EQUITY

a. Capital

Common stock

	June 30, 2026	December 31, 2025	June 30, 2025
Number of shares authorized (in thousands) (Note)	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
Shares authorized	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>

(Continued)

	June 30, 2026	December 31, 2025	June 30, 2025
Number of shares issued and fully paid (in thousands) (Note)	<u>4,703,625</u>	<u>4,703,625</u>	<u>4,703,625</u>
Shares issued	<u>\$ 47,036,254</u>	<u>\$ 47,036,254</u>	<u>\$ 47,036,254</u> (Concluded)

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

b. Capital surplus

	June 30, 2026	December 31, 2025	June 30, 2025
Additional paid-in capital	\$ 7,825,977	\$ 7,825,977	\$ 7,825,977
Share-based payments	196,646	187,742	178,838
Change in capital surplus from investments in associates accounted for using equity method	185	35,255	35,255
Difference between consideration and carrying amount of subsidiaries acquired	<u>4,978</u>	<u>4,978</u>	<u>4,978</u>
	<u>\$ 8,027,786</u>	<u>\$ 8,053,952</u>	<u>\$ 8,045,048</u>

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

The capital surplus from investments under the equity method may only be used to offset a deficit.

c. Legal and special reserves

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

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

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

d. Appropriation of earnings and dividends policy

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

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

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

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

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

The appropriations of the 2025 and 2024 earnings approved by Bank's board of directors, who were authorized to execute shareholders' meeting function on June 11, 2026 and May 13, 2025, respectively, were as follows:

	2025	2024
Legal reserve	\$ 2,039,974	\$ 2,005,479
Reversal of special reserve	(2,501,518)	(184,686)
Cash dividends	7,261,457	4,864,136

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

31. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
<u>Interest revenue</u>				
Discounts and loans	\$ 4,914,262	\$ 4,601,930	\$ 9,627,843	\$ 9,027,764
Securities	1,448,074	1,465,619	2,830,707	3,099,395
Due from and call loans to banks	494,102	252,873	811,863	544,758
Others	<u>359,954</u>	<u>275,478</u>	<u>699,056</u>	<u>621,426</u>
	<u>7,216,392</u>	<u>6,595,900</u>	<u>13,969,469</u>	<u>13,293,343</u>
<u>Interest expense</u>				
Deposits	2,827,224	3,087,599	5,594,293	6,353,991
Notes and bonds issued under repurchase agreements	452,878	441,594	836,307	1,127,747
Structured notes	258,537	293,953	509,725	625,081
Others	<u>223,927</u>	<u>260,327</u>	<u>476,842</u>	<u>483,209</u>
	<u>3,762,566</u>	<u>4,083,473</u>	<u>7,417,167</u>	<u>8,590,028</u>
	<u>\$ 3,453,826</u>	<u>\$ 2,512,427</u>	<u>\$ 6,552,302</u>	<u>\$ 4,703,315</u>

32. SERVICE FEE INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
<u>Service fee revenue</u>				
Trust	\$ 372,138	\$ 198,571	\$ 708,771	\$ 459,829
Insurance commission	310,572	259,699	600,377	539,146
Loans	199,093	199,967	336,636	408,895
Underwrite	113,230	29,590	145,638	55,605
Others	<u>227,531</u>	<u>198,619</u>	<u>552,271</u>	<u>445,398</u>
	<u>1,222,564</u>	<u>886,446</u>	<u>2,343,693</u>	<u>1,908,873</u>
<u>Service fee expense</u>				
Agency	58,632	45,981	116,576	89,059
Interbank	37,860	33,261	74,760	65,838
Others	<u>40,257</u>	<u>40,390</u>	<u>84,401</u>	<u>85,479</u>
	<u>136,749</u>	<u>119,632</u>	<u>275,737</u>	<u>240,376</u>
	<u>\$ 1,085,815</u>	<u>\$ 766,814</u>	<u>\$ 2,067,956</u>	<u>\$ 1,668,497</u>

33. GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
<u>Realized gain (loss)</u>				
Commercial paper	\$ 113,166	\$ 61,988	\$ 216,634	\$ 127,039
Bonds	83,075	77,175	192,874	195,299
Derivative instruments	(47,791)	189,658	62,882	731,011
Others	<u>120,199</u>	<u>152,756</u>	<u>274,376</u>	<u>298,033</u>
	<u>268,649</u>	<u>481,577</u>	<u>746,766</u>	<u>1,351,382</u>
<u>Revaluation gain (loss)</u>				
Stocks	65,766	(11,961)	83,214	(3,491)
Derivative instruments	(2,636)	289,989	(43,971)	214,767
Others	<u>4,114</u>	<u>1,178</u>	<u>7,408</u>	<u>1,853</u>
	<u>67,244</u>	<u>279,206</u>	<u>46,651</u>	<u>213,129</u>
	<u>\$ 335,893</u>	<u>\$ 760,783</u>	<u>\$ 793,417</u>	<u>\$ 1,564,511</u>

For the three months ended June 30, 2026 and 2025 and for the six months ended June 30, 2026 and 2025, the realized gain or loss on the Bank and its subsidiaries' financial assets or liabilities at FVTPL included (a) disposal gain of \$138,801 thousand, \$400,809 thousand, \$504,659 thousand and \$1,192,888 thousand, respectively, (b) interest revenue of \$119,179 thousand, \$70,015 thousand, \$231,438 thousand and \$147,741 thousand, respectively, (c) dividend income of \$10,669 thousand, \$10,753 thousand, \$10,669 thousand and \$10,753 thousand, respectively.

34. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Employee benefit expense				
Salaries and wages	\$ 1,291,472	\$ 1,097,295	\$ 2,550,907	\$ 2,170,188
Employee insurance	86,817	79,603	191,638	175,482
Pension	44,291	40,696	87,428	79,667
Others	<u>102,982</u>	<u>92,713</u>	<u>202,683</u>	<u>196,810</u>
	<u>\$ 1,525,562</u>	<u>\$ 1,310,307</u>	<u>\$ 3,032,656</u>	<u>\$ 2,622,147</u>
Depreciation and amortization expenses	<u>\$ 262,059</u>	<u>\$ 240,594</u>	<u>\$ 519,379</u>	<u>\$ 481,183</u>

The Bank's Articles of Incorporation, which stipulates to distribute compensation of employees at the rates 0.01%-3% and remuneration of directors at the rates no higher than 1% of net profit before income tax and compensation of employees and remuneration of directors, however, if the Bank had incurred cumulative losses, the profit should be used to offset the losses first. For the three months ended June 30, 2026 and 2025 and for the six months ended June 30, 2026 and 2025, the compensation of employees amounted to \$2,500 thousand, \$2,000 thousand, \$5,000 thousand and \$4,000 thousand, respectively. For the three months ended June 30, 2026 and 2025 and for the six months ended June 30, 2026 and 2025, the remuneration of directors amounted to \$25,000 thousand, \$20,000 thousand, \$49,000 thousand and \$39,000 thousand, respectively.

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

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

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

If there is a change in the proposed amounts after the annual consolidated financial statements were approved by the board of directors, the differences are recorded as a change in accounting estimate.

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

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Taxation	\$ 240,921	\$ 218,130	\$ 487,148	\$ 454,097
Computer information	146,363	113,248	264,106	218,391
Marketing	87,469	49,352	160,011	95,291
Commission	50,098	61,325	117,365	123,046
Insurance	49,625	40,560	91,807	77,192
Others	<u>194,889</u>	<u>200,535</u>	<u>355,074</u>	<u>329,994</u>
	<u>\$ 768,665</u>	<u>\$ 683,150</u>	<u>\$ 1,475,511</u>	<u>\$ 1,298,011</u>

36. INCOME TAX

a. Income tax expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Current income tax				
Current year	\$ 323,175	\$ 212,481	\$ 660,359	\$ 477,904
Prior year's adjustments	<u>823</u>	<u>603</u>	<u>823</u>	<u>603</u>
	323,998	213,084	661,182	478,507
Deferred income tax	<u>61,348</u>	<u>61,462</u>	<u>99,868</u>	<u>81,477</u>
Income tax expenses	<u>\$ 385,346</u>	<u>\$ 274,546</u>	<u>\$ 761,050</u>	<u>\$ 559,984</u>

- b. Income tax recognized in other comprehensive income:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Deferred income tax				
Changes in fair value of debt instruments at FVTOCI	<u>\$ 19,608</u>	<u>22,688</u>	<u>\$ (4,495)</u>	<u>46,323</u>

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

	June 30, 2026	December 31, 2025	June 30, 2025
Taxes receive from the parent company	<u>\$ 513</u>	<u>\$ -</u>	<u>\$ -</u>
Taxes paid to the parent company	<u>\$ 874,441</u>	<u>\$ 1,393,477</u>	<u>\$ 1,141,703</u>

- d. Income tax assessments

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

The income tax returns of the Bank through 2020 have been examined by the tax authorities.

The income tax returns of CDIB Management Consulting Corporation and KGI Finance & Leasing Corporation through 2024 have been examined by the tax authorities, the income tax returns of KGI Asset Management Co., Ltd. through 2020 have been examined by the tax authorities.

37. EARNINGS PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Earnings used in the computation of the EPS	<u>\$ 2,177,081</u>	<u>\$ 1,672,583</u>	<u>\$ 4,276,381</u>	<u>\$ 3,378,985</u>
Weighted average number of common shares outstanding (shares in thousands)	<u>4,703,625</u>	<u>4,703,625</u>	<u>4,703,625</u>	<u>4,703,625</u>
Basic EPS (in dollars)	<u>\$ 0.46</u>	<u>\$ 0.36</u>	<u>\$ 0.91</u>	<u>\$ 0.72</u>

38. RELATED-PARTY TRANSACTIONS

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

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

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

Cash and cash equivalents

	Amount
June 30, 2026	\$ 172,531
December 31, 2025	85,260
June 30, 2025	146,635

Financial assets at FVTPL

	Amount
June 30, 2026	\$ 1,902
December 31, 2025	23,803
June 30, 2025	13,839

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

	Amount
December 31, 2025	\$ 698,827

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

	Amount
June 30, 2026	\$ 97,365
December 31, 2025	6,032
June 30, 2025	41,108

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

	Amount
June 30, 2026	\$ 104,439
December 31, 2025	21,261
June 30, 2025	15,473

e. Discounts and loans

	Amount	Interest Rate (%)
June 30, 2026	\$ 1,497,164	2.19-5.99
December 31, 2025	1,377,865	2.19-5.99
June 30, 2025	1,469,871	2.19-3.63

For the three months ended June 30, 2026 and 2025 and for the six months ended June 30, 2026 and 2025, the interest revenues from discounts and loans were \$11,689 thousand, \$9,362 thousand, \$20,640 thousand and \$17,921 thousand, respectively.

The loan information for related parties were described below:

For the Six Months Ended June 30, 2026

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Non-performing Loan	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	22	\$ 25,300	\$ 19,322	\$ 19,322	-	None	Yes
Residential mortgage loans	67	1,013,295	942,092	942,092	-	Real estate	Yes
Others	9	4,548,007	535,750	535,750	-	None/real estate/listed stocks	Yes

For the Year Ended December 31, 2025

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

For the Six Months Ended June 30, 2025

Category	Number of Accounts	Highest Balance	Ending Balance	Normal	Non-performing Loan	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	17	\$ 21,082	\$ 18,580	\$ 18,580	-	None	Yes
Residential mortgage loans	68	996,488	882,876	882,876	-	Real estate	Yes
Others	9	594,872	568,415	568,415	-	None/real estate	Yes

f. Call loan to security brokers (recognized as other financial assets, net)

	December 31, 2025	June 30, 2025
Subsidiary of the parent company	\$ 314,380	\$ 2,990,200

For the three months ended June 30, 2026 and 2025 and for the six months ended June 30, 2026 and 2025, the interest revenues for call loan to security brokers were \$5,518 thousand, \$8,583 thousand, \$9,476 thousand and \$18,973 thousand, respectively.

g. Lease arrangements

Acquisition from right-of-use assets

	For the Six Months Ended June 30	
	2026	2025
Subsidiary of the parent company	\$ 28,757	\$ 31,250

Lease liabilities

	June 30, 2026	December 31, 2025	June 30, 2025
Subsidiaries of the parent company	\$ 2,205,130	\$ 2,259,754	\$ 2,062,121

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025

Interest expense

Subsidiaries of the parent company	\$ 6,316	\$ 4,271	\$ 12,636	\$ 8,535
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Lease expense

Subsidiaries of the parent company	27	26	54	53
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The above rental price is determined based on the market price and paid monthly.

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

	Amount
June 30, 2026	\$ 61,683
December 31, 2025	61,088
June 30, 2025	61,846

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

	June 30, 2026	December 31, 2025	June 30, 2025
Parent company	\$ 874,441	\$ 1,393,477	\$ 1,141,703

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

j. Accrued interest (recognized as payables)

	Amount
June 30, 2026	\$ 51,689
December 31, 2025	34,516
June 30, 2025	37,699

k. Deposits

	Amount	Interest Rate (%)
June 30, 2026	\$ 74,599,785	0-8.80
December 31, 2025	44,340,202	0-8.88
June 30, 2025	58,611,373	0-8.88

For the three months ended June 30, 2026 and 2025 and for the six months ended June 30, 2026 and 2025, the interest expenses for deposits were \$226,463 thousand, \$158,222 thousand, \$425,617 thousand and \$319,339 thousand, respectively.

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

	June 30, 2026	December 31, 2025	June 30, 2025
Subsidiaries of the parent company	\$ 508,126	\$ 509,395	\$ 578,260

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

m. Service fee revenue

	For the Three Months Ended June 30	For the Six Months Ended June 30
<u>2026</u>		
Subsidiaries of the parent company	\$ 241,108	\$ 428,981
Other related parties	660	1,254
<u>2025</u>		
Subsidiaries of the parent company	146,213	309,674
Other related parties	355	797

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

n. Insurance expenses (recognized as employee benefits expense)

	For the Three Months Ended June 30	For the Six Months Ended June 30
2026	\$ 10,011	\$ 20,022
2025	10,060	18,036

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

	For the Three Months Ended June 30	For the Six Months Ended June 30
2026	\$ 14,500	\$ 20,650
2025	22,625	22,625

p. Other general and administrative expenses

	For the Three Months Ended June 30	For the Six Months Ended June 30
2026	\$ 62,457	\$ 113,451
2025	34,767	68,886

q. Outstanding derivative financial instruments

June 30, 2026

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	August 07, 2025 - November 18, 2026	\$ 17,828,720	\$ 234,986	Financial assets at FVTPL	\$ 503,878

December 31, 2025

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	February 06, 2025 - August 11, 2026	\$ 33,027,890	\$ 813,926	Financial assets at FVTPL	\$ 1,022,434
					Financial liabilities at FVTPL	208,508
	Cross-currency swap contracts	June 26, 2024 - May 26, 2026	214,879	5,263	Financial liabilities at FVTPL	8,807

June 30, 2025

Related Party	Contract Type	Contract Period	Notional Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Currency swap contracts	February 04, 2025 - February 12, 2026	\$ 29,018,960	\$ (2,500,650)	Financial assets at FVTPL	\$ 4
					Financial liabilities at FVTPL	2,500,654
	Cross-currency swap contracts	June 26, 2024 - May 26, 2026	479,459	31,146	Financial assets at FVTPL	17,076

r. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Salary and short-term employee benefits	\$ 93,922	\$ 73,524	\$ 176,551	\$ 151,283
Share-based payments	2,738	4,155	5,475	8,695
Post-employment benefits	<u>519</u>	<u>529</u>	<u>1,048</u>	<u>1,029</u>
	<u>\$ 97,179</u>	<u>\$ 78,208</u>	<u>\$ 183,074</u>	<u>\$ 161,007</u>

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

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

39. PLEDGED ASSETS

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

Assets	Object	June 30, 2026	December 31, 2025	June 30, 2025
Installment accounts and lease receivables	Notes receivable	\$ 848,343	\$ 810,651	\$ 850,404
Financial assets at FVTOCI	Government bonds	223,141	225,984	218,936
Debt investments measured at amortized cost	Negotiable certificates of deposit	21,100,000	22,200,000	19,500,000
Property and equipment, net	Real estate	-	7,305	7,410
Investment property, net	Investment property	34,889	28,332	28,976
Other financial assets, net	Time deposits	-	-	300
Other assets, net	Cash in banks - impound account	18,797	18,786	28,996

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Major Litigation

In December 2012, a third party filed a lawsuit claiming that the Bank had fraudulently infringed upon the creditors' property rights in relation to the Dun Nan building. In February 2014, the Taipei District Court ruled that the mortgage should be cancelled and that the Bank should return \$1,786,318 thousand. The Bank appealed the judgment. The original adjudication in favor of the third party was revoked by the High Court in July 2017. The third party filed a new appeal, and the Supreme Court remanded the case to the High Court for a new trial in October 2018. The High Court issued a judgment in August 2021, upholding the original Taipei District Court's decision to revoke part of the mortgage, and dismissed the third party's request for the Bank to pay the received money. The Bank and the third party each filed a third-instance appeal with respect to the portion of the judgment that were unfavorable to them. The Supreme Court reversed the original judgment in May 2024 and remanded the case to the High Court. In October 2025, the High Court rendered its judgment, setting aside the original decision and dismissing the claims of the third party, whereupon the third party filed an appeal with the Supreme Court. In April 2026, the Supreme Court dismissed the appeal, and in May 2026, the Bank received the certificate of final judgment issued by the court. The case was therefore finally concluded.

41. FAIR VALUE AND HIERARCHY INFORMATION

a. The fair value hierarchy of financial instruments is defined as follows:

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

b. Financial instruments measured at fair value

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

June 30, 2026

	Level 1	Level 2	Level 3	Total
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Commercial papers	\$ -	\$ 18,836,166	\$ -	\$ 18,836,166
Others	271,057	-	213,257	484,314
Financial assets at FVTOCI				
Stock investments	-	-	1,090,384	1,090,384
Bond investments	68,692,685	68,581,929	-	137,274,614
Others	-	1,347,621	-	1,347,621
Other financial assets				
Purchased debt receivables	-	-	100,778	100,778
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	15,007	19,566,827	1,209,639	20,791,473
Financial assets for hedging	-	240,877	-	240,877
Liabilities				
Financial liabilities at FVTPL	-	18,277,310	1,209,523	19,486,833
Financial liabilities for hedging	-	711,567	-	711,567

December 31, 2025

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

June 30, 2025

	Level 1	Level 2	Level 3	Total
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Commercial papers	\$ -	\$ 14,051,604	\$ -	\$ 14,051,604
Others	234,869	-	531,710	766,579
Financial assets at FVTOCI				
Stock investments	-	-	957,536	957,536
Bond investments	58,075,932	64,739,208	-	122,815,140
Others	-	1,697,583	-	1,697,583
Other financial assets				
Purchased debt receivables	-	-	121,982	121,982
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	13,838	30,266,405	863,771	31,144,014
Financial assets for hedging	-	153,205	-	153,205
Liabilities				
Financial liabilities at FVTPL	-	32,779,434	863,878	33,643,312
Financial liabilities for hedging	-	616,003	-	616,003

2) Valuation technique of fair value

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

3) Fair value adjustment

a) The limitation of valuation techniques and uncertain inputs

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

b) Credit risk valuation adjustment

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

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

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

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

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

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

4) Transfer between Level 1 and Level 2

There was no transfer of financial instrument between Level 1 and Level 2 for the six months ended June 30, 2026 and 2025.

5) Reconciliation of Level 3 items of financial instruments

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

For the Six Months Ended June 30, 2026

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL	\$ 1,514,320	\$ 396,117	\$ -	\$ -	\$ -	\$ (487,541)	\$ -	\$ 1,422,896
Financial assets at FVTOCI	959,484	-	130,900	-	-	-	-	1,090,384
Other financial assets								
Purchased debt receivables	107,818	13,294	-	-	-	(20,334)	-	100,778

For the Six Months Ended June 30, 2025

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL	\$ 2,173,989	\$ (746,732)	\$ -	\$ -	\$ -	\$ (31,776)	\$ -	\$ 1,395,481
Financial assets at FVTOCI	952,071	-	5,465	-	-	-	-	957,536
Other financial assets								
Purchased debt receivables	140,662	18,800	-	-	-	(37,480)	-	121,982

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

For the Six Months Ended June 30, 2026

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Profit and Loss	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL	\$ 929,692	\$ 303,543	\$ -	\$ -	\$ (23,712)	\$ -	\$ 1,209,523

For the Six Months Ended June 30, 2025

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Profit and Loss	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL	\$ 1,602,335	\$ (707,222)	\$ -	\$ -	\$ (31,235)	\$ -	\$ 863,878

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. As of June 30, 2026 and 2025, the gains and losses on assets and liabilities were gain of \$91,891 thousand and loss of \$40,028 thousand, respectively.

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

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

	Fair Value at June 30, 2026	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTPL	\$ 213,257	Market approach	P/B, Lack of liquidity discount	1.49 26%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity
Financial assets at FVTOCI	1,090,384	Market approach	P/B, Lack of liquidity discount	1.50 26%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity
		Net asset method	Lack of liquidity discount and control discount	10%-29%	Fair value is inversely proportional to discount for lack of liquidity and control
		Dividend Discount Model	Discount rate	5.29%	Fair value is inversely proportional to the discount rate
			Dividend growth rate	2%	Fair value increases as dividend growth rate increases.
			5-year average cash dividend	2.44	Fair value increases as cash dividends increase.
Other financial assets Purchased debt receivables	100,778	Discounted cash flow	Discount rate	5.79%-8.00%	Assets at fair value is inversely proportional to discount rate.
Derivative financial instruments					
Financial assets at FVTPL	1,209,639	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information/ beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios
Financial liabilities at FVTPL	1,209,523	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/liquidity discount ratios	Adjusted daily based on market information/ beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios

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

	Fair Value at June 30, 2025	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial instruments					
Financial assets at FVTPL	\$ 531,710	Quoted price of counterparties	Liquidity discount ratios	Beyond estimation	Fair value is inversely proportional to discount for liquidity discount ratios
		Market approach	P/B, Lack of liquidity discount	0.78 26%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity
Financial assets at FVTOCI	957,536	Market approach	P/B, Lack of liquidity discount	1.56 27.20%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity
		Net asset method	Lack of liquidity discount and control discount	10%-29%	Fair value is inversely proportional to discount for lack of liquidity and control
Other financial assets Purchased debt receivables	121,982	Discounted cash flow	Discount rate	5.79%-8.00%	Assets at fair value is inversely proportional to discount rate.
Derivative financial instruments					
Financial assets at FVTPL	863,771	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/ liquidity discount ratios	Adjusted daily based on market information/ beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios
Financial liabilities at FVTPL	863,878	Hull White Model, BS Model, discounted cash flow/quoted price of counterparties	Model parameters such as Mean Reversion, Sigma, Correlation, shift Parameter/ liquidity discount ratios	Adjusted daily based on market information/ beyond estimation	The used evaluation model parameters cannot be obtained directly from market information or inputs of parameters do not contain linear relation; thus, analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis; fair value is inversely proportional to discount for liquidity discount ratios

7) Pricing process of Level 3 fair value

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

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

1) Information of fair value

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

2) Information of fair value hierarchy

June 30, 2026

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Debt investments measured at amortized cost	\$ -	\$ 75,504,292	\$ -	\$ 75,504,292
<u>Financial liabilities</u>				
Bank debentures payable	-	27,784,594	-	27,784,594

December 31, 2025

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

June 30, 2025

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Debt investments measured at amortized cost	\$ -	\$ 72,253,116	\$ -	\$ 72,253,116
<u>Financial liabilities</u>				
Bank debentures payable	-	24,552,329	-	24,552,329

3) Valuation techniques

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

42. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

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

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

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

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

The Bank's risk management groupings are as follows:

1) Board of directors

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

2) Risk management committee

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

3) Business and management departments

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

4) Risk management department

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

5) Audit department

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

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

b. Credit risk

1) Definition and source of credit risk

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

2) Credit risk management policy

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

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

a) Credit investigation

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

b) Credit approval

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

c) Post-lending loan review

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

d) Risk report and information disclosures

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

3) Credit risk hedge or mitigation policies

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

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

4) Maximum exposure to credit risk

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

Items	June 30, 2026	December 31, 2025	June 30, 2025
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	\$ 59,003,761	\$ 60,762,953	\$ 60,635,166

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

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

	Discounts and Loans					Total
	June 30, 2026					
	Stage 1	Stage 2	Stage 3		The Adjustment under the Regulation/ Discount	
12 Months Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset			
Short-term loans	\$ 77,144,824	\$ 511,872	\$ 777,846	\$ -		\$ 78,434,542
Short-term secured loans	21,066,512	-	-	-		21,066,512
Medium-term loans	188,902,098	719,155	144,609	-		189,765,862
Medium-term secured loans	73,291,803	314,087	17,758	-		73,623,648
Long-term loans	42,126,938	609,237	1,359,398	-		44,095,573
Long-term secured loans	135,367,067	249,790	103,690	-		135,720,547
Overdue loans	-	-	708,466	-		708,466
Export negotiations	4,673	-	-	-		4,673
Total carrying amount	537,903,915	2,404,141	3,111,767	-		543,419,823
Allowance for bad debts	(1,064,520)	(313,319)	(666,580)	-		(2,044,419)
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans					\$ (4,733,032)	(4,733,032)
Discounts on loans					(102,151)	(102,151)
Total	\$ 536,839,395	\$ 2,090,822	\$ 2,445,187	\$ -	\$ (4,835,183)	\$ 536,540,221

Receivables						
June 30, 2026						
	Stage 3				The Adjustment under the Regulation	Total
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset		
Credit card	\$ 4,712,776	\$ 188,762	\$ 171,593	\$ -		\$ 5,073,131
Accounts receivable - forfeiting	399,032	-	-	-		399,032
Accounts receivable factoring without recourse	16,573,759	-	14	-		16,573,773
Acceptances	17,768	-	-	-		17,768
Installment accounts and lease receivables	<u>4,581,658</u>	<u>161,564</u>	<u>52,909</u>	<u>-</u>		<u>4,796,131</u>
Total carrying amount	26,284,993	350,326	224,516	-		26,859,835
Allowance for bad debts	(43,909)	(27,195)	(60,818)	-		(131,922)
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/ non-accrual loans					\$ (230,936)	(230,936)
Total	<u>\$ 26,241,084</u>	<u>\$ 323,131</u>	<u>\$ 163,698</u>	<u>\$ -</u>	<u>\$ (230,936)</u>	<u>\$ 26,496,977</u>

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

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

Discounts and Loans						
June 30, 2025						
	Stage 3				The Adjustment under the Regulation/ Discount	Total
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset		
Short-term loans	\$ 65,877,336	\$ 549,613	\$ 729,127	\$ -		\$ 67,156,076
Short-term secured loans	25,040,321	-	-	-		25,040,321
Medium-term loans	184,366,460	288,217	196,695	-		184,851,372
Medium-term secured loans	79,526,098	363,866	51,156	-		79,941,120
Long-term loans	23,416,297	540,469	1,234,300	-		25,191,066
Long-term secured loans	125,933,752	208,212	89,398	-		126,231,362
Overdue loans	-	-	718,215	-		718,215
Export negotiations	<u>21,245</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>21,245</u>
Total carrying amount	504,181,509	1,950,377	3,018,891	-		509,150,777
Allowance for bad debts	(1,082,268)	(296,581)	(593,378)	-		(1,972,227)
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/ non-accrual loans					\$ (4,485,670)	(4,485,670)
Discounts on loans					(90,296)	(90,296)
Total	<u>\$ 503,099,241</u>	<u>\$ 1,653,796</u>	<u>\$ 2,425,513</u>	<u>\$ -</u>	<u>\$ (4,575,966)</u>	<u>\$ 502,602,584</u>

	Receivables					
	June 30, 2025					
	Stage 1	Stage 2	Stage 3			
	12 Months	Lifetime	Lifetime	Purchased or	The Adjustment	
	Expected Credit	Expected Credit	Expected Credit	Originated	under the	Total
	Losses	Losses	Losses	Credit-impaired	Regulation	
				Financial Asset		
Credit card	\$ 3,649,939	\$ 184,740	\$ 161,534	\$ -		\$ 3,996,213
Accounts receivable - forfeiting	-	-	-	-		-
Accounts receivable factoring without recourse	9,269,659	1	17	-		9,269,677
Acceptances	358,844	-	-	-		358,844
Installment accounts and lease receivables	<u>4,804,865</u>	<u>111,858</u>	<u>57,623</u>	<u>-</u>		<u>4,974,346</u>
Total carrying amount	18,083,307	296,599	219,174	-		18,599,080
Allowance for bad debts	(39,238)	(25,960)	(64,221)	-		(129,419)
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/ non-accrual loans					\$ (163,790)	(163,790)
Total	<u>\$ 18,044,069</u>	<u>\$ 270,639</u>	<u>\$ 154,953</u>	<u>\$ -</u>	<u>\$ (163,790)</u>	<u>\$ 18,305,871</u>

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

	June 30, 2026	December 31, 2025	June 30, 2025
Financial assets at FVTPL			
Debt instruments	\$ 19,107,223	\$ 22,237,792	\$ 14,713,765
Derivatives instruments	20,791,473	22,433,089	31,144,014

5) Collateral and credit enhancements

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

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

June 30, 2026				
	Total Carrying Amount	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collateral Value
Impaired asset:				
Receivables	\$ 224,516	\$ 60,818	\$ 163,698	\$ -
Discounts and loans	<u>3,111,767</u>	<u>666,580</u>	<u>2,445,187</u>	<u>505,246</u>
Total amount of impaired asset	<u>\$ 3,336,283</u>	<u>\$ 727,398</u>	<u>\$ 2,608,885</u>	<u>\$ 505,246</u>
December 31, 2025				
	Total Carrying Amount	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collateral Value
Impaired asset:				
Receivables	\$ 236,531	\$ 70,805	\$ 165,726	\$ -
Discounts and loans	<u>3,101,928</u>	<u>604,821</u>	<u>2,497,107</u>	<u>537,295</u>
Total amount of impaired asset	<u>\$ 3,338,459</u>	<u>\$ 675,626</u>	<u>\$ 2,662,833</u>	<u>\$ 537,295</u>
June 30, 2025				
	Total Carrying Amount	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collateral Value
Impaired asset:				
Receivables	\$ 219,174	\$ 64,221	\$ 154,953	\$ -
Discounts and loans	<u>3,018,891</u>	<u>593,378</u>	<u>2,425,513</u>	<u>534,263</u>
Total amount of impaired asset	<u>\$ 3,238,065</u>	<u>\$ 657,599</u>	<u>\$ 2,580,466</u>	<u>\$ 534,263</u>

The amount of the Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount are \$506,965 thousand and \$551,756 thousand for the six months ended June 30, 2026 and 2025.

6) Concentration of credit risk

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

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

a) By industry

	June 30, 2026		December 31, 2025		June 30, 2025	
	Amount	%	Amount	%	Amount	%
Public and private enterprises	\$ 313,246,107	57.64	\$ 310,570,858	58.37	\$ 291,801,693	57.31
Natural persons	230,173,716	42.36	221,503,486	41.63	217,149,084	42.65
Non-profit organizations	-	-	-	-	200,000	0.04
Total	\$ 543,419,823	100.00	\$ 532,074,344	100.00	\$ 509,150,777	100.00

b) By region

	June 30, 2026		December 31, 2025		June 30, 2025	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 431,156,206	79.34	\$ 428,938,144	80.62	\$ 415,430,824	81.59
Overseas	112,263,617	20.66	103,136,200	19.38	93,719,953	18.41
Total	\$ 543,419,823	100.00	\$ 532,074,344	100.00	\$ 509,150,777	100.00

c) By collateral

	June 30, 2026		December 31, 2025		June 30, 2025	
	Amount	%	Amount	%	Amount	%
Credit	\$ 297,544,501	54.75	\$ 289,572,944	54.42	\$ 277,555,569	54.51
Secured						
Real estate	211,293,986	38.88	212,459,528	39.93	210,980,272	41.44
Guarantees	3,192,327	0.59	3,206,650	0.60	2,873,276	0.56
Financial collateral	27,633,686	5.09	20,892,122	3.93	11,233,125	2.21
Others	3,755,323	0.69	5,943,100	1.12	6,508,535	1.28
Total	\$ 543,419,823	100.00	\$ 532,074,344	100.00	\$ 509,150,777	100.00

7) Management policies on foreclosed collateral

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

	June 30, 2026	December 31, 2025	June 30, 2025
Foreclosed collateral	\$ 588,985	\$ 588,985	\$ 588,985
Allowance for impairment	<u>(588,985)</u>	<u>(588,985)</u>	<u>(588,985)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

Items		June 30, 2026				
		Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 327,894	\$ 88,648,525	0.37%	\$ 1,189,841	362.87%
	Unsecured	52,086	238,330,490	0.02%	2,630,317	5,049.91%
Consumer banking	Mortgage (Note 4)	27,007	109,787,159	0.02%	1,649,298	6,107.00%
	Cash card	83,241	9,318,201	0.89%	135,106	162.31%
	Micro credit (Note 5)	347,587	65,000,759	0.53%	832,188	239.42%
	Others (Note 6) Secured	7,908	32,327,067	0.02%	340,624	4,307.16%
	Unsecured	-	7,622	0.00%	77	-
Total		845,723	543,419,823	0.16%	6,777,451	801.38%
		Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card		\$ 32,498	\$ 5,073,131	0.64%	\$ 91,372	281.16%
Accounts receivable factoring without recourse (Note 7)		10	16,573,773	0.00%	199,019	1,918,436.64%

Items		June 30, 2025				
		Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 367,402	\$ 97,290,733	0.38%	\$ 1,254,090	341.34%
	Unsecured	67,096	209,543,870	0.03%	2,449,838	3,651.26%
Consumer banking	Mortgage (Note 4)	24,101	102,550,618	0.02%	1,538,823	6,384.97%
	Cash card	102,336	9,872,134	1.04%	146,741	143.39%
	Micro credit (Note 5)	319,641	58,126,841	0.55%	731,874	228.97%
	Others (Note 6) Secured	6,324	31,753,857	0.02%	335,548	5,306.31%
	Unsecured	862	12,724	6.78%	983	114.00%
Total		887,762	509,150,777	0.17%	6,457,897	727.44%
		Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card		\$ 37,937	\$ 3,996,213	0.95%	\$ 84,560	222.89%
Accounts receivable factoring without recourse (Note 7)		11	9,269,677	0.00%	121,832	1,072,657.78%

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

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

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

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

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

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

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

b) Exemption on non-performing loans and overdue receivables

Items	June 30, 2026		June 30, 2025	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 553	\$ 32	\$ 992	\$ 40
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	98,004	8,603	83,036	8,252
Total	\$ 98,557	\$ 8,635	\$ 84,028	\$ 8,292

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

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

c) Concentration of credit risk

June 30, 2026

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	A Group - advertising	\$ 9,528,852	12.65
2	B Group - real estate development activities	6,374,960	8.46
3	C Group - securities	5,400,000	7.17
4	D Group - real estate activities for sale and rental	5,330,550	7.07
5	E Group - wholesale of electronic and communication equipment and parts	5,256,957	6.98
6	F Group - manufacture of panels and components	5,053,815	6.71
7	G Group - manufacture of panels and components	4,994,190	6.63
8	H Group - securities	4,280,427	5.68
9	I Group - real estate development activities	4,264,599	5.66
10	J Group - treatment and disposal of hazardous waste	4,216,938	5.60

June 30, 2025

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	A Group - advertising	\$ 8,482,165	11.60
2	K Group - sea and coastal water transport	6,672,678	9.13
3	F Group - manufacture of liquid crystal panel and components	5,627,273	7.70
4	D Group - real estate activities for sale and rental	5,558,047	7.60
5	L Group - real estate development activities	5,540,000	7.58
6	I Group - real estate development activities	5,473,819	7.49
7	M Group - real estate development activities	5,438,391	7.44
8	N Group - mechanics, telecommunications and electricity facilities installation	5,299,374	7.25
9	G Group - manufacture of liquid crystal panel and components	4,529,696	6.20
10	B Group - real estate development activities	4,247,222	5.81

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

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

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

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

Credit business

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

a) Quantitative index

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

b) Qualitative index

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

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

10) Definition of default and credit impaired financial assets

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

a) Quantitative index

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

b) Qualitative index

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

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

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

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

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

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

11) Write-off policy

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

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

12) Amendment of contract cash flows of financial assets

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

13) Measurement of expected credit losses

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

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

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

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

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

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

14) Considerations of forward-looking information

The Bank incorporates forward-looking information when measuring expected credit losses on loans and receivables. Based on the business characteristics, the Bank selected the overall indicators that are appropriate as adjustment parameters for default probability of lending. Based on the type of business, the Bank used different overall indicators. The Corporate banking business takes the economic growth rate (GDP) as an adjustment parameter; the consumer banking business takes employment rate variation as adjustment parameter. The Bank also makes reference to external information (the forecast values from well-known domestic economic forecasting institutions) or group expert assessments to provide forecasting information on economic factors quarterly, such as using the change of the Leading Index and Money Flow Index as basic economic conditions; it contains the best estimate of the economic situation in the next five years.

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

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

For the six months ended June 30, 2026:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance on January 1	\$ 99,940	\$ 21	\$ -	\$ 12	\$ -	\$ 99,973	\$ 155,017	\$ 254,990
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	-	-	-	-	-	-	-	-
Transferred to credit-impaired financial assets	-	-	-	-	-	-	-	-
Transferred to 12 months ECL	10	(4)	-	(6)	-	-	-	-
Derecognized financial assets in the current period	(4,262)	(10)	-	(2)	-	(4,274)	-	(4,274)
Purchased or originated new financial assets	5,860	-	-	4	-	5,864	-	5,864
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							13,816	13,816
Effect of exchange rate changes and others	(6,226)	49	-	11	-	(6,166)	-	(6,166)
Balance on June 30	<u>\$ 95,322</u>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 95,397</u>	<u>\$ 166,833</u>	<u>\$ 264,230</u>

There was no significant increase in the expected credit loss of the Bank and its subsidiaries' off-balance-sheet guarantees and loan commitments for the six months ended June 30, 2026. The increase of guarantees in reporting period resulted in abovementioned provisions increased by \$9,240 thousand in comparison to the beginning of period.

For the six months ended June 30, 2025:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)			
Balance on January 1	\$ 90,731	\$ 64	\$ -	\$ 13	\$ -	\$ 90,808	\$ 156,164	\$ 246,972
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	-	-	-	-	-	-	-	-
Transferred to credit-impaired financial assets	-	-	-	-	-	-	-	-
Transferred to 12 months ECL	219	(214)	-	(5)	-	-	-	-
Derecognized financial assets in the current period	(10,815)	(174)	-	(9)	-	(10,998)	-	(10,998)
Purchased or originated new financial assets	10,137	44	-	-	-	10,181	-	10,181
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							(24,710)	(24,710)
Effect of exchange rate changes and others	10,767	323	-	19	-	11,109	-	11,109
Balance on June 30	<u>\$ 101,039</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ 101,100</u>	<u>\$ 131,454</u>	<u>\$ 232,554</u>

There was no significant increase in the expected credit loss of the Bank and its subsidiaries' off-balance-sheet guarantees and loan commitments for the six months ended June 30, 2025. The decrease of guarantees in reporting period resulted in abovementioned provisions decreased by \$14,418 thousand in comparison to the beginning of period.

c. Liquidity risk

1) Definition and source of liquidity risk

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

2) Management policies of liquidity risk

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

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

a) Financial assets held for liquidity management

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

b) Maturity analysis of non-derivative financial liabilities

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

Maturity analysis of non-derivative financial liabilities (NTD)

June 30, 2026	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ -	\$ 2,000,000	\$ 157,260	\$ 23,296	\$ -	\$ 2,180,556
Notes and bonds issued under repurchase agreements	20,157,414	1,000,000	-	-	-	21,157,414
Deposits and remittances	92,032,366	107,804,997	88,565,533	162,065,997	74,732,022	525,200,915
Borrowings	-	172,001	213,333	3,213,500	37,026,822	40,625,656
Other capital outflow on maturity	1,877,000	531,561	768,000	3,489,536	2,780,107	9,446,204
Total	\$ 114,066,780	\$ 111,508,559	\$ 89,704,126	\$ 168,792,329	\$ 114,538,951	\$ 598,610,745

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

June 30, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 10,800,000	\$ -	\$ 157,260	\$ 23,296	\$ -	\$ 10,980,556
Notes and bonds issued under repurchase agreements	3,117,797	2,054,539	-	-	-	5,172,336
Deposits and remittances	76,234,666	131,189,482	84,865,326	132,676,477	66,022,229	490,988,180
Borrowings	60,001	-	125,000	824,761	31,489,132	32,498,894
Other capital outflow on maturity	2,176,139	1,267,722	1,603,426	3,164,135	3,033,207	11,244,629
Total	\$ 92,388,603	\$ 134,511,743	\$ 86,751,012	\$ 136,688,669	\$ 100,544,568	\$ 550,884,595

Maturity analysis of non-derivative financial liabilities (USD)

(In Thousands of U.S. Dollars)

June 30, 2026	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 30,000	\$ 180,000	\$ -	\$ -	\$ -	\$ 210,000
Notes and bonds issued under repurchase agreements	-	-	1,105,549	-	-	1,105,549
Deposits and remittances	1,875,656	1,499,291	611,367	1,615,633	408	5,602,355
Other capital outflow on maturity	26,764	71,840	30,963	873	42,636	173,076
Total	\$ 1,932,420	\$ 1,751,131	\$ 1,747,879	\$ 1,616,506	\$ 43,044	\$ 7,090,980

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

June 30, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 155,000	\$ -	\$ -	\$ -	\$ -	\$ 155,000
Notes and bonds issued under repurchase agreements	173,992	-	648,858	-	-	822,850
Deposits and remittances	1,650,657	1,269,876	449,901	1,683,567	1,151	5,055,152
Other capital outflow on maturity	23,732	24,119	14,814	1,223	125,213	189,101
Total	\$ 2,003,381	\$ 1,293,995	\$ 1,113,573	\$ 1,684,790	\$ 126,364	\$ 6,222,103

4) Maturity analysis of derivative instruments

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

Maturity analysis of derivative instruments (NTD)

June 30, 2026	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (139,807,778)	\$ (134,394,513)	\$ (123,482,705)	\$ (42,770,523)	\$ (17,288,300)	\$ (457,743,819)
Cash inflow	139,766,596	148,925,248	147,316,258	44,908,180	17,331,200	498,247,482
Interest rate derivatives instruments						
Cash outflow	(557,131)	(922,089)	(190,002)	-	(21,598,584)	(23,267,806)
Cash inflow	598,996	892,561	171,205	-	-	1,662,762
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(64,422)	-	-	-	(64,422)
Cash inflow	-	39,806	-	81,382	-	121,188
Cash outflow subtotal	(140,364,909)	(135,381,024)	(123,672,707)	(42,770,523)	(38,886,884)	(481,076,047)
Cash inflow subtotal	140,365,592	149,857,615	147,487,463	44,989,562	17,331,200	500,031,432
Net cash flow	\$ 683	\$ 14,476,591	\$ 23,814,756	\$ 2,219,039	\$ (21,555,684)	\$ 18,955,385

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

June 30, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (121,879,052)	\$ (201,693,167)	\$ (152,810,409)	\$ (84,687,688)	\$ (8,615,100)	\$ (569,685,416)
Cash inflow	124,545,474	197,731,930	142,626,392	81,806,481	8,698,800	555,409,077
Interest rate derivatives instruments						
Cash outflow	(686,041)	(608,924)	(135,567)	(323)	(21,276,706)	(22,707,561)
Cash inflow	348,578	562,789	121,323	335	-	1,033,025
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(63,690)	-	-	-	(63,690)
Cash inflow	-	39,805	-	80,765	-	120,570
Cash outflow subtotal	(122,565,093)	(202,365,781)	(152,945,976)	(84,688,011)	(29,891,806)	(592,456,667)
Cash inflow subtotal	124,894,052	198,334,524	142,747,715	81,887,581	8,698,800	556,562,672
Net cash flow	\$ (2,328,959)	\$ (4,031,257)	\$ (10,198,261)	\$ (2,800,430)	\$ (21,193,006)	\$ (35,893,995)

Maturity analysis of derivative instruments (USD)

(In Thousands of U.S. Dollars)

June 30, 2026	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (5,495,988)	\$ (5,539,312)	\$ (4,899,647)	\$ (1,626,244)	\$ (669,663)	\$ (18,230,854)
Cash inflow	6,193,267	5,473,576	4,168,353	1,574,264	669,663	18,079,123
Interest rate derivatives instruments						
Cash outflow	(12,878)	(24,404)	(108,569)	(68,507)	(297,615)	(511,973)
Cash inflow	3,006	10,747	3,829	1,530	-	19,112
Others						
Cash outflow	(2,244)	-	-	-	-	(2,244)
Cash inflow	2,406	-	-	-	-	2,406
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	-	(825)	(1,905)	(10,513)	-	(13,243)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(5,511,110)	(5,564,541)	(5,010,121)	(1,705,264)	(967,278)	(18,758,314)
Cash inflow subtotal	6,198,679	5,484,323	4,172,182	1,575,794	669,663	18,100,641
Net cash flow	\$ 687,569	\$ (80,218)	\$ (837,939)	\$ (129,470)	\$ (297,615)	\$ (657,673)

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

June 30, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	\$ (5,512,560)	\$ (6,824,182)	\$ (4,765,444)	\$ (2,806,627)	\$ (340,000)	\$ (20,248,813)
Cash inflow	5,556,899	7,293,515	5,268,830	2,820,244	340,000	21,279,488
Interest rate derivatives instruments						
Cash outflow	(10,184)	(20,389)	(7,125)	(6,114)	(506,443)	(550,255)
Cash inflow	2,488	11,839	3,872	1,771	821	20,791
Others						
Cash outflow	(996)	-	-	-	-	(996)
Cash inflow	927	-	-	-	-	927
Hedging derivatives instrument						
Interest rate derivatives instruments						
Cash outflow	(555)	(1,935)	(2,397)	(11,319)	-	(16,206)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(5,524,295)	(6,846,506)	(4,774,966)	(2,824,060)	(846,443)	(20,816,270)
Cash inflow subtotal	5,560,314	7,305,354	5,272,702	2,822,015	340,821	21,301,206
Net cash flow	\$ 36,019	\$ 458,848	\$ 497,736	\$ (2,045)	\$ (505,622)	\$ 484,936

5) Maturity analysis of off-balance sheet items

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

June 30, 2026	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	\$ 5,550,184	\$ 6,413,611	\$ 5,848,850	\$ 8,093,148	\$ 33,097,968	\$ 59,003,761

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

June 30, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	\$ 5,340,856	\$ 6,536,932	\$ 5,049,960	\$ 8,502,562	\$ 35,204,856	\$ 60,635,166

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

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

June 30, 2026	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 165,041,353	\$ 101,530,015	\$ 213,430,723	\$ 199,331,828	\$ 125,972,413	\$ 336,511,168	\$ 1,141,817,500
Main capital outflow on maturity	114,822,068	160,058,177	283,219,836	268,093,421	283,732,689	403,477,078	1,513,403,269
Gap	50,219,285	(58,528,162)	(69,789,113)	(68,761,593)	(157,760,276)	(66,965,910)	(371,585,769)

June 30, 2025	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 138,931,342	\$ 132,991,762	\$ 263,957,014	\$ 196,943,283	\$ 170,377,875	\$ 303,397,097	\$ 1,206,598,373
Main capital outflow on maturity	93,437,666	142,587,969	374,979,051	296,781,229	298,037,579	397,583,935	1,603,407,429
Gap	45,493,676	(9,596,207)	(111,022,037)	(99,837,946)	(127,659,704)	(94,186,838)	(396,809,056)

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

(In Thousands of U.S. Dollars)

June 30, 2026	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 8,706,962	\$ 6,298,992	\$ 4,423,067	\$ 2,044,974	\$ 4,293,968	\$ 25,767,963
Main capital outflow on maturity	7,671,458	7,771,528	7,441,782	4,975,220	4,488,898	32,348,886
Gap	1,035,504	(1,472,536)	(3,018,715)	(2,930,246)	(194,930)	(6,580,923)

(In Thousands of U.S. Dollars)

June 30, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 6,863,374	\$ 7,856,134	\$ 5,560,704	\$ 3,180,912	\$ 3,654,827	\$ 27,115,951
Main capital outflow on maturity	7,755,545	8,596,238	6,572,145	6,043,182	4,565,084	33,532,194
Gap	(892,171)	(740,104)	(1,011,441)	(2,862,270)	(910,257)	(6,416,243)

d. Market risk

1) Definition and source of market risk

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

2) Risk management policies

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

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

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

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

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

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

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

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

4) Mitigation of risks or hedging of market risk

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

5) Valuation techniques of market risk

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

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

	For the Six Months Ended June 30, 2026			For the Year Ended December 31, 2025			For the Six Months Ended June 30, 2025		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	\$ 7,702	\$ 14,160	\$ 4,297	\$ 9,511	\$ 23,466	\$ 4,643	\$ 10,849	\$ 22,850	\$ 5,544
Equity securities risk	-	-	-	28	1,884	-	56	1,884	-
Foreign exchange risk	7,371	29,607	921	6,253	14,221	3,024	6,788	13,282	3,024

6) Interest rate risk in the banking book

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

7) Interest rate risk management of the banking book

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

8) Concentration of foreign currency risk information

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2026		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,686,053	31.84	\$ 244,700,870
AUD	1,521,255	21.90	33,315,488
HKD	3,542,513	4.06	14,382,603
CNY	1,841,891	4.69	8,636,997
EUR	178,507	36.29	6,478,001
ZAR	3,334,035	1.94	6,468,027
JPY	16,670,151	0.20	3,270,684
CHF	61,970	39.34	2,437,903
SGD	67,276	24.60	1,654,986
GBP	26,870	42.14	1,132,318
NZD	32,512	18.00	585,207
Investments accounted for using the equity method			
CNY	2,318,586	4.69	10,872,315
<u>Financial liabilities</u>			
Monetary items			
USD	7,656,503	31.84	243,760,071
AUD	436,649	21.90	9,562,623
CNY	1,972,359	4.69	9,248,788
EUR	176,378	36.29	6,400,766
ZAR	1,883,425	1.94	3,653,844
HKD	870,574	4.06	3,534,530
JPY	17,972,571	0.20	3,526,218
NZD	37,843	18.00	681,172
GBP	7,727	42.14	325,609
CAD	10,482	22.37	234,479
SGD	7,725	24.60	190,028

(In Thousands of Foreign Currencies/New Taiwan Dollars)

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2025		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,824,003	29.90	\$ 174,149,342
AUD	982,171	19.54	19,191,624
HKD	3,373,454	3.81	12,849,486
ZAR	4,124,225	1.68	6,932,822
CNY	1,347,597	4.17	5,625,948
EUR	139,185	35.05	4,878,425
GBP	62,391	40.97	2,556,178
JPY	7,517,362	0.21	1,559,853
SGD	26,002	23.47	610,270
CHF	2,688	37.42	100,567
Investments accounted for using the equity method			
CNY	2,134,947	4.17	8,912,978
<u>Financial liabilities</u>			
Monetary items			
USD	6,827,952	29.90	204,169,419
CNY	2,823,137	4.17	11,786,031
AUD	437,911	19.54	8,556,778
JPY	24,999,350	0.21	5,187,365
EUR	135,296	35.05	4,742,137
ZAR	2,069,865	1.68	3,479,444
HKD	188,621	3.81	718,456
GBP	9,344	40.97	382,833
CAD	9,166	21.87	200,466
SGD	7,773	23.47	182,422
NZD	8,179	18.14	148,366

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

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

June 30, 2026

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 464,902,274	\$ 51,352,327	\$ 25,459,681	\$ 68,025,522	\$ 609,739,804
Interest rate-sensitive liabilities	223,763,491	283,696,460	58,926,023	40,444,636	606,830,610
Interest rate sensitivity gap	241,138,783	(232,344,133)	(33,466,342)	27,580,886	2,909,194
Net worth					74,590,363
Ratio of interest rate-sensitive assets to liabilities (%)					100.48
Ratio of interest rate-sensitive gap to net worth (%)					3.9

June 30, 2025

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 488,738,569	\$ 34,521,139	\$ 31,683,945	\$ 59,791,510	\$ 614,735,163
Interest rate-sensitive liabilities	236,248,483	251,470,037	34,160,778	35,073,396	556,952,694
Interest rate sensitivity gap	252,490,086	(216,948,898)	(2,476,833)	24,718,114	57,782,469
Net worth					72,872,603
Ratio of interest rate-sensitive assets to liabilities (%)					110.37
Ratio of interest rate-sensitive gap to net worth (%)					79.29

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

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

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

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

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

June 30, 2026

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 4,656,030	\$ 311,053	\$ 195,171	\$ 1,897,881	\$ 7,060,135
Interest rate-sensitive liabilities	5,652,824	1,455,182	269,117	408	7,377,531
Interest rate sensitivity gap	(996,794)	(1,144,129)	(73,946)	1,897,473	(317,396)
Net worth					23,285
Ratio of interest rate-sensitive assets to liabilities (%)					95.70
Ratio of interest rate-sensitive gap to net worth (%)					(1,363.09)

June 30, 2025

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 3,131,979	\$ 265,013	\$ 231,852	\$ 1,869,744	\$ 5,498,588
Interest rate-sensitive liabilities	5,262,498	935,788	341,407	1,151	6,540,844
Interest rate sensitivity gap	(2,130,519)	(670,775)	(109,555)	1,868,593	(1,042,256)
Net worth					7,805
Ratio of interest rate-sensitive assets to liabilities (%)					84.07
Ratio of interest rate-sensitive gap to net worth (%)					(13,353.70)

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

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

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

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

e. Transfers of financial assets

Transferred financial assets not qualifying for full derecognition

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

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

June 30, 2026					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	\$ 4,156,524	\$ 3,877,872	\$ 4,045,938	\$ 3,877,872	\$ 168,066
Financial assets at FVTPL	4,568,316	4,574,113	4,568,316	4,574,113	(5,797)
Financial assets at FVTOCI	60,784,296	59,534,678	60,784,296	59,534,678	1,249,618

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

June 30, 2025					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Fair Value of Net Position
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	\$ 2,706,906	\$ 2,204,135	\$ 2,595,672	\$ 2,204,135	\$ 391,537
Financial assets at FVTPL	1,414,839	1,415,498	1,414,839	1,415,498	(659)
Financial assets at FVTOCI	35,825,928	34,726,089	35,825,928	34,726,089	1,099,839

f. Offsetting financial assets and financial liabilities

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

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

June 30, 2026						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 24,299,154	\$ -	\$ 24,299,154	\$ 24,299,154	\$ -	\$ -
Derivative financial instruments (Note 2)	21,032,350	-	21,032,350	4,538,161	1,388,753	15,105,436
Total	\$ 45,331,504	\$ -	\$ 45,331,504	\$ 28,837,315	\$ 1,388,753	\$ 15,105,436

June 30, 2026						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	\$ 67,986,663	\$ -	\$ 67,986,663	\$ 67,501,795	\$ 484,868	\$ -
Derivative financial instruments (Note 2)	20,198,400	-	20,198,400	4,762,814	10,479,596	4,955,990
Total	\$ 88,185,063	\$ -	\$ 88,185,063	\$ 72,264,609	\$ 10,964,464	\$ 4,955,990

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

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

June 30, 2025						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 49,677,895	\$ -	\$ 49,677,895	\$ 49,677,895	\$ -	\$ -
Derivative financial instruments (Note 2)	31,297,219	-	31,297,219	6,790,160	3,813,431	20,693,628
Total	\$ 80,975,114	\$ -	\$ 80,975,114	\$ 56,468,055	\$ 3,813,431	\$ 20,693,628

June 30, 2025						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	\$ 38,345,722	\$ -	\$ 38,345,722	\$ 38,087,311	\$ 258,411	\$ -
Derivative financial instruments (Note 2)	34,259,315	-	34,259,315	6,979,970	2,807,983	24,471,362
Total	\$ 72,605,037	\$ -	\$ 72,605,037	\$ 45,067,281	\$ 3,066,394	\$ 24,471,362

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

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

43. CAPITAL MANAGEMENT

a. Objective of capital management

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

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

b. Capital management procedures

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

c. Capital adequacy ratio

Year			June 30, 2026	December 31, 2025	June 30, 2025
Items					
Eligible capital	Common equity Tier 1 capital		\$ 67,993,591	\$ 72,062,239	\$ 67,706,884
	Additional Tier 1 capital		5,555,292	5,566,079	2,704,060
	Tier 2 capital		12,750,563	12,700,422	12,411,389
	Eligible capital		86,299,446	90,328,740	82,822,333
Risk-weighted assets	Credit risk	Standardized approach	579,929,045	580,528,541	555,489,803
		Internal ratings-based approach	-	-	-
		Securitisation exposures	-	295,488	213,646
	Operational risk	Standardized approach	23,562,963	23,562,963	22,991,463
	Market risk	Standardized approach	18,972,488	21,106,875	16,631,988
		Simplified standardized approach	-	-	-
		Internal model approach (IMA)	-	-	-
	Total risk-weighted assets		622,464,496	625,493,867	595,326,900
Ratio of common equity to risk-weighted assets			10.92%	11.52%	11.37%
Ratio of Tier 1 capital to risk-weighted assets			11.82%	12.41%	11.83%
Capital adequacy ratio			13.86%	14.44%	13.91%
Leverage ratio			7.02%	7.78%	7.19%

Note: 1) Eligible capital = Common equity capital + Additional Tier 1 capital + Tier 2 capital.

2) Total risk-weighted asset = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirements for market risk) × 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.

- 4) Ratio of common equity capital to risk-weighted assets = Common equity capital ÷ Total risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity capital + Additional Tier 1 capital) ÷ Total risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

44. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

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

Balance Sheets of Trust Accounts				(In Thousands of New Taiwan Dollars)			
Trust Assets	June 30, 2026	December 31, 2025	June 30, 2025	Trust Liabilities	June 30, 2026	December 31, 2025	June 30, 2025
Bank deposits	\$ 2,914,404	\$ 2,910,817	\$ 4,443,155	Payables	\$ 83,356	\$ 84,589	\$ 131,856
Short-term investments				Accounts payable on securities			
Funds	43,179,253	39,326,982	34,962,406	under custody	1,876,968	1,642,874	1,840,578
Bonds	15,982,838	16,144,556	14,421,507	Other liabilities	58,227	46,980	57,319
Stocks	740,755	331,097	231,507	Trust capital	82,968,742	77,154,211	71,846,828
Structured notes	4,077,570	2,244,058	1,133,865	Accumulated profits and losses	141,663	124,456	94,622
Securities under custody	1,876,968	1,642,874	1,840,578				
Real estate							
Land	15,311,300	15,417,223	15,890,740				
Buildings	13,934	15,321	12,165				
Intangible assets - surface rights	984,534	984,534	984,534				
Others	47,400	35,648	50,746				
Total	<u>\$ 85,128,956</u>	<u>\$ 79,053,110</u>	<u>\$ 73,971,203</u>	Total	<u>\$ 85,128,956</u>	<u>\$ 79,053,110</u>	<u>\$ 73,971,203</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2026	2025	2026	2025
Trust income and gains				
Interest income	\$ 992,523	\$ 727,342	\$ 2,013,264	\$ 1,473,288
Property transaction gains	164,300	-	261,594	-
Dividend income	23,152	23,081	41,482	37,221
Rental income	6,038	6,136	12,066	12,271
Other income	2,384	1,171	5,402	3,686
Total trust income and gains	<u>1,188,397</u>	<u>757,730</u>	<u>2,333,808</u>	<u>1,526,466</u>
Trust expenses				
Property transaction losses	-	(660,456)	-	(867,920)
Administrative expenses	(124)	(106)	(220)	(682)
Other expenses	(1,989)	(3,598)	(3,061)	(5,176)
Total trust expenses	<u>(2,113)</u>	<u>(664,160)</u>	<u>(3,281)</u>	<u>(873,778)</u>
Net income	<u>\$ 1,186,284</u>	<u>\$ 93,570</u>	<u>\$ 2,330,527</u>	<u>\$ 652,688</u>

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

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	June 30, 2026	December 31, 2025	June 30, 2025
Bank deposits	\$ 2,914,404	\$ 2,910,817	\$ 4,443,155
Short-term investments			
Funds	43,179,253	39,326,982	34,962,406
Bonds	15,982,838	16,144,556	14,421,507
Stocks	740,755	331,097	231,507
Structured notes	4,077,570	2,244,058	1,133,865
Securities under custody	1,876,968	1,642,874	1,840,578
Real estate			
Land	15,311,300	15,417,223	15,890,740
Buildings	13,934	15,321	12,165
Intangible assets - surface rights	984,534	984,534	984,534
Other assets	<u>47,400</u>	<u>35,648</u>	<u>50,746</u>
Total	<u>\$ 85,128,956</u>	<u>\$ 79,053,110</u>	<u>\$ 73,971,203</u>

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

a. Business or trading behaviors

Please refer to Note 38 for related-party transactions.

b. Integration of business activities

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

c. Cross utilization of information or locations and business utilities

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

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

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

46. PROFITABILITY

(%)

Items		June 30, 2026	June 30, 2025
Return on total assets	Before income tax	1.04	0.86
	After income tax	0.88	0.74
Return on net worth	Before income tax	13.10	10.71
	After income tax	11.12	9.19
Profit margin		41.88	38.54

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

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

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

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

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

47. ADDITIONAL DISCLOSURES

a. Information on material transactions:

- 1) Lending fund: The Bank: Not applicable. For subsidiaries' information: None.
- 2) Endorsements/guarantees provided: The Bank: Not applicable. For subsidiaries' information: None.
- 3) Material securities held: The Bank: Not applicable. For subsidiaries' information: Table 1 (attached).
- 4) Discount on service fees received from related parties amounting to NT\$5 million: None.
- 5) Receivables from related parties reaching NT\$300 million or 10% of paid in capital or more: None.
- 6) Sale of non-performing loans: None.
- 7) Financial asset securitization: None.
- 8) Other material transactions which may affect the decisions of the consolidated financial statements users: None.

b. Related information and proportionate share in investees: Table 2 (attached).

c. Information on investments in Mainland China: Table 3 (attached).

d. Business relationships and material transactions between the Bank and its subsidiaries and between each subsidiaries: Table 4 (attached).

48. SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

	Retail Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
<u>For the three months ended June 30, 2026</u>					
Interest revenue (expense), net	\$ 1,931,258	\$ 1,381,260	\$ 154,367	\$ (13,059)	\$ 3,453,826
Non-interest profits and gains, net	783,768	583,267	338,555	144,958	1,850,548
Net revenue	2,715,026	1,964,527	492,922	131,899	5,304,374
Provision for bad debts expense, commitments, and guarantee liability provision	(112,513)	(59,346)	-	(13,802)	(185,661)
Operating expenses	(1,500,766)	(447,831)	(152,757)	(454,932)	(2,556,286)
Income (loss) before income tax	1,101,747	1,457,350	340,165	(336,835)	2,562,427
Income tax expense	-	-	-	(385,346)	(385,346)
Net income (loss)	<u>\$ 1,101,747</u>	<u>\$ 1,457,350</u>	<u>\$ 340,165</u>	<u>\$ (722,181)</u>	<u>\$ 2,177,081</u>
<u>For the three months ended June 30, 2025</u>					
Interest revenue (expense), net	\$ 1,700,655	\$ 1,274,885	\$ 87,947	\$ (551,060)	\$ 2,512,427
Non-interest profits and gains, net	585,560	467,918	154,866	577,216	1,785,560
Net revenue	2,286,215	1,742,803	242,813	26,156	4,297,987
Reversal of (provision for) bad debts expense, commitments, and guarantee liability provision	(153,535)	74,432	-	(37,704)	(116,807)
Operating expenses	(1,321,685)	(409,828)	(143,409)	(359,129)	(2,234,051)
Income (loss) before income tax	810,995	1,407,407	99,404	(370,677)	1,947,129
Income tax expense	-	-	-	(274,546)	(274,546)
Net income (loss)	<u>\$ 810,995</u>	<u>\$ 1,407,407</u>	<u>\$ 99,404</u>	<u>\$ (645,223)</u>	<u>\$ 1,672,583</u>

(Continued)

	Retail Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
<u>For the six months ended June 30, 2026</u>					
Interest revenue (expense), net	\$ 3,769,783	\$ 2,708,062	\$ 277,390	\$ (202,933)	\$ 6,552,302
Non-interest profits and gains, net	<u>1,627,521</u>	<u>1,105,624</u>	<u>654,883</u>	<u>270,020</u>	<u>3,658,048</u>
Net revenue	5,397,304	3,813,686	932,273	67,087	10,210,350
Reversal of (provision for) bad debts expense, commitments, and guarantee liability provision	(195,403)	44,877	-	5,153	(145,373)
Operating expenses	<u>(2,920,452)</u>	<u>(879,308)</u>	<u>(311,265)</u>	<u>(916,521)</u>	<u>(5,027,546)</u>
Income (loss) before income tax	2,281,449	2,979,255	621,008	(844,281)	5,037,431
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(761,050)</u>	<u>(761,050)</u>
Net income (loss)	<u>\$ 2,281,449</u>	<u>\$ 2,979,255</u>	<u>\$ 621,008</u>	<u>\$ (1,605,331)</u>	<u>\$ 4,276,381</u>
<u>For the six months ended June 30, 2025</u>					
Interest revenue (expense), net	\$ 3,336,246	\$ 2,472,237	\$ 120,140	\$ (1,225,308)	\$ 4,703,315
Non-interest profits and gains, net	<u>1,267,903</u>	<u>1,025,556</u>	<u>431,484</u>	<u>1,339,236</u>	<u>4,064,179</u>
Net revenue	4,604,149	3,497,793	551,624	113,928	8,767,494
Provision for bad debts expense, commitments, and guarantee liability provision	(358,057)	(23,376)	-	(45,751)	(427,184)
Operating expenses	<u>(2,597,785)</u>	<u>(811,790)</u>	<u>(301,882)</u>	<u>(689,884)</u>	<u>(4,401,341)</u>
Income (loss) before income tax	1,648,307	2,662,627	249,742	(621,707)	3,938,969
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(559,984)</u>	<u>(559,984)</u>
Net income (loss)	<u>\$ 1,648,307</u>	<u>\$ 2,662,627</u>	<u>\$ 249,742</u>	<u>\$ (1,181,691)</u>	<u>\$ 3,378,985</u>
					(Concluded)

TABLE 1

KGI BANK CO., LTD. AND SUBSIDIARIES

MATERIAL SECURITIES HELD
JUNE 30, 2026
(In Thousands of New Taiwan Dollars)

Holding Company	Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2026				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
CDIB Management Consulting Corporation	<u>Stock</u> KGI Finance & Leasing Corporation	Subsidiary	Investments accounted for using equity method	76,704,787	\$ 902,317	100.00	\$ 902,317	

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

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

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

TABLE 2

KGI BANK CO., LTD. AND SUBSIDIARIES

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

Investee Company	Location	Main Business	Balance as of June 30, 2026			Consolidated Investment (Note 1)				Note
			Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Shares Currently Held	Virtual Shares (Note 2)	Number of Shares	Percentage of Ownership (%)	
<u>Financial industry - related</u>										
Taipei Foreign Exchange Inc.	Taipei City, Taiwan	Foreign exchange trading, financial derivatives trading	0.40	\$ 3,355	\$ 712	80,000	-	80,000	0.40	
Taiwan Futures Exchange	Taipei City, Taiwan	Futures exchange and settlement	0.51	301,244	7,396	44,178,579	-	44,178,579	6.12	
Financial Information Service Co., Ltd.	Taipei City, Taiwan	Telecommunication service, information system service	1.23	262,292	-	9,166,528	-	9,166,528	1.23	
Taiwan Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions' loans	0.57	82,359	4,800	6,000,000	-	6,000,000	0.57	
Sunlight Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions' loans	5.74	4,039	325	344,476	-	344,476	5.74	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Communication and IT service	1.00	3,609	-	600,000	-	600,000	1.00	
Taiwan Financial Asset Service Company	Taipei City, Taiwan	Other activities auxiliary to financial service activities	2.94	49,243	-	5,000,000	-	5,000,000	2.94	
CDIB Management Consulting Corporation	Taipei City, Taiwan	Management consultancy activities	100.00	1,258,832	34,774	153,171,873	-	153,171,873	100.00	
Next Commercial Bank Co., Ltd.	Taipei City, Taiwan	Commercial banking	5.15	347,046	-	51,499,000	-	51,499,000	5.15	
Suyin KGI Consumer Finance Co., Ltd.	China	Consumer finance service	33.41	10,872,315	413,995	-	-	-	33.41	
KGI Asset Management Co., Ltd.	Taipei City, Taiwan	Trading and management of nonperforming loans of financial institution	100.00	1,512,969	212,042	113,360,000	-	113,360,000	100.00	
<u>Non-financial industry - related</u>										
CDIB & Partners Investment Holding Corp.	Taipei City, Taiwan	General investment corporation	4.95	1,067,097	(25,655)	367,200,000	-	367,200,000	33.66	

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

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

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

TABLE 3

KGI BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
JUNE 30, 2026
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2026	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2026	Net Gain of the investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of June 30, 2026	Accumulated Inward Remittance of Earnings as of June 30, 2026
					Outflow	Inflow						
Suyin KGI Consumer Finance Co., Ltd.	Consumer financial service	CNY 4,730,000 thousand	Note 1 (a)	CNY 1,580,487 thousand	\$ -	\$ -	CNY 1,580,487 thousand	\$ 1,132,182	33.41	\$ 413,995 (Note 2 (b) 1)	\$ 10,872,315	\$ -
CDIB International Leasing Corporation	Financial leasing and management business consulting	CNY 187,750 thousand	Note 1 (a)	US\$ 30,000 thousand	-	-	US\$ 30,000 thousand	105	100.00	105 (Note 2 (b) 2)	164,574	-

Accumulated Investment in Mainland China as of June 30, 2026	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
\$ 8,366,330	\$ 8,366,330	\$ 45,209,180

Note 1: The investment types are as follows:

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

Note 2: In the column “Investment Gain”:

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

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

TABLE 4

KGI BANK CO., LTD. AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND MATERIAL INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2026
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Trading Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	KGI Bank Co., Ltd.	CDIB Management Consulting Corporation	1	Deposit and remittances	\$ 191,623	Note 4	0.02
1	CDIB Management Consulting Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	191,623	Note 4	0.02
0	KGI Bank Co., Ltd.	KGI Asset Management Co., Ltd.	1	Deposit and remittances	188,981	Note 4	0.02
2	KGI Asset Management Co., Ltd.	KGI Bank Co., Ltd.	2	Cash and cash equivalents	188,981	Note 4	0.02

- Note 1: The consolidated entities are identified in the No. column as follows: Parent company - “0”; subsidiaries - numbered from 1 by company.
- Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.
- Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the annual/Total consolidated revenue.
- Note 4: The transaction criteria for related parties are similar to those for third parties.
- Note 5: Transactions each amounted to at least NT\$100 million.
- Note 6: The above transactions and balances were eliminated from the consolidated financial statements.