

**Taiwan Cooperative Bank, Ltd. and
Subsidiary**

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities required to be included in the combined financial statements of Taiwan Cooperative Bank, Ltd. as of and for the year ended December 31, 2025 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Cooperative Bank, Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN COOPERATIVE BANK, LTD.

By

YEN-MAO LIN
Chairman

February 25, 2026

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholder
Taiwan Cooperative Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Cooperative Bank, Ltd. (the “Bank”) and its subsidiary (collectively, the “Company”), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Company for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters in our audit of the consolidated financial statements for the year ended December 31, 2025 were as follows:

Impairment Assessment of Loans

The net discounts and loans of the Company as of December 31, 2025 accounted for 61% of the consolidated total assets. Therefore, the assessment of the impairment loss of discounts and loans may have significant impacts on the consolidated financial statements. Besides assessing the expected credit losses of loans in accordance with IFRS 9 “Financial Instruments”, the management of the Company complies with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and the related regulations (collectively, the “Regulations”) when assessing the classification of credit assets and recognizing the allowance for possible losses.

For the accounting policies and material accounting judgments and estimates regarding the Company’s impairment assessment of loans, refer to Notes 4 and 5 to the consolidated financial statements; for the relevant information on the impairment assessment of loans, refer to Note 12 to the consolidated financial statements.

When assessing whether to recognize impairment losses on loans in accordance with the Regulations and applicable laws, Bank management’s primary judgment relates to the assessment of potential losses on credit assets. This assessment includes determining whether credit assets are classified based on the length of time the loans have been overdue and the value of the related collateral. As the amount of impairment assessed under the Regulations and applicable laws is significantly greater than the amount estimated under IFRS 9 “Financial Instruments” and the assessment involves significant judgments and estimates, the amount is material to the financial statements; therefore, impairment of loans was identified as a key audit matter.

With respect to the critical judgments, estimations, and assumptions used in the assessment of impairment loss, the main audit procedures we performed were as follows:

1. We obtained an understanding of the design of the Taiwan Cooperative Bank, Ltd.’s relevant internal controls on the impairment assessment of loans.
2. We tested and confirmed that credit assets were classified and evaluated for impairment by Taiwan Cooperative Bank, Ltd. in accordance with the Regulations. The length of time the loans had been overdue and the value of the collaterals were considered in calculating the provision for impairment loss.

Other Matters

Taiwan Cooperative Bank, Ltd. has prepared the parent company only financial statements for the years ended December 31, 2025 and 2024. We have audited the parent company only financial statements and have issued an unmodified audit opinion thereon.

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

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

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

Those charged with governance, including supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2025 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yin-Chou Chen and Wang-Shen Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 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.

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

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

ASSETS	2025		2024	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 69,381,317	1	\$ 78,371,292	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4 and 7)	430,424,047	8	400,938,466	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 36)	137,275,402	3	98,865,381	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9 and 37)	474,995,273	9	455,733,151	9
INVESTMENT IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 37)	826,672,103	16	749,673,663	15
RECEIVABLES, NET (Notes 4, 11 and 36)	22,995,608	1	24,775,784	1
CURRENT TAX ASSETS (Notes 4, 33 and 36)	2,513,952	-	3,547,836	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 36 and 37)	3,125,186,525	61	3,060,238,590	62
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Notes 4 and 13)	146,077	-	144,941	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 14 and 36)	7,747,528	-	8,586,033	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 15)	30,861,353	1	31,328,575	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 16)	1,594,266	-	1,732,862	-
INVESTMENT PROPERTIES, NET (Notes 4 and 17)	7,850,595	-	7,635,080	-
INTANGIBLE ASSETS (Notes 4 and 18)	4,715,299	-	4,728,215	-
DEFERRED TAX ASSETS (Notes 4 and 33)	941,912	-	1,079,563	-
OTHER ASSETS (Notes 4, 16, 19 and 27)	<u>2,380,187</u>	<u>-</u>	<u>1,692,438</u>	<u>-</u>
TOTAL	<u>\$ 5,145,681,444</u>	<u>100</u>	<u>\$ 4,929,071,870</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Notes 20 and 36)	\$ 501,398,136	10	\$ 432,533,704	9
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 24 and 36)	4,759,110	-	5,198,031	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9 and 21)	7,707,127	-	8,606,119	-
PAYABLES (Note 22)	39,441,835	1	38,788,549	1
CURRENT TAX LIABILITIES (Notes 4, 33 and 36)	2,254,883	-	417,586	-
DEPOSITS AND REMITTANCES (Notes 23 and 36)	4,202,806,139	82	4,086,076,750	83
BANK DEBENTURES (Note 24)	60,240,000	1	59,140,000	1
OTHER FINANCIAL LIABILITIES (Notes 17, 25 and 36)	9,510,005	-	7,619,734	-
PROVISIONS (Notes 4, 26, 27 and 36)	5,906,751	-	5,251,447	-
LEASE LIABILITIES (Notes 4 and 16)	1,558,757	-	1,689,197	-
DEFERRED TAX LIABILITIES (Notes 4, 15 and 33)	5,382,861	-	5,484,374	-
OTHER LIABILITIES	<u>1,147,387</u>	<u>-</u>	<u>871,425</u>	<u>-</u>
Total liabilities	<u>4,842,112,991</u>	<u>94</u>	<u>4,651,676,916</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock				
Common stock	<u>130,694,300</u>	<u>3</u>	<u>122,988,300</u>	<u>3</u>
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	58,664,088	1	58,664,088	1
From treasury stock transactions	<u>103,157</u>	<u>-</u>	<u>103,157</u>	<u>-</u>
Total capital surplus	<u>58,767,245</u>	<u>1</u>	<u>58,767,245</u>	<u>1</u>
Retained earnings				
Legal reserve	74,775,754	1	67,497,216	1
Special reserve	7,286,107	-	6,419,227	-
Unappropriated earnings	<u>25,523,559</u>	<u>1</u>	<u>28,583,064</u>	<u>1</u>
Total retained earnings	<u>107,585,420</u>	<u>2</u>	<u>102,499,507</u>	<u>2</u>
Other equity	<u>6,239,719</u>	<u>-</u>	<u>(7,105,907)</u>	<u>-</u>
Total equity attributable to owners of the Bank	303,286,684	6	277,149,145	6
NON-CONTROLLING INTEREST	<u>281,769</u>	<u>-</u>	<u>245,809</u>	<u>-</u>
Total equity	<u>303,568,453</u>	<u>6</u>	<u>277,394,954</u>	<u>6</u>
TOTAL	<u>\$ 5,145,681,444</u>	<u>100</u>	<u>\$ 4,929,071,870</u>	<u>100</u>

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

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

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

	2025		2024		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST REVENUE (Notes 4, 28 and 36)	\$ 106,738,006	180	\$ 104,246,432	181	2
INTEREST EXPENSE (Notes 4, 28 and 36)	<u>(72,524,401)</u>	<u>(122)</u>	<u>(73,916,270)</u>	<u>(128)</u>	(2)
NET INTEREST	<u>34,213,605</u>	<u>58</u>	<u>30,330,162</u>	<u>53</u>	13
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee income, net (Notes 4, 29 and 36)	10,749,369	18	10,249,620	18	5
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 4, 30 and 36)	(1,483,593)	(2)	31,954,070	55	(105)
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 31)	2,608,066	4	3,233,451	6	(19)
Realized gains (losses) on derecognition of financial assets at amortized cost (Notes 4 and 12)	-	-	(586)	-	100
Foreign exchange gains (losses), net (Note 4)	12,671,511	21	(18,498,558)	(32)	168
Gain on reversal of impairment losses on assets (Notes 4, 9, 10 and 15)	22,983	-	36,527	-	(37)
Share of gains of associates and joint ventures accounted for using the equity method (Notes 4 and 13)	8,217	-	9,830	-	(16)
Other noninterest gains, net (Notes 17, 35 and 36)	<u>502,862</u>	<u>1</u>	<u>317,535</u>	<u>-</u>	58
Total net revenues and gains other than interest	<u>25,079,415</u>	<u>42</u>	<u>27,301,889</u>	<u>47</u>	(8)
TOTAL NET REVENUES	<u>59,293,020</u>	<u>100</u>	<u>57,632,051</u>	<u>100</u>	3

(Continued)

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

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

	2025		2024		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENT AND GUARANTEES (Notes 4 and 12)	\$ (4,372,885)	(8)	\$ (5,660,804)	(10)	(23)
OPERATING EXPENSES (Notes 4, 15, 16, 17, 18, 27, 32 and 36)					
Employee benefits	(17,431,360)	(29)	(16,869,592)	(29)	3
Depreciation and amortization	(2,619,615)	(5)	(2,657,753)	(5)	(1)
General and administrative	(9,657,306)	(16)	(9,271,243)	(16)	4
Total operating expenses	(29,708,281)	(50)	(28,798,588)	(50)	3
INCOME BEFORE INCOME TAX	25,211,854	42	23,172,659	40	9
INCOME TAX EXPENSE (Notes 4 and 33)	(4,398,347)	(7)	(4,219,966)	(7)	4
NET INCOME	20,813,507	35	18,952,693	33	10
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 9 and 27)					
Remeasurement of defined benefit plans	408,457	-	769,467	1	(47)
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	5,747,173	10	5,164,622	9	11
Change in the fair value attributable to changes in credit risk of financial liabilities designated as at fair value through profit or loss	(5,449)	-	1,122	-	(586)
Items that will not be reclassified subsequently to profit or loss, net of income tax	6,150,181	10	5,935,211	10	4

(Continued)

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

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

	2025		2024		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Items that may be reclassified subsequently to profit or loss (Notes 4, 9 and 33)					
Exchange differences on the translation of financial statements of foreign operations	\$ (1,743,330)	(3)	\$ 3,599,481	6	(148)
Unrealized gains (losses) on investments in debt instruments at fair value through other comprehensive income	9,147,136	16	(3,921,721)	(7)	333
Income tax attributable to other comprehensive income	<u>217,005</u>	<u>-</u>	<u>(705,362)</u>	<u>(1)</u>	131
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>7,620,811</u>	<u>13</u>	<u>(1,027,602)</u>	<u>(2)</u>	842
Other comprehensive income (loss), net of income tax	<u>13,770,992</u>	<u>23</u>	<u>4,907,609</u>	<u>8</u>	181
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 34,584,499</u>	<u>58</u>	<u>\$ 23,860,302</u>	<u>41</u>	45
NET INCOME ATTRIBUTABLE TO:					
Owner of the Bank	\$ 20,798,462	35	\$ 18,952,788	33	10
Non-controlling interest	<u>15,045</u>	<u>-</u>	<u>(95)</u>	<u>-</u>	15,937
	<u>\$ 20,813,507</u>	<u>35</u>	<u>\$ 18,952,693</u>	<u>33</u>	10
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Owner of the Bank	\$ 34,548,539	58	\$ 23,859,531	41	45
Non-controlling interest	<u>35,960</u>	<u>-</u>	<u>771</u>	<u>-</u>	4,564
	<u>\$ 34,584,499</u>	<u>58</u>	<u>\$ 23,860,302</u>	<u>41</u>	45
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 34)					
Basic	<u>\$1.59</u>		<u>\$1.45</u>		

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

(Concluded)

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

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

	Equity Attributable to Owners of the Bank						Other Equity			Non-controlling Interest (Note 35)	Total Equity
	Capital Stock (Note 35)		Capital Surplus (Notes 4 and 35)	Retained Earnings (Notes 4, 9 and 35)			Exchange Differences on Translation of Financial Statement of Foreign Operations (Note 4)	Unrealized Valuation Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 9)	Change in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss (Note 4)		
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2024	11,007,530	\$ 110,075,300	\$ 58,767,245	\$ 62,658,070	\$ 19,861,710	\$ 16,130,933	\$ (461,982)	\$ (5,764,031)	\$ (13,014)	\$ 245,038	\$ 261,499,269
The impact of initial application of IAS 29	-	-	-	-	-	(464,617)	-	-	-	-	(464,617)
Appropriation of the 2023 earnings											
Legal reserve	-	-	-	4,839,146	-	(4,839,146)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(7,500,000)	-	-	-	-	(7,500,000)
Stock dividends	1,291,300	12,913,000	-	-	-	(12,913,000)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(13,442,483)	13,442,483	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	5,003,645	-	(5,003,645)	-	-	-
Transfer of change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	511	-	-	(511)	-	-
Total comprehensive income											
Net income for the year ended December 31, 2024	-	-	-	-	-	18,952,788	-	-	-	(95)	18,952,693
Other comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	-	769,467	2,878,892	1,257,262	1,122	866	4,907,609
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	-	19,722,255	2,878,892	1,257,262	1,122	771	23,860,302
BALANCE, DECEMBER 31, 2024	12,298,830	122,988,300	58,767,245	67,497,216	6,419,227	28,583,064	2,416,910	(9,510,414)	(12,403)	245,809	277,394,954
Appropriation of the 2024 earnings											
Legal reserve	-	-	-	7,278,538	-	(7,278,538)	-	-	-	-	-
Special reserve	-	-	-	-	866,880	(866,880)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(8,411,000)	-	-	-	-	(8,411,000)
Stock dividends	770,600	7,706,000	-	-	-	(7,706,000)	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(12,187)	-	12,187	-	-	-
Transfer of change in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	8,181	-	-	(8,181)	-	-
Total comprehensive income											
Net income for the year ended December 31, 2025	-	-	-	-	-	20,798,462	-	-	-	15,045	20,813,507
Other comprehensive income (loss) for the year ended December 31, 2025	-	-	-	-	-	408,457	(1,411,396)	14,758,465	(5,449)	20,915	13,770,992
Total comprehensive income (loss) for the year ended December 31, 2025	-	-	-	-	-	21,206,919	(1,411,396)	14,758,465	(5,449)	35,960	34,584,499
BALANCE, DECEMBER 31, 2025	<u>13,069,430</u>	<u>\$ 130,694,300</u>	<u>\$ 58,767,245</u>	<u>\$ 74,775,754</u>	<u>\$ 7,286,107</u>	<u>\$ 25,523,559</u>	<u>\$ 1,005,514</u>	<u>\$ 5,260,238</u>	<u>\$ (26,033)</u>	<u>\$ 281,769</u>	<u>\$ 303,568,453</u>

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

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

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

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 25,211,854	\$ 23,172,659
Adjustments for:		
Depreciation expense	2,108,400	2,206,518
Amortization expense	511,215	451,235
Expected credit losses/bad-debt expense	3,660,364	5,719,865
Losses (gains) on financial assets and liabilities at fair value through profit or loss	1,483,593	(31,954,070)
Interest expense	72,524,401	73,916,270
Net loss on derecognition of financial assets at amortized cost	-	586
Interest revenue	(106,738,006)	(104,246,432)
Dividend income	(2,775,281)	(3,327,429)
Net changes in provision for guarantees	603,444	(59,309)
Net changes in reserves for other liabilities	109,077	248
Share of gains of associates and joint ventures accounted for using equity method	(8,217)	(9,830)
(Gains) losses on disposal of properties and equipment	(113)	82
Losses on disposal of investments	167,215	93,978
Reversal of impairment losses on financial assets	(22,983)	(23,694)
Reversal of impairment loss on non-financial assets	-	(12,833)
Others	1,119	151,415
Net changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(22,014,639)	(39,282,423)
(Increase) decrease in financial assets at fair value through profit or loss	(21,515,137)	5,153,586
Increase in financial assets at fair value through other comprehensive income	(9,550,694)	(2,740,869)
Increase in investments in debt instruments at amortized cost	(79,789,384)	(44,028,960)
Decrease in receivables	339,671	574,741
Increase in discount and loans	(68,035,891)	(265,850,382)
Decrease (increase) in other financial assets	703,180	(404,131)
Increase in other assets	(340,572)	(992,635)
Increase in deposits from the Central Bank and other banks	68,864,432	138,351,163
Decrease in financial liabilities at fair value through profit or loss	(19,452,847)	(3,142,148)
Decrease in securities sold under repurchase agreements	(898,992)	(906,634)
Decrease in payables	(1,189)	(6,346,430)
Increase in deposits and remittances	116,729,389	222,469,972
Increase in other financial liabilities	4,652	34,210
(Decrease) increase in provision for employee benefits	(54,099)	669,094
Increase (decrease) in other liabilities	274,796	(44,652)
Cash used in operations	(37,901,242)	(30,407,239)
Interest received	110,603,314	105,698,128
Dividends received	2,865,148	3,247,398

(Continued)

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

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

	2025	2024
Interest paid	\$ (72,100,523)	\$ (73,116,838)
Income tax paid	<u>(1,272,474)</u>	<u>(5,995,233)</u>
Net cash generated from (used in) operating activities	<u>2,194,223</u>	<u>(573,784)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(1,235,361)	(1,028,863)
Proceeds from disposal of properties and equipment	652	-
Increase in settlement funds	(5,000)	-
Decrease in refundable deposits	65,339	242,291
Acquisition of intangible assets	(468,782)	(703,898)
Acquisition of investment properties	<u>(6,287)</u>	<u>(1,971)</u>
Net cash used in investing activities	<u>(1,649,439)</u>	<u>(1,492,441)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of bank debentures	1,100,000	11,000,000
Repayments of bank debentures	-	(9,100,000)
Proceeds from long-term borrowings	7,422,020	6,914,400
Repayments of long-term borrowings	(6,767,460)	(6,667,920)
Increase in financial liabilities designated as at fair value through profit or loss	2,036,064	2,897,758
Decrease in financial liabilities designated as at fair value through profit or loss	(2,826,508)	(980,817)
Increase in guarantee deposits received	459,839	620,038
Repayments of the principal portion of lease liabilities	(652,208)	(679,766)
Cash dividends paid	<u>(8,411,000)</u>	<u>(7,500,000)</u>
Net cash used in financing activities	<u>(7,639,253)</u>	<u>(3,496,307)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>5,483,066</u>	<u>(7,982,257)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,611,403)	(13,544,789)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>129,693,123</u>	<u>143,237,912</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 128,081,720</u>	<u>\$ 129,693,123</u>

(Continued)

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

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

Cash and cash equivalent reconciliations:

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Cash and cash equivalents in the consolidated balance sheets	\$ 69,381,317	\$ 78,371,292
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	58,071,503	50,600,561
Other items in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>628,900</u>	<u>721,270</u>
Cash and cash equivalents, end of the year	<u>\$ 128,081,720</u>	<u>\$ 129,693,123</u>

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

(Concluded)

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

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

1. ORGANIZATION AND OPERATIONS

Taiwan Cooperative Bank, Ltd. (the “Bank”) was officially established on October 5, 1946 to regulate the supply of and demand for funds for cooperative organizations by accepting their surplus funds as deposits and extending working funds to them. On February 10, 2006, the Bank changed its Chinese name upon approval by the Ministry of Economic Affairs. However, the Bank’s English name remains unchanged. The Bank became a legal entity in 1985 in accordance with the Banking Law. At the start of 2001, the Bank was converted into a corporate entity engaged in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations as authorized by the respective foreign governments; and (d) other operations as authorized by the central authority-in-charge.

The Bank’s shares have been listed on the Taiwan Stock Exchange since November 17, 2004.

The Bank merged with the Farmers Bank of China (FBC) on May 1, 2006, with the Bank as the survivor entity.

On June 24, 2011, the Bank’s stockholders approved the establishment of Taiwan Cooperative Financial Holding Company, Ltd. (TCFHC) by swapping the Bank’s shares with those Co-operative Asset Management Co., Ltd. (CAM) and Taiwan Cooperative Bills Finance Corporation Ltd. (TCBF) in accordance with the “Financial Holding Company Act” and other regulations. The boards of directors of the Bank, CAM and TCBF designated December 1, 2011 as the effective date of the share swap. After the shares transfer, the Bank became a 100% subsidiary of TCFHC. Also on December 1, 2011, the trading of the Bank’s stock on the Taiwan Stock Exchange (TSE) was stopped, and TCFHC’s stock started to be traded on the TSE.

On December 2, 2011, the Bank reduced its capital by NT\$3 billion and spun off its Security Department to incorporate Taiwan Cooperative Securities Corp. (TCS), which became a 100% subsidiary of TCFHC.

The Bank has its Head Office in Taipei. It had a Business, International Banking, Finance, Credit Card, Trust and Insurance Agent Departments as well as 248 domestic branches, 1 offshore banking unit (OBU), 15 overseas branches, 8 overseas sub-branches and 3 representative offices as of December 31, 2025.

The operations of the Bank’s Trust Department are (1) planning, managing and operating the trust business and (2) custodianship of nondiscretionary trust fund in domestic and overseas securities and mutual funds. These operations are regulated under the Banking Law and Trust Law of the Republic of China (ROC).

The Bank set up United Taiwan Bank S.A. (UTB) in Belgium through the raising of funds with Bank of Taiwan, Land Bank of Taiwan and Taiwan Business Bank and acquired 70% of the shares in UTB. On October 9, 2009, the Bank bought shares of UTB held by Taiwan Business Bank for \$127,279 thousand. Thus, the Bank’s holdings in UTB increased to 80%. In July 2010, the Bank subscribed for all the new shares issued by UTB for EUR20,000 thousand (\$785,770 thousand). Thus, the Bank’s holdings in UTB increased to 90.02%. UTB started its operation, mainly the general deposits and loans business, on December 23, 1992 and is a subsidiary of the Bank.

In order to integrate resources and enhance operating effectiveness, the board of directors of the Bank and Cooperative Insurance Brokers Co., Ltd. (CIB) decided to merge the Bank and CIB on April 25, 2016. The effective date of the merger was June 24, 2016. In this merger, the Bank was the surviving entity.

As of December 31, 2025 and 2024, the Bank and its subsidiary (collectively, the “Company”) had 8,829 and 8,791 employees, respectively.

The operating units of the Company maintain their accounts in their respective functional currencies. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors on February 25, 2026.

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

- a. Effects of 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 Financial Supervisory Commission (FSC)

The following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies from 2025.

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

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

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

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

- a) If a financial asset contains a contingent feature that could change the timing or amount of contractual cash flows and the contingent event itself does not relate directly to changes in basic lending risks and costs (e.g., whether the debtor achieves a contractually specified reduction in carbon emissions), the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding if, and only if,
- i In all possible scenarios (before and after the occurrence of a contingent event), the contractual cash flows are solely payments of principal and interest on the principal amount outstanding; and

- ii In all possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.
 - b) To clarify that a financial asset has non-recourse features if an entity’s ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.
 - c) To clarify that the characteristics of contractually linked instruments include a prioritization of payments to the holders of financial assets using multiple contractually linked instruments (tranches) established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of cash shortfalls from the underlying pool between the tranches.
- 2) The amendments to the application guidance of derecognition of financial liabilities

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

- a) The Company having no practical ability to withdraw, stop or cancel the payment instruction;
- b) The Company having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- c) The settlement risk associated with the electronic payment system being insignificant.

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company has assessed that the application of other standards will not have a material impact on the Company’s financial position and financial performance.

- c. Impact of the new IFRS Accounting Standards announced by IASB but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 18 “Presentation and Disclosures in Financial Statements”	January 1, 2027 (Note 2)
IFRS 19 “Subsidiaries without Public Accountability: Disclosures” (including the 2025 amendments to IFRS 19)	January 1, 2027
Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”	January 1, 2027

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

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

IFRS 18 “Presentation and Disclosure in Financial Statements” and Consequential Amendments

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

- 1) To classify items of income and expenses presented in the statement of profit or loss into the operating, investing, financing, income taxes and discontinued operations categories, the Company shall assess whether it has specified main business activities of investing in particular types of assets and providing financing to customers.
- 2) The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- 3) Provides guidance to enhance the requirements of aggregation and disaggregation: The Company 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 Company shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Company labels items as “other” only if it cannot find a more informative label.
- 4) Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Company as a whole, the Company shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

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

Basis of Preparation

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

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

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entity controlled by the Bank (United Taiwan Bank S.A.).

The accounting policies of the Bank and its subsidiary are consistent.

All significant intercompany transactions and balances have been eliminated for consolidation purposes. The accompanying consolidated financial statements also include accounts of the Bank's Head Office, OBU, and all branches. All interoffice account balances and transactions have been eliminated.

Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

For more information on the consolidated entity, please see Table 1 (attached).

Foreign Currencies

The Company records foreign-currency transactions in the respective currencies in which these are denominated. Foreign currency income and expenses are translated at the transaction date exchange rates. At month-end, monetary assets and liabilities denominated in foreign currencies are reported using the prevailing exchange rates, and exchange differences are recognized in profit or loss. Nonmonetary assets and liabilities measured at fair value are translated using the prevailing exchange rates at month-end. Translation differences on nonmonetary assets and liabilities measured at fair value are recognized in profit or loss, except for translation difference arising from nonmonetary items of which the change in fair values is recognized in other comprehensive income, in which case, the translation differences are also recognized directly in other comprehensive income. Nonmonetary assets and liabilities that are classified as carried at cost are recognized at the exchange rate on the transaction date.

In preparing the consolidated financial statements, foreign operations' financial statements are translated at the following rates: Assets and liabilities - the prevailing exchange rates on the balance sheet date; and income and expenses - at the average exchange rate for the year. Translation difference net of income tax is recorded as "other comprehensive income" and accumulated in equity, FSC and is attributed to the owner of the Company and non-controlling interests.

Hyperinflationary Economies

In preparing the consolidated financial statements, if the foreign operation's functional currency is from a hyperinflationary economy, the financial statements of the foreign operation shall be measured in terms of the current unit of measurement at the balance sheet date. This leads to a gain or loss on the net monetary position, which is included in the profit or loss. Additionally, all amounts in the financial statements shall be restated using the closing exchange rate at the balance date.

The impact of remeasuring the beginning financial information of the Company's foreign operation using the current measuring unit is adjusted in retained earnings under equity. Translation differences, net of financial statement adjustments, are included in other comprehensive income.

The Company's functional currency and reporting currency (New Taiwan dollar) are not currencies of a hyperinflationary economy; therefore, the comparative period information for the foreign operation is still presented in the amounts expressed in the relevant prior year's financial statements.

Classification of Current and Noncurrent Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the consolidated financial statements are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized in accordance with the nature of each account and sequenced by liquidity.

Cash and Cash Equivalents

In the balance sheet, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents defined in the consolidated balance sheet, due from the Central Bank and call loans to other banks, securities purchased under resell agreements and call loans to securities firms that correspond to the definition of cash and cash equivalents in IAS 7 "Cash Flow Statements," as endorsed by the FSC.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes 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 issue 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 purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income (FVTOCI) and equity instruments at FVTOCI.

1) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is 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 mismatch that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 39.

2) Financial assets at amortized cost

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

- a) The financial asset is 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 asset 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, including cash and cash equivalents, due from the Central Bank and call loans to other bank, call loans to securities firms, receivables and discounts and debt instruments are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a) Purchased or originated credit-impaired financial asset, for which interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

- b) Financial asset that has subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of the financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

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 Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's 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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including loans and receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Company always recognizes lifetime Expected Credit Loss for receivables (excluding receivables of credits and credit cards and accrued interest from debt instruments), and lease receivables. For all other financial instruments, the Company recognizes lifetime ECL 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is overdue for at least 90 days unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Under FSC guidelines, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as special mention, substandard, with collectability highly doubtful and uncollectable, on the basis of the customers' financial position, valuation of collaterals and the length of time of the principal repayments or interest payments have become overdue.

The Bank made 100%, 50%, 10%, 2% and 1% provisions for credits deemed uncollectable, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. In addition, the Bank was required to make provisions of at least 1.5% each for the sound credit assets on loans granted to Mainland China clients (including short-term trading financing) and for mortgage loans granted for housing acquisition, renovation and construction.

Credits deemed uncollectable may be written off if the write-off is approved by the board of directors.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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 that 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 difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. The carrying amount should be calculated by type of stocks using the weighted-average method for the purpose of repurchased stock. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except for the cases stated below, all financial liabilities are measured at amortized cost using the effective interest method:

1) Financial liabilities at FVTPL

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

A financial liability may upon initial recognition be designated as at FVTPL only in one of the following circumstances:

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in other profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it 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 liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 39.

2) Financial guarantee contracts

The Company measures financial guarantee contract issued at the higher of:

- a) The amount of the loss allowance determined in accordance with IFRS 9 endorsed by the FSC; and
- b) The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with IFRS 15 endorsed by the FSC.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, assessment is also performed under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

b. Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the Company’s obligations are discharged or cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is recognized as a financial asset and if the fair value is a negative number, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within 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.

Overdue Loans

Loans and other credits (including accrued interest) that are overdue for at least six months are classified as overdue loans in accordance with the guideline issued by the FSC.

Overdue loans (except other credits) are classified as discounts and loans, and the remaining are classified as other financial assets.

Securities Purchased/Sold Under Resell/Repurchase Agreements

Securities purchased under resell agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized as interest revenue or interest expense on an accrual basis.

Investment in Associates and Joint Ventures

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Bank and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for investments in associates and joint ventures. Under the equity method, investment in an associate or a joint ventures entity is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate or jointly controlled entity. The Company also recognizes the changes in the Bank's share of equity of associates or joint ventures.

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

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

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

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

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate or joint ventures, profits and losses resulting from the transactions with the associate or joint ventures are recognized in the Bank's financial statements only to the extent of interests in the associate or joint ventures that are not related to the Bank.

Investment Properties

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

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

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the year in which the property is derecognized.

Properties and Equipment

Properties and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of properties and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

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

a. The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

b. The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Company recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction. However, for sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, TCB should defer the amount recognized of which sales price exceeds the carrying amount and allocate to the lease periods. If the lease periods are uncertain, TCB should recognize the amount within 10 years.

Goodwill

Goodwill (part of intangible assets) from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as cash-generating units (CGU)) that is expected to benefit from the synergies of the combination.

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with allocated goodwill arise from the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current year, and subsequent reversal of impairment loss is not allowed.

On disposal of the relevant cash-generating unit, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

Intangible Assets Other Than Goodwill

Separate acquisition

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. At year-end, the Company examines its estimates of the useful lives, residual values and amortization method of the assets, and any changes in estimates are accounted for prospectively. Unless the Company expects to dispose of an intangible asset before the end of its useful life, the residual value of an intangible asset with limited useful life is estimated to be zero. The effect of any changes in estimates accounted for on a prospective basis.

Acquisition as part of a business combination

Intangible asset acquired through business combination is measured at its fair value on the acquisition date, and is recognized separately from goodwill. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

Derecognition

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the assets is derecognized.

Impairment of Properties and Equipment, Right-of-use Assets, Investment Properties and Intangible Assets Other Than Goodwill

At the balance sheet date, the Company reviews the carrying amounts of its properties and equipment, right-of-use assets, investment properties and intangible assets (except goodwill) for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Corporate assets are allocated to the individual cash-generating units or a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less selling costs or value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. If asset impairment loss reverses, the increase in the carrying amount resulting from reversal is credited to earnings. However, loss reversal should not be more than the carrying amount (net of depreciation or amortization) had the impairment loss not been recognized.

Foreclosed Collaterals

Foreclosed collaterals (part of other assets) are recorded at the fair value on recognition and recorded at the lower of cost or net fair value as of the balance sheet dates. Net fair value falling below book value indicates impairment, and impairment loss should be recognized. If the net fair value recovers, the recovery of impairment loss is recognized in gains. For foreclosed collaterals that should have been disposed of in the statutory term, unless the disposal period is prolonged, additional provision for losses should be made and impairment loss should be recognized, as required under a FSC directive.

Provisions

Provisions are the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties on the obligation. A provision is measured using the cash flows estimated to settle the present obligation.

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

Recognition of Revenue

Interest revenue on loans is recorded on an accrual basis. Under the guidance of the FSC, no interest revenue is recognized on loans that are classified as overdue loans. The interest revenue on these loans is recognized upon collection of the loans and credits.

Service fees are recognized when a major part of the earnings process is completed and cash is collected.

Dividend income from investments is recognized when the stockholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

Service that results in award credits for customers, under the Company's award scheme, is accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the service rendered and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Bank's obligations have been fulfilled.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants regarding with income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

Short-term employee benefits

Short-term and non-discounted employee benefits are recognized as expenses in the current year as services are rendered.

Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Preferential interest deposits for employees

The Company provides preferential interest deposits to current and retired employees, and these deposits, including payments of the preferential interest deposits, are within certain amounts. The preferential rates for employees' deposits in excess of market rate should be treated as employee benefits.

Under the Guidelines Governing the Preparation of Financial Reports by Public Banks, the Company should follow the requirement of IAS 19 "Employee Benefits" endorsed by FSC to determine the excess interest on the preferential interest deposits of retired employees by applying an actuarial valuation method when the employees retire. The actuarial assumptions should be in accordance with the requirements set by the authorities.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

Share-based Payment

The Bank's employees subscribed for the reserved shares of Taiwan Cooperative Financial Holding Company, Ltd. (TCFHC) in accordance with the Financial Holding Company Act, and the Bank recognized the fair value of the stock options under salary expenses and under capital surplus for share-based payment on the grant date, i.e., the date when the Bank and its employees made an agreement for the employees to subscribe for TCFHC's shares.

Taxation

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

Current tax

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

According to the Income Tax Law of the Republic of China (ROC), an additional tax of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which these deductible temporary differences can be used. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from the initial recognition of goodwill.

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

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

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

The Company has applied the exception from the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes. Accordingly, the Company neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred taxes arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

TCFHC and its subsidiaries elected to file consolidated tax returns for periods starting from 2012. However, since the Bank applied the accounting treatment mentioned in the preceding paragraph to income tax, any distribution of cash payments and receipts among the consolidated group members is recorded as current tax assets or current tax liabilities.

Business Combination

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized as expense as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

Business combination involving entities under common control is not accounted for by acquisition method but accounted for at the carrying amounts of the entities. Prior period comparative information in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Company considers the possible impact of climate change and related government policies and regulations and inflation on the other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Unless stated in other notes, the following are the critical judgments, assumptions and estimation uncertainty estimations that the Company's management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Impairment Losses on Loans

Estimated impairment losses on the Company's loans are based on certain assumptions about the percentage of default and default losses. The Company makes assumptions and selects the input values for the impairment assessment based on prior experience, the current market situation and forward-looking information.

The assessment of impairment loss also takes into consideration the classification of credit assets and the possible impairment losses based on the length of time the loans have become overdue and the status of collection of the collateral. The Company evaluates the amount of impairment losses based on whether the customer's repayments of principal and interest are overdue and the length of time the payments are overdue, the estimate of value of the collateral and the debtor's financial status. If future actual cash flows are lesser than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2025	2024
Cash on hand	\$ 23,170,694	\$ 40,476,876
Notes and checks in clearing	5,455,684	5,346,271
Due from banks	<u>40,764,501</u>	<u>32,551,137</u>
	69,390,879	78,374,284
Less: Allowance for possible losses	<u>9,562</u>	<u>2,992</u>
	<u>\$ 69,381,317</u>	<u>\$ 78,371,292</u>

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

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

	<u>December 31</u>	
	2025	2024
Reserves for deposits - account A	\$ 63,421,866	\$ 28,883,616
Reserves for deposits - account B	129,149,059	122,993,354
Reserves for deposits - community financial institutions	93,097,518	91,651,937
Reserves for deposits - foreign-currency deposits	637,675	664,835
Deposits in the Central Bank	44,200,000	39,200,000
Due from the Central Bank - others	28,793,415	29,609,748
Due from the Central Bank - central government agencies' deposits	4,070,308	3,206,289
Call loans to banks	<u>67,054,215</u>	<u>84,728,853</u>
	430,424,056	400,938,632
Less: Allowance for possible losses	<u>9</u>	<u>166</u>
	<u>\$ 430,424,047</u>	<u>\$ 400,938,466</u>

The deposit reserves are determined monthly at prescribed rates based on the average balances of various types of deposit accounts held by the Company. The deposit reserves are subject to withdrawal restrictions, but deposit reserve - account A and foreign-currency deposit reserves may be withdrawn anytime.

Under the guideline issued by the Central Bank of the Republic of China (CBC), the Bank should deposit 60 percent of the deposits of central government agencies in the CBC, and the deposits are subject to withdrawal restrictions.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>		
Commercial paper	\$ 126,421,077	\$ 89,963,153
Corporate bonds	598,958	594,162
Investments in equity instruments	811,876	937,337
Beneficial certificates	13,370	11,960
Currency swap contracts	9,147,190	7,099,956
Forward contracts	21,027	75,239
Futures exchange margins	9,495	21,566
Currency option contracts - buy	18,636	24,364
Interest rate swap contracts	230,028	137,621
Cross-currency swap contracts	<u>3,745</u>	<u>23</u>
Financial assets at fair value through profit or loss	<u>\$ 137,275,402</u>	<u>\$ 98,865,381</u>
<u>Held-for-trading financial liabilities</u>		
Currency swap contracts	\$ 587,396	\$ 107,162
Currency option contracts - sell	18,650	24,384
Forward contracts	29,960	29,034
Interest rate swap contracts	261,350	256,713
Cross-currency swap contracts	-	10,522
Foreign-currency margin contracts	<u>-</u>	<u>1,358</u>
	897,356	429,173
<u>Financial liabilities designated to be measured at fair value through profit or loss</u>		
Bank debentures (Note 24)	<u>3,861,754</u>	<u>4,768,858</u>
Financial liabilities at fair value through profit or loss	<u>\$ 4,759,110</u>	<u>\$ 5,198,031</u>

As of December 31, 2025 and 2024, financial assets at fair value through profit or loss amounting to \$2,948,135 thousand and \$2,680,865 thousand, respectively, had been sold under repurchase agreements.

The Bank enters into derivative transactions mainly to accommodate customers' needs and to manage its exposure to adverse changes in exchange rates and interest rates. The Bank's strategy for hedging against risk is to reduce most of the market price risk or cash flow risk.

As of December 31, 2025 and 2024, the contract (notional) amounts of derivative transactions of the Bank were as follows:

	December 31	
	2025	2024
Currency swap contracts	\$ 318,621,430	\$ 278,951,036
Forward contracts	4,125,107	8,667,410
Currency option contracts - sell	3,504,466	3,710,760
Currency option contracts - buy	3,504,466	3,710,760
Interest rate swap contracts	10,739,614	12,468,267
Cross-currency swap contracts	232,693	525,901
Foreign-currency margin contracts	-	40,840

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2025	2024
<u>Investments in equity instruments at FVTOCI</u>		
Listed shares and emerging market shares	\$ 38,278,777	\$ 44,381,025
Unlisted shares	<u>14,305,955</u>	<u>9,161,134</u>
	<u>52,584,732</u>	<u>53,542,159</u>
<u>Investments in debt instruments at FVTOCI</u>		
Government bonds	269,288,415	249,026,095
Corporate bonds	69,575,892	72,950,073
Bank debentures	76,598,877	76,554,834
Negotiable certificates of deposit	<u>6,947,357</u>	<u>3,659,990</u>
	<u>422,410,541</u>	<u>402,190,992</u>
	<u>\$ 474,995,273</u>	<u>\$ 455,733,151</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

For the purpose of risk diversification and profit strategy, the Company adjusted the investment position to sell part of the equity instruments in the amounts of \$28,350,064 thousand and \$53,591,054 thousand for the years ended December 31, 2025 and 2024, respectively. The accumulated unrealized gain or loss of financial assets at FVTOCI under other equity in the amounts of \$12,187 thousand losses and \$5,003,645 thousand gains has been transferred to retained earnings, respectively.

For the years ended December 31, 2025 and 2024, the Company recognized unrealized profit or loss on investments in equity instruments at gain of FVTOCI of \$5,747,173 thousand and \$5,164,622 thousand, respectively.

For the years ended December 31, 2025 and 2024, the Company recognized unrealized profit or loss on investment in debt instruments at FVTOCI of \$9,147,136 thousand gains and \$3,921,721 thousand losses, respectively.

As of December 31, 2025 and 2024, the allowances for possible losses of investment in debt instruments at FVTOCI were \$235,190 thousand and \$261,554 thousand, respectively. Gains on reversal of impairment loss recognized in profit was \$16,187 thousand and \$17,960 thousand for 2025 and 2024, respectively.

As of December 31, 2025 and 2024, financial assets at fair value through other comprehensive income amounting to \$4,295,887 thousand and \$5,331,111 thousand, respectively, had been sold under repurchase agreements.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Negotiable certificates of deposit in the Central Bank	\$ 539,430,000	\$ 469,065,000
Government bonds	169,170,406	166,102,999
Corporate bonds	87,463,292	82,956,420
Bank debentures	28,798,000	29,950,138
Certificates of deposit	518,843	642,586
Treasury bills	<u>1,312,997</u>	<u>985,490</u>
	826,693,538	749,702,633
Less: Allowance for possible losses	<u>21,435</u>	<u>28,970</u>
	<u>\$ 826,672,103</u>	<u>\$ 749,673,663</u>

Impairment loss recognized in profit or loss for the Company in the years ended December 31, 2025 and 2024 were \$6,796 thousand gains and \$5,734 thousand gains, respectively.

11. RECEIVABLES, NET

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Accrued interest	\$ 14,015,532	\$ 15,169,631
Credit cards	5,240,250	5,258,833
Acceptances	1,458,770	2,339,670
Receivables of margin trading	114,687	74
Receivables on merchant accounts in the credit card business	1,402,418	1,147,076
Accounts receivable	405,576	321,659
Accounts receivable factored without recourse	90,443	97,351
Refundable deposits receivable in leasehold agreements	126,585	129,585
Dividends receivable	57,637	130,245
Others	<u>737,391</u>	<u>707,070</u>
	23,649,289	25,301,194
Less: Allowance for possible losses	<u>653,681</u>	<u>525,410</u>
	<u>\$ 22,995,608</u>	<u>\$ 24,775,784</u>

The changes in the impairment assessment of receivables and allowance for possible losses of credits, credit cards, and accrued interest from debt instruments for the years ended December 31, 2025 and 2024 are summarized below:

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2025	\$ 19,583,814	\$ 65,883	\$ 326,128	\$ 19,975,825
Transfers to				
Lifetime ECL	(32,014)	32,106	(92)	-
Credit-impaired financial assets	(41,018)	(9,055)	50,073	-
12-month ECL	2,948	(2,451)	(497)	-
New financial assets purchased or originated	60,989,577	179,947	105,484	61,275,008
Write-offs	-	-	(15,406)	(15,406)
Derecognition of financial assets in the current reporting period	(62,443,581)	(197,274)	(94,794)	(62,735,649)
Change in exchange rates and other changes	<u>(61,724)</u>	<u>(700)</u>	<u>(5,323)</u>	<u>(67,747)</u>
Balance at December 31, 2025	<u>\$ 17,998,002</u>	<u>\$ 68,456</u>	<u>\$ 365,573</u>	<u>\$ 18,432,031</u>
Balance at January 1, 2024	\$ 20,774,850	\$ 65,565	\$ 274,481	\$ 21,114,896
Transfers to				
Lifetime ECL	(40,319)	40,361	(42)	-
Credit-impaired financial assets	(59,089)	1,236	57,853	-
12-month ECL	14,864	(14,347)	(517)	-
New financial assets purchased or originated	59,469,668	143,796	107,723	59,721,187
Write-offs	-	-	(50,515)	(50,515)
Derecognition of financial assets in the current reporting period	(60,947,714)	(171,820)	(67,982)	(61,187,516)
Change in exchange rates and other changes	<u>371,554</u>	<u>1,092</u>	<u>5,127</u>	<u>377,773</u>
Balance at December 31, 2024	<u>\$ 19,583,814</u>	<u>\$ 65,883</u>	<u>\$ 326,128</u>	<u>\$ 19,975,825</u>

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2025	\$ 37,254	\$ 12,849	\$ 139,696	\$ 189,799	\$ 163,457	\$ 353,256
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(183)	197	(14)	-	-	-
Credit-impaired financial assets	(388)	(773)	1,161	-	-	-
12-month ECL	395	(241)	(154)	-	-	-
Derecognition of financial assets in the current reporting period	(34,625)	(60,864)	(10,215)	(105,704)	-	(105,704)
Reversal from financial instruments recognized at the beginning of the current reporting period	(7,522)	9,076	17,782	19,336	-	19,336
New financial assets purchased or originated	33,126	57,969	24,246	115,341	-	115,341
Difference of impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	80,683	80,683
Write-offs	-	-	(15,406)	(15,406)	-	(15,406)
Recovery of written-off receivables	-	-	-	-	-	-
Changes in exchange rates and other changes	(549)	(6)	(1,617)	(2,172)	-	(2,172)
Balance at December 31, 2025	<u>\$ 27,508</u>	<u>\$ 18,207</u>	<u>\$ 155,479</u>	<u>\$ 201,194</u>	<u>\$ 244,140</u>	<u>\$ 445,334</u>
Balance at January 1, 2024	\$ 42,585	\$ 12,230	\$ 116,334	\$ 171,149	\$ 169,173	\$ 340,322
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(110)	115	(5)	-	-	-
Credit-impaired financial assets	(5,318)	(366)	5,684	-	-	-
12-month ECL	3,629	(3,540)	(89)	-	-	-
Derecognition of financial assets in the current reporting period	(49,137)	(42,940)	(15,910)	(107,987)	-	(107,987)
Reversal from financial instruments recognized at the beginning of the current reporting period	1,415	6,917	25,882	34,214	-	34,214
New financial assets purchased or originated	43,296	40,406	55,159	138,861	-	138,861
Difference of impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	(5,716)	(5,716)
Write-offs	-	-	(50,515)	(50,515)	-	(50,515)
Recovery of written-off receivables	-	-	-	-	-	-
Changes in exchange rates and other changes	894	27	3,156	4,077	-	4,077
Balance at December 31, 2024	<u>\$ 37,254</u>	<u>\$ 12,849</u>	<u>\$ 139,696</u>	<u>\$ 189,799</u>	<u>\$ 163,457</u>	<u>\$ 353,256</u>

Impairment assessment, except for the above receivables, was based on the expected credit loss model at the beginning of the current reporting period by the simplified method. On December 31, 2025 and 2024, the amounts of impairment assessment of receivables were assessed as \$5,217,258 thousand and \$5,325,369 thousand, respectively, and the amounts of allowance for possible losses were \$208,347 thousand and \$172,154 thousand, respectively.

The changes in allowance for possible losses by using simplified method for the years ended December 31, 2025 and 2024 are summarized below:

	2025	2024
Balance at January 1	\$ 172,154	\$ 184,502
Provision (reversal of provision) for possible losses	104,459	(8,926)
Write-offs	<u>(68,266)</u>	<u>(3,422)</u>
Balance at December 31	<u>\$ 208,347</u>	<u>\$ 172,154</u>

12. DISCOUNTS AND LOANS, NET

	December 31	
	2025	2024
Bills discounted	\$ 1,718,430	\$ 1,701,485
Overdraft		
Unsecured	757	14,284
Secured	12,660	17,218
Import and export negotiations	346,446	469,398
Short-term loans		
Unsecured	588,403,887	548,694,120
Accounts receivable financing	286,462	372,300
Secured	211,290,696	214,196,427
Medium-term loans		
Unsecured	529,507,038	564,337,779
Secured	370,537,437	398,373,230
Long-term loans		
Unsecured	65,473,934	59,096,034
Secured	1,391,260,940	1,304,325,860
Overdue loans	<u>4,253,442</u>	<u>4,820,944</u>
	3,163,092,129	3,096,419,079
Less: Allowance for possible losses	37,496,162	35,698,935
Less: Adjustment of discount	<u>409,442</u>	<u>481,554</u>
	<u>\$ 3,125,186,525</u>	<u>\$ 3,060,238,590</u>

The Bank sold credit assets due to considering that certain borrowers had weak financial structures and rising credit risks. The related disposal losses amounted to \$586 thousand for 2024.

The changes in gross carrying amount and allowance for possible losses of discounts and loans for the years ended December 31, 2025 and 2024 are summarized below:

Gross Carrying Amount	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2025	\$ 3,058,112,727	\$ 3,548,709	\$ 34,757,643	\$ 3,096,419,079
Transfers to				
Lifetime ECL	(4,096,408)	4,151,767	(55,359)	-
Credit-impaired financial assets	(9,486,369)	(1,311,324)	10,797,693	-
12-month ECL	1,563,631	(1,131,476)	(432,155)	-
New financial assets purchased or originated	1,300,223,304	470,057	868,585	1,301,561,946
Write-offs	-	-	(2,424,358)	(2,424,358)
Derecognition of financial assets in the current reporting period	(1,222,177,233)	(689,925)	(5,361,019)	(1,228,228,177)
Change in exchanges and other changes	<u>(3,726,953)</u>	<u>(49,436)</u>	<u>(459,972)</u>	<u>(4,236,361)</u>
Balance at December 31, 2025	<u>\$ 3,120,412,699</u>	<u>\$ 4,988,372</u>	<u>\$ 37,691,058</u>	<u>\$ 3,163,092,129</u>
Balance at January 1, 2024	\$ 2,798,199,910	\$ 3,278,847	\$ 31,819,851	\$ 2,833,298,608
Transfers to				
Lifetime ECL	(2,559,215)	2,594,137	(34,922)	-
Credit-impaired financial assets	(11,001,380)	(1,185,786)	12,187,166	-
12-month ECL	1,268,113	(814,062)	(454,051)	-
New financial assets purchased or originated	1,374,199,913	271,771	289,422	1,374,761,106
Write-offs	-	-	(4,498,981)	(4,498,981)
Derecognition of financial assets in the current reporting period	(1,115,233,842)	(711,074)	(4,687,637)	(1,120,632,553)
Change in exchanges and other changes	<u>13,239,228</u>	<u>114,876</u>	<u>136,795</u>	<u>13,490,899</u>
Balance at December 31, 2024	<u>\$ 3,058,112,727</u>	<u>\$ 3,548,709</u>	<u>\$ 34,757,643</u>	<u>\$ 3,096,419,079</u>

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2025	\$ 4,512,112	\$ 33,968	\$ 4,662,035	\$ 9,208,115	\$ 26,490,820	\$ 35,698,935
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(10,878)	18,504	(7,626)	-	-	-
Credit-impaired financial assets	(229,568)	(10,425)	239,993	-	-	-
12-month ECL	38,450	(14,172)	(24,278)	-	-	-
Derecognition of financial assets in the current reporting period	(1,920,238)	(3,474)	(731,498)	(2,655,210)	-	(2,655,210)
Reversal from financial instruments recognized at the beginning of the current reporting period	62,783	152,224	1,443,270	1,658,277	-	1,658,277
New financial assets purchased or originated	2,245,006	6,751	102,972	2,354,729	-	2,354,729
Difference of impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	2,045,498	2,045,498

(Continued)

Allowance for Possible Losses	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Write-offs	\$ -	\$ -	\$ (2,424,358)	\$ (2,424,358)	\$ -	\$ (2,424,358)
Recovery of write-off credits	-	-	840,718	840,718	-	840,718
Change in exchange rates and other changes	(41,436)	(1,155)	20,164	(22,427)	-	(22,427)
Balance at December 31, 2025	<u>\$ 4,656,231</u>	<u>\$ 182,221</u>	<u>\$ 4,121,392</u>	<u>\$ 8,959,844</u>	<u>\$ 28,536,318</u>	<u>\$ 37,496,162</u>
Balance at January 1, 2024	\$ 4,558,964	\$ 55,889	\$ 4,160,724	\$ 8,775,577	\$ 24,106,171	\$ 32,881,748
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(10,438)	15,908	(5,470)	-	-	-
Credit-impaired financial assets	(205,631)	(9,551)	215,182	-	-	-
12-month ECL	64,875	(6,609)	(58,266)	-	-	-
Derecognition of financial assets in the current reporting period	(1,911,209)	(20,192)	(796,880)	(2,728,281)	-	(2,728,281)
Reversal from financial instruments recognized at the beginning of the current reporting period	(337,261)	(6,456)	3,848,894	3,505,177	-	3,505,177
New financial assets purchased or originated	2,256,148	2,262	35,041	2,293,451	-	2,293,451
Difference of impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	2,384,649	2,384,649
Write-offs	-	-	(4,498,981)	(4,498,981)	-	(4,498,981)
Recovery of write-off credits	-	-	1,655,758	1,655,758	-	1,655,758
Change in exchange rates and other changes	96,664	2,717	106,033	205,414	-	205,414
Balance at December 31, 2024	<u>\$ 4,512,112</u>	<u>\$ 33,968</u>	<u>\$ 4,662,035</u>	<u>\$ 9,208,115</u>	<u>\$ 26,490,820</u>	<u>\$ 35,698,935</u>

(Concluded)

The bad-debt expenses and provision for losses on commitment and guarantees for the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
Provision for possible losses on discounts and loans	\$ 3,403,294	\$ 5,454,996
Provision for possible losses on receivables	214,115	50,446
Provision (reversal of provision) for due from banks and call loans to banks	6,478	(14,474)
Provision for possible losses on overdue receivables	36,477	228,897
Provision (reversal of provision) for possible losses on guarantees	603,444	(59,309)
Provision (reversal of provision) for possible losses on loan commitment	109,010	(9,386)
Provision for possible losses on others	<u>67</u>	<u>9,634</u>
	<u>\$ 4,372,885</u>	<u>\$ 5,660,804</u>

As of December 31, 2025 and 2024, the Bank was in compliance with the FSC-required provision for credit assets.

As of December 31, 2025 and 2024, accrual of interest on the above overdue loans had been stopped. Thus, the unrecognized interest revenue was \$115,499 thousand and \$122,030 thousand for the years ended December 31, 2025 and 2024, respectively, based on the average loan interest rate for the year.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2025		2024	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
<u>Investment in associate</u>				
United Real Estate Management Co., Ltd.	\$ <u>146,077</u>	30.00	\$ <u>144,941</u>	30.00

Aggregate information of associate that is not individually material:

	For the Year Ended December 31	
	2025	2024
The Company's share of:		
Net income	\$ 8,217	\$ 9,830
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	\$ <u>8,217</u>	\$ <u>9,830</u>

The Company received both \$7,081 thousand of dividends from United Real Estate Management Co., Ltd. for the years ended December 31, 2025 and 2024, respectively. The dividends are recognized as a reduction of investments accounted for using equity method.

The Company's share of profit or loss and other comprehensive income of the associates accounted for using the equity method for the year ended December 31, 2024 was based on the associates' financial statements that have not been audited by the auditors. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of the associates that have not been audited.

The investments accounted for using equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2025 was based on the financial statements audited by the auditors for the same years.

14. OTHER FINANCIAL ASSETS, NET

	December 31	
	2025	2024
Overdue receivables	\$ 11,526	\$ 213,231
Less: Allowance for possible losses	<u>11,526</u>	<u>200,212</u>
Overdue receivables, net	-	13,019
Due from banks	7,118,628	7,851,744
Call loans to securities firms	<u>628,900</u>	<u>721,270</u>
	\$ <u>7,747,528</u>	\$ <u>8,586,033</u>

Due from banks (part of other financial assets, net) held by the Company were mainly demand deposits and time deposits that could not be withdrawn or time deposits that had maturity periods of more than three months and could not be withdrawn before maturity.

15. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2025	2024
<u>Carrying amount</u>		
Land	\$ 20,024,906	\$ 20,253,227
Buildings	8,468,367	8,944,757
Machinery and equipment	1,191,592	1,227,402
Transportation equipment	164,992	153,791
Other equipment	120,379	127,268
Leasehold improvements	177,159	189,882
Prepayments for equipment, land and buildings and construction in progress	<u>713,958</u>	<u>432,248</u>
	<u>\$ 30,861,353</u>	<u>\$ 31,328,575</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment, Land and Buildings and Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2025	\$ 20,255,571	\$ 20,120,495	\$ 5,540,283	\$ 710,903	\$ 1,291,401	\$ 1,206,399	\$ 432,248	\$ 49,557,300
Additions	-	196,246	347,336	53,813	40,660	61,338	535,968	1,235,361
Disposal	(539)	-	(214,688)	(61,135)	(49,465)	(43,572)	-	(369,399)
Reclassification	(220,988)	(17,124)	89,593	4,001	6,702	4,016	(254,258)	(388,058)
Effects of exchange rate changes and others	(6,794)	(243)	(7,192)	(1,433)	(2,030)	(7,511)	-	(25,203)
Balance at December 31, 2025	<u>\$ 20,027,250</u>	<u>\$ 20,299,374</u>	<u>\$ 5,755,332</u>	<u>\$ 706,149</u>	<u>\$ 1,287,268</u>	<u>\$ 1,220,670</u>	<u>\$ 713,958</u>	<u>\$ 50,010,001</u>
Balance at January 1, 2024	\$ 20,119,078	\$ 19,906,459	\$ 5,348,901	\$ 713,098	\$ 1,282,945	\$ 1,155,666	\$ 418,096	\$ 48,944,243
Additions	-	153,857	444,650	27,003	37,680	45,877	319,796	1,028,863
Disposal	-	(2,274)	(317,796)	(36,465)	(37,911)	(37,983)	-	(432,429)
Reclassification	198,270	146,816	46,571	3,754	3,504	18,662	(305,646)	111,931
Effects of exchange rate changes and others	(61,777)	(84,363)	17,957	3,513	5,183	24,177	2	(95,308)
Balance at December 31, 2024	<u>\$ 20,255,571</u>	<u>\$ 20,120,495</u>	<u>\$ 5,540,283</u>	<u>\$ 710,903</u>	<u>\$ 1,291,401</u>	<u>\$ 1,206,399</u>	<u>\$ 432,248</u>	<u>\$ 49,557,300</u>
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Total	
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2025	\$ 2,344	\$ 11,175,738	\$ 4,312,881	\$ 557,112	\$ 1,164,133	\$ 1,016,517	\$ 18,228,725	
Disposal	-	-	(214,688)	(61,135)	(49,465)	(43,572)	(368,860)	
Depreciation expenses	-	740,878	471,791	45,356	53,973	75,838	1,387,836	
Reclassification	-	(85,367)	(682)	682	-	-	(85,367)	
Effects of exchange rate changes and others	-	(242)	(5,562)	(858)	(1,752)	(5,272)	(13,686)	
Balance at December 31, 2025	<u>\$ 2,344</u>	<u>\$ 11,831,007</u>	<u>\$ 4,563,740</u>	<u>\$ 541,157</u>	<u>\$ 1,166,889</u>	<u>\$ 1,043,511</u>	<u>\$ 19,148,648</u>	
Balance at January 1, 2024	\$ 15,177	\$ 10,456,098	\$ 4,060,415	\$ 546,387	\$ 1,140,666	\$ 962,187	\$ 17,180,930	
Disposal	-	(2,274)	(317,714)	(36,465)	(37,911)	(37,983)	(432,347)	
Depreciation expenses	-	733,708	556,403	44,772	57,110	79,489	1,471,482	
Reclassification	-	57,594	-	-	-	-	57,594	
Reversal of impairment loss	(12,833)	-	-	-	-	-	(12,833)	
Effects of exchange rate changes and others	-	(69,388)	13,777	2,418	4,268	12,824	(36,101)	
Balance at December 31, 2024	<u>\$ 2,344</u>	<u>\$ 11,175,738</u>	<u>\$ 4,312,881</u>	<u>\$ 557,112</u>	<u>\$ 1,164,133</u>	<u>\$ 1,016,517</u>	<u>\$ 18,228,725</u>	

The Bank revalued its properties five times in 1979, 1998, 2007, 2011 and 2012. As of December 31, 2025, the reserve for land revaluation increment tax (part of deferred tax liabilities) was \$2,541,779 thousand.

Properties and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	
Main buildings	50 years
Equipment installed in buildings	5 to 15 years
Machinery and equipment	3 to 10 years
Transportation equipment	5 to 10 years
Other equipment	3 to 20 years
Leasehold improvements	3 to 5 years

In testing assets for impairment, the Bank defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for the properties and equipment. The discount rates for the CGUs' value in use were 7.09% and 8.25% as of December 31, 2025 and 2024, respectively.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2025	2024
<u>Carrying amount</u>		
Land	\$ 11,274	\$ 9,436
Buildings	1,455,669	1,643,577
Transportation equipment	124,662	75,911
Other equipment	<u>2,661</u>	<u>3,938</u>
	<u>\$ 1,594,266</u>	<u>\$ 1,732,862</u>
	<u>For the Year Ended December 31</u>	
	2025	2024
Depreciation charge for right-of-use assets		
Land	\$ 5,514	\$ 5,534
Buildings	606,138	625,005
Transportation equipment	46,833	43,490
Other equipment	<u>1,277</u>	<u>1,436</u>
	<u>\$ 659,762</u>	<u>\$ 675,465</u>

As of December 31, 2025 and 2024, the additions to right-of-use assets of the Company were \$588,250 thousand and \$863,675 thousand, respectively.

Except for the above listed additions and recognized depreciation expenses, there was no significant sublease or impairment of the Company's right-of-use assets for the years ended December 31, 2025 and 2024.

b. Lease liabilities

	December 31	
	2025	2024
Carrying amount	<u>\$ 1,588,757</u>	<u>\$ 1,689,197</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2025	2024
Land	1.593%-2.283%	1.593%-2.076%
Buildings	1.258%-9.920%	1.346%-9.920%
Transportation equipment	1.935%-10.302%	1.935%-9.890%
Other equipment	4.000%	4.000%

c. Material lease-in activities

The Company signed lease agreements on office premises due to operating activities. Rentals are calculated on the basis of leased areas and are receivable monthly, quarterly or semiannually. As of December 31, 2025 and 2024, refundable deposits on these leases totaled \$136,440 thousand and \$143,546 thousand, respectively.

d. Other lease information

	For the Year Ended December 31	
	2025	2024
Expenses relating to short-term leases	<u>\$ 58,520</u>	<u>\$ 3,758</u>
Expenses relating to low-value asset leases	<u>\$ 130</u>	<u>\$ 124</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 3,783</u>	<u>\$ 4,380</u>

As of December 31, 2025 and 2024, the total cash outflow for leases of the Company was \$762,134 thousand and \$726,548 thousand, respectively.

The Company's leases of certain land, buildings, transportation equipment and other equipment qualify as short-term leases or low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. INVESTMENT PROPERTIES, NET

	December 31	
	2025	2024
Land	\$ 6,441,737	\$ 6,220,749
Buildings	<u>1,408,858</u>	<u>1,414,331</u>
	<u>\$ 7,850,595</u>	<u>\$ 7,635,080</u>

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2025	\$ 6,220,749	\$ 2,626,733	\$ 8,847,482
Additions	-	6,287	6,287
Reclassification	<u>220,988</u>	<u>134,409</u>	<u>355,397</u>
Balance at December 31, 2025	<u>\$ 6,441,737</u>	<u>\$ 2,767,429</u>	<u>\$ 9,209,166</u>
Balance at January 1, 2024	\$ 6,419,019	\$ 2,673,993	\$ 9,093,012
Additions	-	1,971	1,971
Reclassification	<u>(198,270)</u>	<u>(49,231)</u>	<u>(247,501)</u>
Balance at December 31, 2024	<u>\$ 6,220,749</u>	<u>\$ 2,626,733</u>	<u>\$ 8,847,482</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2025	\$ -	\$ 1,212,402	\$ 1,212,402
Depreciation expenses	-	60,802	60,802
Reclassification	<u>-</u>	<u>85,367</u>	<u>85,367</u>
Balance at December 31, 2025	<u>\$ -</u>	<u>\$ 1,358,571</u>	<u>\$ 1,358,571</u>
Balance at January 1, 2024	\$ -	\$ 1,210,425	\$ 1,210,425
Depreciation expenses	-	59,571	59,571
Reclassification	<u>-</u>	<u>(57,594)</u>	<u>(57,594)</u>
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 1,212,402</u>	<u>\$ 1,212,402</u>

Investment properties (except for land) are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	50 years
Equipment installed in buildings	5 to 15 years

As of December 31, 2025 and 2024, the fair value of investment properties was \$24,045,243 thousand and \$23,259,655 thousand, respectively. The fair value was classified in Level 3, the estimated price was determined by internal appraisal personnel using the market approach and inputs according to internal procedures and related regulations.

The revenues generated from the investment properties are summarized as follows:

	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Rental income from investment properties (part of other noninterest gains, net)	\$ 559,211	\$ 555,803
Direct operating expenses for investment properties that generate rental income	<u>(158,504)</u>	<u>(179,621)</u>
	<u>\$ 400,707</u>	<u>\$ 376,182</u>

Lease agreements on investment properties owned by the Bank and rented to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of December 31, 2025 and 2024, guarantee deposits on these leases totaled \$123,618 thousand and \$120,118 thousand, respectively. Minimum future annual rentals are as follows:

	December 31	
	2025	2024
Year 1	\$ 509,234	\$ 440,427
Year 2	441,348	380,550
Year 3	313,001	329,694
Year 4	207,522	206,448
Year 5	177,340	128,823
Over five years	<u>67,320</u>	<u>22,995</u>
	<u>\$ 1,715,765</u>	<u>\$ 1,508,937</u>

18. INTANGIBLE ASSETS

	December 31	
	2025	2024
Goodwill	\$ 3,170,005	\$ 3,170,005
Computer software	<u>1,545,294</u>	<u>1,558,210</u>
	<u>\$ 4,715,299</u>	<u>\$ 4,728,215</u>

	Goodwill	Computer Software	Total
Balance at January 1, 2025	\$ 3,170,005	\$ 1,558,210	\$ 4,728,215
Separate acquisition	-	468,782	468,782
Amortization expenses	-	(510,274)	(510,274)
Reclassification	-	32,527	32,527
Effect of exchange rate changes and others	<u>-</u>	<u>(3,951)</u>	<u>(3,951)</u>
Balance at December 31, 2025	<u>\$ 3,170,005</u>	<u>\$ 1,545,294</u>	<u>\$ 4,715,299</u>
Balance at January 1, 2024	\$ 3,170,005	\$ 1,164,730	\$ 4,334,735
Separate acquisition	-	703,898	703,898
Amortization expenses	-	(450,082)	(450,082)
Reclassification	-	133,926	133,926
Effect of exchange rate changes and others	<u>-</u>	<u>5,738</u>	<u>5,738</u>
Balance at December 31, 2024	<u>\$ 3,170,005</u>	<u>\$ 1,558,210</u>	<u>\$ 4,728,215</u>

Computer software with limited useful lives is amortized on a straight-line basis over their useful lives of 5 years.

In testing assets for impairment, the Company defined each operating unit or operating segment as a cash-generating unit (CGU). The recoverable amount of a CGU was determined at its value in use for the goodwill impairment test. The discount rates for the CGUs' value in use were 7.09% and 8.25% as of December 31, 2025 and 2024, respectively.

Goodwill resulting from the merger of the Bank with the Farmers Bank of China was allocated to operating units or operating segments (cash-generating units with allocated goodwill). There was no impairment loss on goodwill as of December 31, 2025 and 2024.

19. OTHER ASSETS

	December 31	
	2025	2024
Refundable deposits	\$ 417,645	\$ 482,984
Prepaid expenses	360,578	198,013
Prepaid pensions	1,547,808	961,342
Operating deposits	45,000	40,000
Others	<u>9,156</u>	<u>10,099</u>
	<u>\$ 2,380,187</u>	<u>\$ 1,692,438</u>

As of December 31, 2025, prepaid expenses included an amount of \$84,749 thousand representing the Bank's investment in an overseas branch.

20. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2025	2024
Deposits from banks	\$ 197,391,727	\$ 182,383,714
Call loans from banks	120,458,776	91,572,705
Overdrafts from other banks	1,162,260	1,209,678
Transfer deposits from Chunghwa Post Co., Ltd.	182,095,665	157,095,665
Deposits from the Central Bank	<u>289,708</u>	<u>271,942</u>
	<u>\$ 501,398,136</u>	<u>\$ 432,533,704</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$7,707,127 thousand and \$8,606,119 thousand under repurchase agreements as of December 31, 2025 and 2024, respectively, would subsequently be purchased for \$7,719,016 thousand and \$8,619,329 thousand, respectively.

22. PAYABLES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Checks for clearing	\$ 5,455,684	\$ 5,346,271
Collections payable	6,742,322	6,899,062
Accrued expenses	6,830,976	6,343,230
Collections of notes and checks for various financial institutions in other cities	3,934,023	4,185,691
Acceptances	1,579,938	2,387,154
Accrued interest	9,791,104	9,125,881
Payables on notes and checks collected for others	1,703,317	1,457,439
Tax payable	823,228	790,758
Factored accounts payable	90,443	46,403
Dividends payable	170,524	170,524
Others	<u>2,320,276</u>	<u>2,036,136</u>
	<u>\$ 39,441,835</u>	<u>\$ 38,788,549</u>

23. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Deposits		
Checking	\$ 71,460,370	\$ 68,026,424
Demand	908,505,367	844,945,790
Savings - demand	1,218,223,397	1,193,851,479
Time	1,090,857,731	1,085,726,464
Negotiable certificates of deposit	45,562,933	55,684,945
Savings - time	722,633,116	701,081,449
Treasury	145,246,243	136,525,229
Remittances	<u>316,982</u>	<u>234,970</u>
	<u>\$ 4,202,806,139</u>	<u>\$ 4,086,076,750</u>

24. BANK DEBENTURES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
First subordinated bonds in 2016, Type B: Fixed rate of 1.20%; maturity - September 26, 2026	\$ 4,050,000	\$ 4,050,000
First subordinated bonds in 2017, Type B: Fixed rate of 1.56%; maturity - September 26, 2027	1,400,000	1,400,000
First non-cumulative perpetual subordinated bonds in 2018: Fixed rate of 2.28%; the Bank may exercise its redemption rights after 5 years and 2 months	5,000,000	5,000,000

(Continued)

	December 31	
	2025	2024
First non-cumulative perpetual subordinated bonds in 2019: Fixed rate of 1.90%; the Bank may exercise its redemption rights after 5 years and 1 month	\$ 5,000,000	\$ 5,000,000
Third non-cumulative perpetual subordinated bonds in 2019: Fixed rate of 1.45%; the Bank may exercise its redemption rights after 5 years and 1 month	5,000,000	5,000,000
First non-cumulative perpetual subordinated bonds in 2020: Fixed rate of 1.50%; the Bank may exercise its redemption rights after 5 years and 1 month	5,000,000	5,000,000
First unsecured bank debentures (sustainable development) in 2021: Fixed rate of 0.40%; maturity - May 31, 2026	1,000,000	1,000,000
Second unsecured bank debentures (social responsibility) in 2021: Fixed rate of 0.42%; maturity - October 29, 2026	1,000,000	1,000,000
First non-cumulative perpetual subordinated bonds (perpetual development) in 2022: Fixed rate of 2.50%; the Bank may exercise its redemption rights after 5 years and 2 months	1,350,000	1,350,000
Second non-cumulative perpetual subordinated bonds (perpetual development) in 2022: Fixed rate of 3.00%; the Bank may exercise its redemption rights after 5 years and 1 month	8,650,000	8,650,000
Third unsecured bank debentures (sustainable development) in 2022: Fixed rate of 1.50%; maturity - September 28, 2027	2,500,000	2,500,000
Fourth non-cumulative perpetual subordinated bonds in 2022: Fixed rate of 3.40%; the Bank may exercise its redemption rights after 5 years and 1 month	5,690,000	5,690,000
Second unsecured bank debentures (sustainable development) in 2023: Fixed rate of 1.40%; maturity - March 20, 2028	2,500,000	2,500,000
Second subordinated bonds in 2024: Fixed rate of 2.10%; maturity - June 27, 2034	7,500,000	7,500,000
Fourth subordinated bonds in 2024: Fixed rate of 2.05%; maturity - September 27, 2034	2,500,000	2,500,000
Fifth unsecured bank debentures (social responsibility) in 2024: Fixed rate of 1.60%; maturity - September 30, 2027	1,000,000	1,000,000
Second unsecured bank debentures (green bond) in 2025: Fixed rate of 1.79%; maturity - June 26, 2030	<u>1,100,000</u>	<u>-</u>
	<u>\$ 60,240,000</u>	<u>\$ 59,140,000</u> (Concluded)

In order to establish an international financial management platform and expand the depth and breadth of wealth management and private banking businesses for high-asset clients, The Bank issued its first unsecured bank debentures, which amounted to US\$46,850 thousand on March 10, 2023, (Type A for US\$32,800 thousand and Type B for US\$14,050 thousand), with a combination of fixed interest rate and structured interest rate (range accrual). The Bank may make early redemption on any interest payment from the date of issuance. If The Bank does not make redemption before maturity, the principal of the debentures is repaid in one lump sum upon maturity. Third unsecured bank debentures, which amounted to US\$45,850 thousand on October 5, 2023, (Type A for US\$29,250 thousand and Type B for US\$16,600 thousand), first unsecured bank debentures, which amounted to US\$55,400 thousand on May 3, 2024, (Type A for US\$32,050 thousand and Type B for US\$23,350 thousand), third unsecured bank debentures, which amounted to US\$33,350 thousand on October 18, 2024, (Type A for US\$12,300 thousand and Type B for US\$21,050 thousand), first unsecured bank debentures, which amounted to US\$26,550 thousand on April 2, 2025, (Type A for US\$17,750 thousand and Type B for US\$8,800 thousand) and third unsecured bank debentures, which amounted to US\$22,800 thousand on September 30, 2025, respectively, with structured interest rate (range accrual) or a combination of fixed interest rate and structured interest rate (range accrual). The Bank has the right to make an early redemption at par value on any interest payment date, from the date of issuance, after the fourth interest payment (inclusive). The Bank issued fourth unsecured bank debentures, which amounted to US\$15,400 thousand on September 30, 2025, with a combination of fixed interest rate and structured interest rate (range accrual). From the date of issuance, after the fourth interest payment (inclusive), if the operating linking rate is less than or equal to 3.3% on any interest payment date within 10 business days, the note will be deemed to have met the auto-defeasance condition. In such case, the company will return 100% of investment principal at par value, and the interest payment date will become the early redemption date. To reduce its interest rate risk, The Bank entered into interest rate swap contracts, which are measured at FVTPL. Furthermore, to eliminate accounting inconsistencies, The Bank designated these debentures as financial liabilities at FVTPL, and the details were as follows:

	December 31	
	2025	2024
First unsecured bank debentures bonds issued in 2023		
Type A	\$ -	\$ 1,043,714
Type B	<u>418,362</u>	<u>422,553</u>
	<u>418,362</u>	<u>1,466,267</u>
Third unsecured bank debentures bonds issued in 2023		
Type B	<u>465,532</u>	<u>499,212</u>
First unsecured bank debentures bonds issued in 2024		
Type A	-	1,038,145
Type B	<u>-</u>	<u>733,734</u>
	<u>-</u>	<u>1,771,879</u>
Third unsecured bank debentures bonds issued in 2024		
Type A	379,422	392,169
Type B	<u>602,619</u>	<u>639,331</u>
	<u>982,041</u>	<u>1,031,500</u>
First unsecured bank debentures bonds issued in 2025		
Type A	557,921	-
Type B	<u>275,204</u>	<u>-</u>
	<u>833,125</u>	<u>-</u>
Third unsecured bank debentures bonds issued in 2025	<u>704,486</u>	<u>-</u>
Fourth unsecured bank debentures bonds issued in 2025	<u>458,208</u>	<u>-</u>
	<u>\$ 3,861,754</u>	<u>\$ 4,768,858</u>

On November 18, 2019, the Bank has obtained approval from the FSC to issue unsecured bank debentures amounting to US\$1,000,000 thousand. As of December 31, 2025, the amount of unissued unsecured bank debentures of TCB was US\$1,000,000 thousand.

On February 2, 2024, the Bank has obtained approval from the FSC to issue unsecured sustainable development bank debentures amounting to \$10,000,000 thousand. As of December 31, 2025, the amount of unissued bank debentures of TCB was \$7,900,000 thousand.

On September 5, 2025, the Bank has obtained approval from the FSC to issue unsecured subordinated bank debentures amounting to \$8,000,000 thousand. As of December 31, 2025, the amount of unissued unsecured bank debentures of TCB was \$8,000,000 thousand.

On October 17, 2025, the Bank has obtained approval from the FSC to issue unsecured bank debentures amounting to US\$350,000 thousand. As of December 31, 2025, the amount of unissued unsecured bank debentures of TCB was US\$224,500 thousand.

25. OTHER FINANCIAL LIABILITIES

	December 31	
	2025	2024
Principal of structured products	\$ 55,029	\$ 50,161
Guarantee deposits received	2,805,776	2,345,937
Appropriation for loans	-	216
Long-term borrowings	<u>6,649,200</u>	<u>5,223,420</u>
	<u>\$ 9,510,005</u>	<u>\$ 7,619,734</u>

26. PROVISIONS

	December 31	
	2025	2024
Provision for employee benefits		
Present value of retired employees' preferential interest deposits obligation	\$ 3,873,451	\$ 3,927,550
Provision for losses on guarantees	1,570,086	967,779
Provision for losses on loan commitment	427,772	320,480
Provision for losses on others	<u>35,442</u>	<u>35,638</u>
	<u>\$ 5,906,751</u>	<u>\$ 5,251,447</u>

The changes in the provision for losses on guarantees, provision for losses on loan commitments, and provision for losses on others for the years ended December 31, 2025 and 2024 are summarized below:

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Instruments)	Impairment Loss under IFRS 9	Difference of Impairment Recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2025	\$ 771,268	\$ 10	\$ 33,692	\$ 804,970	\$ 518,927	\$ 1,323,897
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(3,695)	3,695	-	-	-	-
Credit-impaired financial instruments	(9,235)	-	9,235	-	-	-
12-month ECL	10	(10)	-	-	-	-
Derecognition of financial instruments in the current reporting period	(206,099)	-	(127)	(206,226)	-	(206,226)
Reversal from financial instruments recognized at the beginning of the current reporting period	(85,362)	3,346	676,209	594,193	-	594,193
New financial instruments purchased or originated	315,353	399	4,962	\$ 320,714	-	320,714
Difference of impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	3,840	3,840
Change in exchange rates and other changes	<u>(3,118)</u>	<u>-</u>	<u>-</u>	<u>(3,118)</u>	<u>-</u>	<u>(3,118)</u>
Balance at December 31, 2025	<u>\$ 779,122</u>	<u>\$ 7,440</u>	<u>\$ 723,971</u>	<u>\$ 1,510,533</u>	<u>\$ 522,767</u>	<u>\$ 2,033,300</u>
Balance at January 1, 2024	\$ 859,719	\$ 105	\$ 10,148	\$ 869,972	\$ 506,676	\$ 1,376,648
Changes from financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(87)	87	-	-	-	-
Credit-impaired financial instruments	(101)	-	101	-	-	-
12-month ECL	-	-	-	-	-	-
Derecognition of financial instruments in the current reporting period	(331,033)	(105)	(3,844)	(334,982)	-	(334,982)
Reversal from financial instruments recognized at the beginning of the current reporting period	(96,534)	(77)	27,279	(69,332)	-	(69,332)
New financial instruments purchased or originated	332,994	-	8	333,002	-	333,002
Difference of impairment recognized under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	12,251	12,251
Change in exchange rates and other changes	<u>6,310</u>	<u>-</u>	<u>-</u>	<u>6,310</u>	<u>-</u>	<u>6,310</u>
Balance at December 31, 2024	<u>\$ 771,268</u>	<u>\$ 10</u>	<u>\$ 33,692</u>	<u>\$ 804,970</u>	<u>\$ 518,927</u>	<u>\$ 1,323,897</u>

27. EMPLOYEE BENEFITS PLAN

a. Defined contribution plan

The pension plan under the Labor Pension Act (the “Act”) is a defined contribution plan. Based on the Act, the Company’s monthly contributions to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual labor pension accounts at the Bureau of Labor Insurance.

The Company recognized expense of \$286,092 thousand and \$256,141 thousand in the consolidated statement of comprehensive income in 2025 and 2024, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Since March 2023, the Company has adjusted 2% of the total monthly salaries and wages of employees (originally 15%) to a pension fund administered by the pension fund monitoring committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Company has no right to influence the investment policy and strategy. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The amounts included in the consolidated balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2025	2024
Present value of defined benefit obligation	\$ 12,307,710	\$ 12,377,140
Fair value of plan assets	<u>(13,855,518)</u>	<u>(13,338,482)</u>
Net defined benefit liability (prepaid pensions)	<u>\$ (1,547,808)</u>	<u>\$ (961,342)</u>

Movements in net defined benefit liability (prepaid pensions) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Prepaid Pensions)
Balance at January 1, 2024	\$ 12,536,249	\$ (12,570,985)	\$ (34,736)
Service cost			
Current service cost	350,068	-	350,068
Net interest expense (revenue)	<u>149,269</u>	<u>(152,859)</u>	<u>(3,590)</u>
Recognized in profit or loss	<u>499,337</u>	<u>(152,859)</u>	<u>346,478</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,142,452)	(1,142,452)
Actuarial gain - changes in financial assumptions	(230,367)	-	(230,367)
Actuarial loss - experience adjustments	<u>603,352</u>	<u>-</u>	<u>603,352</u>
Recognized in other comprehensive income	<u>372,985</u>	<u>(1,142,452)</u>	<u>(769,467)</u>
Contributions from the employer	<u>-</u>	<u>(503,617)</u>	<u>(503,617)</u>
Benefits paid	<u>(1,031,431)</u>	<u>1,031,431</u>	<u>-</u>
Balance at December 31, 2024	<u>12,377,140</u>	<u>(13,338,482)</u>	<u>(961,342)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Prepaid Pensions)
Service cost			
Current service cost	\$ 336,884	\$ -	\$ 336,884
Net interest expense (revenue)	<u>175,757</u>	<u>(194,047)</u>	<u>(18,290)</u>
Recognized in profit or loss	<u>512,641</u>	<u>(194,047)</u>	<u>318,594</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(956,404)	(956,404)
Actuarial loss - changes in financial assumptions	170,130	-	170,130
Actuarial loss - experience adjustments	<u>377,817</u>	<u>-</u>	<u>377,817</u>
Recognized in other comprehensive income	<u>547,947</u>	<u>(956,404)</u>	<u>(408,457)</u>
Contributions from the employer	<u>-</u>	<u>(496,603)</u>	<u>(496,603)</u>
Benefits paid	<u>(1,130,018)</u>	<u>1,130,018</u>	<u>-</u>
Balance at December 31, 2025	<u>\$ 12,307,710</u>	<u>\$ (13,855,518)</u>	<u>\$ (1,547,808)</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Bank is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2025	2024
Discount rate(s)	1.30%	1.50%
Expected rate(s) of salary increase	2.00%	2.00%
Expected rate(s) of return on plan asset	1.30%	1.50%

Assuming a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remaining constant, the present value of the defined benefit obligation would have increased (decreased) as follows:

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Discount rate(s)		
0.25% increase	<u>\$ (212,609)</u>	<u>\$ (223,737)</u>
0.25% decrease	<u>\$ 218,124</u>	<u>\$ 230,367</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 202,273</u>	<u>\$ 214,818</u>
0.25% decrease	<u>\$ (197,783)</u>	<u>\$ (209,823)</u>

The sensitivity analysis presented above shows the effect on the present value of the defined benefit obligations of a change in single assumption while all other assumptions remain unchanged. The sensitivity analysis presented above might not be representative of the actual change in the present value of the defined benefit obligation as it was unlikely that the change in assumptions would occur independently of each other because some of the assumptions might be correlated.

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
The expected contributions to the plan for the next year	<u>\$ 510,000</u>	<u>\$ 516,000</u>
The average duration of the defined benefit obligation	7.03 years	7.38 years

c. Employees' preferential deposit plan

The Bank's payment obligations on fixed-amount preferential interest deposits for retired employees and current employees after retirement are in compliance with the Bank's internal rules. Under the Guidelines Governing the Preparation of Financial Reports by Public Banks, the Bank should determine the excess interest from the preferential interest deposits of employees by applying an actuarial valuation method when the employees retire.

The amounts included in the consolidated balance sheet arising from the Bank's obligation in the employees' preferential interest deposits plan were as follows:

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Present value of retired employees' preferential interest deposits obligation (part of provisions)	<u>\$ 3,873,451</u>	<u>\$ 3,927,550</u>

The changes in present value of retired employees' preferential interest deposits obligation were as follows:

	For the Year Ended December 31	
	2025	2024
Present value of retired employees' preferential interest deposits obligation, January 1	\$ 3,927,550	\$ 4,027,923
Interest expense	148,938	152,854
Actuarial losses	607,737	564,492
Benefits paid	<u>(810,774)</u>	<u>(817,719)</u>
Present value of retired employees' preferential interest deposits obligation, December 31	<u>\$ 3,873,451</u>	<u>\$ 3,927,550</u>

The amounts recognized in profit or loss in employee preferential deposit plans for retired employees in the statement of comprehensive income were as follows:

	For the Year Ended December 31	
	2025	2024
Interest expense	\$ 148,938	\$ 152,854
Actuarial losses	<u>607,737</u>	<u>564,492</u>
Excessive interest of retired employees' preferential interest deposits	<u>\$ 756,675</u>	<u>\$ 717,346</u>

Under Order No. 10110000850 issued by the Financial Supervisory Commission on March 15, 2012, the actuarial assumptions for calculating the expense for the retired employees' preferential interest deposit benefit are as follows:

	December 31	
	2025	2024
Discount rate	4.00%	4.00%
Return on deposit	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Rate of probability of change in the preferential deposit system	50.00%	50.00%

Assuming a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remaining constant, the present value of the retired employees' preferential interest deposit benefit obligation would have increased (decreased) as follows:

	December 31	
	2025	2024
Discount rate(s)		
1% increase	<u>\$ (269,879)</u>	<u>\$ (276,169)</u>
1% decrease	<u>\$ 309,911</u>	<u>\$ 317,461</u>
Return on deposit		
1% increase	<u>\$ (1,299,667)</u>	<u>\$ (1,254,517)</u>
1% decrease	<u>\$ 1,299,667</u>	<u>\$ 1,254,517</u>

(Continued)

	December 31	
	2025	2024
Account balance decrease rate per year		
1% increase	<u>\$ (323,252)</u>	<u>\$ (331,134)</u>
1% decrease	<u>\$ 285,258</u>	<u>\$ 291,898</u>
Rate of probability of change in the preferential deposit system		
20% increase	<u>\$ (1,549,381)</u>	<u>\$ (1,571,020)</u>
20% decrease	<u>\$ 1,549,381</u>	<u>\$ 1,571,020</u>
		(Concluded)

The sensitivity analysis presented above shows the effect on the present value of the retired employees' preferential interest deposit benefit obligation of a change in a single assumption while all other assumptions remain unchanged. The sensitivity analysis presented above might not be representative of the actual change in the present value of the retired employees' preferential interest deposit benefit obligation because it was unlikely that the change in assumptions would occur independently of each other because some of the assumptions might be correlated.

28. NET INTEREST

	For the Year Ended December 31	
	2025	2024
Interest revenue		
From discounts and loans	\$ 79,765,097	\$ 78,051,964
From investments	19,912,106	18,557,300
From due from banks and call loans to other banks	5,950,115	6,736,143
Others	<u>1,110,688</u>	<u>901,025</u>
	<u>106,738,006</u>	<u>104,246,432</u>
Interest expense		
From deposits	(61,666,322)	(63,641,713)
From due to the Central Bank and other banks	(5,946,282)	(6,990,071)
From bank debentures	(1,229,296)	(1,166,912)
From deposits from the Central Bank and other banks	(3,517,083)	(1,858,626)
Others	<u>(165,418)</u>	<u>(258,948)</u>
	<u>(72,524,401)</u>	<u>(73,916,270)</u>
	<u>\$ 34,213,605</u>	<u>\$ 30,330,162</u>

29. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2025	2024
Service fee income		
From trust business	\$ 2,924,036	\$ 3,023,541
From insurance service	4,588,284	3,131,965
From loans	1,736,881	2,351,034
From guarantee	759,860	845,728
From credit cards	1,697,469	1,757,115
From remittance	286,989	293,968
From cross-bank transactions	274,002	295,431
From agency commission	134,719	157,173
From import/export service	84,661	92,069
From trust affiliated business	38,475	41,586
Others	<u>456,515</u>	<u>447,408</u>
	<u>12,981,891</u>	<u>12,437,018</u>
Service charge		
From cross - bank transactions	(341,122)	(341,113)
From credit cards	(394,904)	(339,461)
From credit cards acquiring	(1,207,276)	(1,226,348)
From custody	(101,770)	(93,190)
Others	<u>(187,450)</u>	<u>(187,286)</u>
	<u>(2,232,522)</u>	<u>(2,187,398)</u>
	<u>\$ 10,749,369</u>	<u>\$ 10,249,620</u>

30. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31, 2025				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 1,842,759	\$ 14,788,945	\$ 2,100,684	\$ 10,178	\$ 18,742,566
Held-for-trading financial liabilities	-	(19,453,184)	(467,846)	-	(19,921,030)
Financial liabilities designated as at fair value through profit or loss	<u>(236,834)</u>	<u>5,307</u>	<u>(73,602)</u>	<u>-</u>	<u>(305,129)</u>
	<u>\$ 1,605,925</u>	<u>\$ (4,658,932)</u>	<u>\$ 1,559,236</u>	<u>\$ 10,178</u>	<u>\$ (1,483,593)</u>
	For the Year Ended December 31, 2024				
	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Dividend Income	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 1,445,374	\$ 23,390,428	\$ 4,882,759	\$ 17,785	\$ 29,736,346
Held-for-trading financial liabilities	-	(3,148,470)	5,474,454	-	2,325,984
Financial liabilities designated as at fair value through profit or loss	<u>(214,088)</u>	<u>2,839</u>	<u>102,989</u>	<u>-</u>	<u>(108,260)</u>
	<u>\$ 1,231,286</u>	<u>\$ 20,244,797</u>	<u>\$ 10,460,202</u>	<u>\$ 17,785</u>	<u>\$ 31,954,070</u>

31. REALISED GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2025	2024
Dividends revenue on investments in equity instruments at FVTOCI	\$ 2,775,281	\$ 3,327,429
Derecognition of unrealized gains (losses) on investments in debt instruments at FVTOCI	<u>(167,215)</u>	<u>(93,978)</u>
	<u>\$ 2,608,066</u>	<u>\$ 3,233,451</u>

For the years ended December 31, 2025 and 2024, dividends revenue related to derecognized investments were \$1,285,995 thousand and \$1,481,764 thousand, respectively.

32. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

a. Employee benefits expenses

	For the Year Ended December 31	
	2025	2024
Salaries	\$ 9,486,533	\$ 9,204,634
Incentives	3,395,220	3,152,588
Excessive interest from preferential interest deposits	1,145,391	1,110,667
Post-employment benefits, termination benefits and compensation	639,185	658,994
Overtime	458,243	449,721
Others	<u>2,306,788</u>	<u>2,292,988</u>
	<u>\$ 17,431,360</u>	<u>\$ 16,869,592</u>

Under the Articles, the Bank will distribute employees' compensation at percentages from 1% to 8% of its annual profit (pretax income which exclude compensation of employees). However, the actual appropriation of the bonus should be made only from the annual net income less any accumulated deficit. For the years ended December 31, 2025 and 2024, based on past experience the compensation of employees was \$1,383,558 thousand and \$1,320,832 thousand, respectively, based on the amended Articles and past experiences.

Material differences between such estimated amounts and the amounts resolved by the board of directors on or before the annual consolidated financial statements are authorized for issue are adjusted in the year the compensation was recognized. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of employees' compensation for 2024 and 2023 resolved by the board of directors on March 24, 2025 and March 25, 2024, respectively, were as follows:

	For the Year Ended December 31	
	2024	2023
Employees' compensation - cash	\$ 1,320,832	\$ 957,496

There was no difference between the amounts of the employees' compensation resolved by the board of directors and the amounts recognized in the consolidated financial statements.

The appropriation of employees' compensation of the Company for 2025 is subject to the approval of the board of directors.

Information on the employees' compensation resolved by the Bank's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange (<https://emops.twse.com.tw>).

b. Depreciation and amortization expenses

	For the Year Ended December 31	
	2025	2024
Depreciation expense	\$ 2,108,400	\$ 2,206,518
Amortization expense	<u>511,215</u>	<u>451,235</u>
	<u>\$ 2,619,615</u>	<u>\$ 2,657,753</u>

33. INCOME TAX

a. Income tax expense recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2025	2024
Current tax		
Current year	\$ 4,257,893	\$ 1,988,171
Additional income tax under the Alternative Minimum Tax Act	-	69,040
Land value increment tax	154	-
Prior year's adjustments	<u>(112,843)</u>	<u>14,266</u>
	4,145,204	2,071,477
Deferred tax		
Current year	<u>253,143</u>	<u>2,148,489</u>
Income tax expense recognized in profit or loss	<u>\$ 4,398,347</u>	<u>\$ 4,219,966</u>

A reconciliation of accounting profit and current income tax expenses were as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
Income before income tax	<u>\$ 25,211,854</u>	<u>\$ 23,172,659</u>
Income tax expense at the statutory rate (20%)	\$ 5,042,370	\$ 4,634,531
Nondeductible expenses in determining taxable income	19,612	15,816
Tax-exempt income	(857,042)	(869,556)
Additional income tax under the Alternative Minimum Tax Act	-	69,040
Unrecognized deductible temporary differences	34,041	(30,810)
Effect of different tax rate of overseas branches operating in other jurisdictions	272,055	386,679
Land value increment tax	154	-
Adjustments for prior year's tax	<u>(112,843)</u>	<u>14,266</u>
Income tax expense recognized in profit or loss	<u>\$ 4,398,347</u>	<u>\$ 4,219,966</u>

b. Income tax (benefit) expense recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2025	2024
<u>Deferred tax</u>		
Recognized in other comprehensive income - items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	\$ (352,849)	\$ 719,723
Unrealized valuation gain on financial assets at fair value through other comprehensive income	<u>135,844</u>	<u>(14,361)</u>
Income tax (benefit) expense recognized in other comprehensive income	<u>\$ (217,005)</u>	<u>\$ 705,362</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	2025	2024
<u>Current tax assets</u>		
Tax receivable - consolidated tax return	\$ 2,428,825	\$ 3,233,193
Tax refund receivable	11,919	61,830
Others	<u>73,208</u>	<u>252,813</u>
	<u>\$ 2,513,952</u>	<u>\$ 3,547,836</u>
<u>Current tax liabilities</u>		
Tax payable - consolidated tax return	\$ 1,877,224	\$ -
Tax payable	377,498	417,458
Others	<u>161</u>	<u>128</u>
	<u>\$ 2,254,883</u>	<u>\$ 417,586</u>

d. Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

For the year ended December 31, 2025

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Financial assets at fair value through other comprehensive income	\$ 226,939	\$ -	\$ (135,844)	\$ 91,095
Properties and equipment	5,962	(644)	-	5,318
Payables for annual leave	104,927	9,656	-	114,583
Employee's preferential interest deposits obligation	735,952	(10,819)	-	725,133
Other liabilities	5,783	-	-	5,783
	<u>\$ 1,079,563</u>	<u>\$ (1,807)</u>	<u>\$ (135,844)</u>	<u>\$ 941,912</u>
<u>Deferred tax liability</u>				
Temporary differences				
Financial instruments at fair value through profit or loss	\$ 1,393,592	\$ 287,900	\$ -	\$ 1,681,492
Investments accounted for using equity method	93,178	27,155	-	120,333
Intangible assets	428,614	-	-	428,614
Defined benefit obligation	408,504	(63,719)	-	344,785
The reserve for land value increment tax	2,541,779	-	-	2,541,779
Exchanges difference on foreign operations	618,707	-	(352,849)	265,858
	<u>\$ 5,484,374</u>	<u>\$ 251,336</u>	<u>\$ (352,849)</u>	<u>\$ 5,382,861</u>

For the year ended December 31, 2024

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Financial instruments at fair value through profit or loss	\$ 739,414	\$ (739,414)	\$ -	\$ -
Financial assets at fair value through other comprehensive income	212,578	-	14,361	226,939
Properties and equipment	6,606	(644)	-	5,962
Payables for annual leave	99,864	5,063	-	104,927
Employee's preferential interest deposits obligation	756,027	(20,075)	-	735,952
Other liabilities	5,783	-	-	5,783
Exchanges difference on foreign operations	101,016	-	(101,016)	-
	<u>\$ 1,921,288</u>	<u>\$ (755,070)</u>	<u>\$ (86,655)</u>	<u>\$ 1,079,563</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liability</u>				
Temporary differences				
Financial instruments at fair value through profit or loss	\$ -	\$ 1,393,592	\$ -	\$ 1,393,592
Investments accounted for using equity method	93,351	(173)	-	93,178
Intangible assets	428,614	-	-	428,614
Defined benefit obligation	408,504	-	-	408,504
The reserve for land value increment tax	2,541,779	-	-	2,541,779
Exchanges difference on foreign operations	-	-	618,707	618,707
	<u>\$ 3,472,248</u>	<u>\$ 1,393,419</u>	<u>\$ 618,707</u>	<u>\$ 5,484,374</u>
				(Concluded)

- e. Unused deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2025	2024
Deductible temporary differences	<u>\$ 268,370</u>	<u>\$ 4,735</u>

- f. The income tax returns of the Bank through 2019 had been examined by the tax authorities.
- g. Pillar Two income tax legislation

In December 2025, the governments of Australia, Hong Kong, Japan and Belgium, where the Company and its subsidiary are incorporated, enacted the Pillar Two income tax legislation, which is now in effect. As of December 31, 2025, the Company assessed that the current income tax related to Pillar Two did not have a material impact.

34. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share were as follows:

	Net Income (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2025</u>			
Basic earnings per share	<u>\$ 20,798,462</u>	<u>13,069,430</u>	<u>\$ 1.59</u>
<u>For the year ended December 31, 2024</u>			
Basic earnings per share	<u>\$ 18,952,788</u>	<u>13,069,430</u>	<u>\$ 1.45</u>

The weighted-average number of shares outstanding for EPS calculation has been retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earning appropriation.

	For the Year Ended December 31, 2024	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 1.54</u>	<u>\$ 1.45</u>

35. EQUITY

a. Capital stock

Common stocks

	December 31	
	2025	2024
Number of shares authorized (in thousands)	<u>14,000,000</u>	<u>14,000,000</u>
Authorized capital	<u>\$ 140,000,000</u>	<u>\$ 140,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>13,069,430</u>	<u>12,298,830</u>
Common stocks issued	<u>\$ 130,694,300</u>	<u>\$ 122,988,300</u>
Common stocks issued		
Public	\$ 90,675,186	\$ 85,328,794
Private	<u>40,019,114</u>	<u>37,659,506</u>
	<u>\$ 130,694,300</u>	<u>\$ 122,988,300</u>

Fully paid common stocks, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On May 27, 2024, the Bank's board of directors resolved to increase its capital by issuing 1,291,300 thousand shares amounting to \$12,913,000 thousand which included the 2023 earnings. The issuance was approved by the FSC and MOEA.

On May 26, 2025, the Bank's board of director resolved to increase its capital by issuing 770,600 thousand shares amounting to \$7,706,000 thousand which included the 2024 earnings. The issuance was approved by the FSC and MOEA.

b. Capital surplus

Under related regulations, capital surplus may be used to offset a deficit. Capital surplus arising from the issuance of shares in excess of par value (including additional paid-in capital from the issuance of common shares and capital surplus from mergers and treasury stock transactions) and donations may be distributed as cash dividends or transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law.

Under related regulations, the capital surplus from equity investments under the equity method cannot be distributed for any purpose.

c. Special reserve

Under the FSC guidelines, the Bank reclassified to the special reserve \$165,255 thousand, the sum of trading loss reserve and reserve for loss on branch of purchase commitments, which were in place until December 31, 2010. The reclassified special reserve is unavailable to be used unless: (1) offset a deficit or (2) when the special reserve reaches 50% of the Bank's paid-in capital, 50% of the excess may be used to issue new capital or (3) the FSC has approved that excess may be reversed to unappropriated earnings when special reserve has exceeded the Bank's paid-in capital. Under the FSC guideline, the reserve for trading default and reserve for trading loss that had been provided should be transferred to a special reserve under shareholders' equity. A special reserve is required to be set off against the net decrease in other equity recorded in the current period.

As of December 31, 2025, the special reserve from equity investments under the equity method was \$14,944 thousand.

For the first-time adoption of IFRS Accounting Standards, the Bank should appropriate to a special reserve an amount that was the same as those of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Bank's use of exemptions under IFRS 1. However, on the date of transitions to IFRS Accounting Standards, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRS Accounting Standards adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated for the first-time adoption of IFRS Accounting Standards may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the Bank has earnings and the original need to appropriate a special reserve is not eliminated.

The increase in retained earnings that resulted from all IFRS Accounting Standards adjustments was not enough for this appropriation; therefore, the Bank appropriated to the special reserve an amount of \$1,132,019 thousand on January 1, 2013, the increase in retained earnings that resulted from all IFRS Accounting Standards adjustments on transitions to IFRS Accounting Standards.

Information regarding the above special reserve appropriated or reversed on elimination of the original need to appropriate a special reserve was as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
Balance on January 1	\$ 1,014,245	\$ 1,014,245
Reversed on elimination of the original need to appropriate a special reserve:		
Disposal of properties and equipment	_____ -	_____ -
Balance on December 31	<u>\$ 1,014,245</u>	<u>\$ 1,014,245</u>

According to the provisions of the Order No. 1090150022 Order of the Financial Supervisory Commission R.O.C. TCFHC appropriated (reversed) to the special surplus reserve of the same amount, which occurred from the net deduction of other equity items recorded in the current period. The information provided by the Bank in accordance with the letter is as follows:

	For the Year Ended December 31	
	2025	2024
Balance on January 1	\$ 5,224,783	\$ 18,667,266
Appropriation (reversal) of special reserve	<u>866,880</u>	<u>(13,442,483)</u>
Balance on December 31	<u>\$ 6,091,663</u>	<u>\$ 5,224,783</u>

d. Appropriation of earnings

From the annual net income less any deficit, an amount equal to 30% thereof should be appropriated as legal reserve and a certain amount, depending on regulations and operating needs, as special reserve. The remaining net income and unappropriated earnings of prior years may be distributed as dividends to shareholders or retained according to the distribution plan to be proposed by the board of directors and submitted to the shareholders' meeting for approval. Unless otherwise restricted by related regulations, the cash dividends must be 10% or above of the total dividends and bonuses distributed. If the cash dividend per share is less than NT\$0.1, the cash dividend will not be distributed unless the distribution is resolved in the stockholders' meetings.

If the legal reserve reaches the amount of paid-in capital or the Bank is sound in both its finance and business operations and have set aside a legal reserve in compliance with the Company Law, the legal reserve is not subject to the limitation of 30% set under the Banking Law and related regulations.

Under related regulations, use the following practice a special reserve and not appropriated:

- 1) With respect to the book net amount of other deductions from equity for the period in which it arises, an equivalent amount of special reserve shall be allocated from the amount of the after-tax net profit for the period, plus items other than the after-tax net profit for the period, that are included in the undistributed earnings of the period. If there remains any insufficiency, it shall be allocated from the undistributed earnings of the previous period.
- 2) The debit balance of accounts in the stockholders' equity section. The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years.
- 3) If there is a difference between the appropriation of special reserve and the special reserve appropriated for the net amount of deduction in other stockholder's equity, the Bank should appropriate an additional amount of special reserve in the first-time adoption of IFRS Accounting Standards. Afterwards, if there is any reversal of the deduction in other stockholders' equity, the Bank is allowed to appropriate retained earnings from the reversal amount.

Under the Company Law, the legal reserve should be appropriated until the reserve equals the Bank's paid-in capital. This reserve should only be used to offset a deficit. When the reserve exceeds 25% of the Bank's paid-in capital, the excess may be used to issue new shares or distributed as cash dividends.

The appropriations from the earnings of 2024 and 2023 were approved in the stockholders' meetings on May 26, 2025 and May 27, 2024, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Legal reserve	\$ 7,278,538	\$ 4,839,146		
Special reserve	866,880	-		
Cash dividends	8,411,000	7,500,000	\$ 0.683886	\$ 0.681352
Stock dividends	7,706,000	12,913,000	0.626564	1.173106

Information on the appropriation of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange (<https://emops.twse.com.tw>).

e. Non-controlling interest

	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Balance on January 1	\$ 245,809	\$ 245,038
Attributable to non-controlling interest		
Net income	15,045	(95)
Exchange differences on translation of financial statements of foreign operations	<u>20,915</u>	<u>866</u>
Balance on December 31	<u>\$ 281,769</u>	<u>\$ 245,809</u>

f. Hyperinflationary economies

As of December 2024, Laos was considered a hyperinflationary economy. The Company followed the classification applied to the financial statements of the Bank of Laos Branch, which were remeasured based on the statistical indices published by the Bank of the LAO P.D.R. Furthermore, according to the estimates published by the Laos Statistical Institute, Laos annual consumer price index was 257.20, 243.52 and 208.37 as of December 31, 2025, 2024 and 2023, respectively, with annual inflation rates of approximately 5.62% and 16.87% for the years ended December 31, 2025 and 2024. Based on these indicators, Laos is no longer considered a hyperinflationary economy.

Upon the Company's initial application of IAS 29 "Financial reporting in hyperinflationary economies", the Company recognized the effect initially as an adjustment to the opening balance of retained earnings, which decreased by \$464,617 thousand. Additionally, the Company applied hyperinflationary accounting to the financial statements of the Bank of Laos Branch, which were restated in terms of the current unit of measurement as of the year ended December 31, 2024. As a result, losses on the net monetary position of \$152,247 thousand was recognized in profit or loss (part of other non-interest gains, net).

36. RELATED-PARTY TRANSACTIONS

Taiwan Cooperative Financial Holding Co., Ltd. is the ultimate parent of the Company, and the Ministry of Finance is the major government stockholder. Based on IAS 24 "Related Party Disclosures", the Company's transactions with government-related parties are exempt from disclosure requirements. All transactions, account balances, earnings, expenses and gains (losses) on transactions between the Company and subsidiaries have all been excluded from consolidation and are not disclosed in this note.

In addition to those mentioned in other notes, the related-party transactions are summarized as follows:

a. Related parties

Related Party	Relationship with the Company
Taiwan Cooperative Financial Holding Company, Ltd. (TCFHC)	Parent company
Co-operative Assets Management Co., Ltd. (CAM)	Sister company
Taiwan Cooperative Bills Finance Co., Ltd. (TCBF)	Sister company
Taiwan Cooperative Securities Co., Ltd. (TCS)	Sister company
BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI)	Sister company
Taiwan Cooperative Securities Investment Trust Co., Ltd. (TCSIT)	Sister company
Taiwan Cooperative Venture Capital Co., Ltd. (TCVC)	Sister company
Taiwan Cooperative International Leasing Co., Ltd.	Sister company
Taiwan Cooperative Securities Investment Consultant Co., Ltd.	Sister company
United Real Estate Management Co., Ltd.	Associated enterprise
TCB 6 Year Senior Emerging Market Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB US Short Duration High Yield Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global Core Infrastructure Income Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB 2032 Target Date Multi-Asset Income Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global High Yield Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Multi-Asset AI Theme Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global Healthcare Multi-Asset Income Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Environment & Socially Responsible Multi-Asset Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Global Hybrid Income Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB Diversified Income Multi-Asset Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
TCB 2025 Maturity Emerging Market Bond Fund	Fund managed by Taiwan Cooperative Securities Investment Trust Co., Ltd.
Tamshui First Credit Bank	The director of Tamshui First Credit Bank is also the TCFHC's director.
The Kaohsiung Third Credit Cooperative	The director of The Kaohsiung Third Credit Cooperative is also the Bank's director.
The Credit Cooperative of Ilan	The director of The Credit Cooperative of Ilan is also the Bank's director.
The Fifth Credit Cooperation of Taipei	The director of The Fifth Credit Cooperation of Taipei is also the Bank's director (appointed on September 7, 2025)

(Continued)

Related Party	Relationship with the Company
Krom Electronics Co., Ltd.	The director of Krom Electronics Co., Ltd. is also the TCFHC's director's second-degree kin.
Sun Ba Power Corporation	The director of Sun Ba Power Corporation is also the TCFHC's main management's spouse.
Financial eSolution Co., Ltd.	The director of Financial eSolution Co., Ltd. is the main management of TCFHC.
Financial Information Service Co., Ltd.	The director of Financial Information Service Co., Ltd. is also the TCFHC's director.
Agricultural Bank of Taiwan	The director of Agricultural Bank of Taiwan is also the Bank's director.
Taiwan Asset Management Corporation	The director of Taiwan Asset Management Corporation is the main management of TCFHC.
Others	Main management of the parent company and other related parties.

(Concluded)

b. Significant transactions between the Company and related parties:

1) Call loans to banks

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2025</u>				
Sister companies				
TCBF	<u>\$ 4,180,276</u>	<u>\$ 940,000</u>	<u>\$ 28,688</u>	1.420-4.750
For the year ended <u>December 31, 2024</u>				
Sister companies				
TCBF	\$ 4,475,906	\$ 2,190,000	\$ 30,600	1.360-6.080
Others	<u>1,144,000</u>	<u>-</u>	<u>15,526</u>	2.800-5.850
	<u>\$ 5,619,906</u>	<u>\$ 2,190,000</u>	<u>\$ 46,126</u>	

2) Call loans to securities firms (part of other financial assets, net)

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2025</u>				
Sister company TCS	\$ <u>332,120</u>	\$ <u>251,560</u>	\$ <u>13,896</u>	4.220-5.100
For the year ended <u>December 31, 2024</u>				
Sister company TCS	\$ <u>329,000</u>	\$ <u>327,850</u>	\$ <u>17,854</u>	4.950-5.720

3) Deposits from banks

	For the Year Ended December 31	
	2025	2024
	Ending Balance	Ending Balance
Main management	\$ 117	\$ 108
Others		
Tamshui First Credit Bank	5,011,693	3,982,847
The Fifth Credit Cooperation of Taipei	1,848,353	-
The Credit Cooperative of Ilan	-	960,752
The Kaohsiung Third Credit Cooperative	4,298,373	4,582,334
Others	<u>481,128</u>	<u>402,103</u>
	\$ <u>11,639,664</u>	\$ <u>9,928,144</u>

4) Call loans from banks

	Highest Balance	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2025</u>				
Others				
Agricultural Bank of Taiwan	\$ <u>1,975,620</u>	\$ <u>-</u>	\$ <u>226</u>	4.350
For the year ended <u>December 31, 2024</u>				
Others				
Agricultural Bank of Taiwan	\$ <u>1,921,680</u>	\$ <u>-</u>	\$ <u>289</u>	5.390

5) Loans

	Highest Balance	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended <u>December 31, 2025</u>				
Main management	\$ 364,704	\$ 278,198	\$ 5,059	1.670-2.358
Others	<u>288,256</u>	<u>235,223</u>	<u>4,568</u>	1.512-3.215
	<u>\$ 652,960</u>	<u>\$ 513,421</u>	<u>\$ 9,627</u>	
For the year ended <u>December 31, 2024</u>				
Sister company	\$ 20,000	\$ -	\$ 5	2.768-2.893
Main management	452,117	242,932	5,304	1.670-2.428
Others	<u>2,817,627</u>	<u>1,697,639</u>	<u>18,076</u>	0.405-3.245
	<u>\$ 3,289,744</u>	<u>\$ 1,940,571</u>	<u>\$ 23,385</u>	

a) Loans

December 31, 2025

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2025 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	71	\$ 279,177	\$ 207,085	\$ 207,085	\$ -	Note 2	None
Self-used housing mortgage loans	61	323,783	256,336	256,336	-	Land and buildings	None
Other loans	Krom Electronics Co., Ltd	50,000	50,000	50,000	-	None	None

December 31, 2024

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2024 (Note 1)	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	81	\$ 362,093	\$ 157,553	\$ 157,553	\$ -	Note 2	None
Self-used housing mortgage loans	65	353,676	229,274	229,274	-	Land and buildings	None
Other loans	TCS	20,000	-	-	-	Bonds	None
	Krom Electronics Co., Ltd	50,000	50,000	50,000	-	None	None
	Sun Ba Power Corporation	705,400	705,400	705,400	-	None	None
	Tamshui First Credit Bank	1,000,000	-	-	-	Certificates of deposit	None

Note 1: The highest balance is the largest sum in the year of all daily accounts for each type.

Note 2: A portion of consumer loans was guaranteed by real estate.

b) Guarantees

Related Party	<u>December 31, 2024</u>				
	Highest Balance in the Year Ended	Ending Balance	Reserve for Guarantee Liabilities)	Interest Rate (Per Annum %)	Collateral
Others					
Sun Ba Power Corporation	\$ 798,344	\$ 798,344	\$ 1,792	0.405-0.500	None
Financial eSolution Co., Ltd.	231	-	-	0.750	Land and buildings

Under the Banking Law, except for customer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

6) Deposits

	Ending Balance	Interest Expense	Interest Rate (%)
<u>For the year ended December 31, 2025</u>			
Parent company	\$ 57,923	\$ 1,163	0.000-0.705
Sister companies	3,079,492	38,330	0.000-4.440
Associates	62,532	784	0.000-1.700
Main management	989,202	15,305	0.000-13.000
Others			
Financial Information Service Co., Ltd.	27,836,915	21,708	0.000-5.110
Kaohsiung City Farmers' Association	15,522,000	161,024	0.000-1.715
Tamshui First Credit Bank	22,987,139	376,429	0.000-1.715
Others	<u>12,749,516</u>	<u>181,686</u>	0.000-13.000
	<u>\$ 83,284,719</u>	<u>\$ 796,429</u>	
<u>For the year ended December 31, 2024</u>			
Parent company	\$ 75,582	\$ 1,717	0.000-0.705
Sister companies	2,847,971	34,568	0.000-2.200
Associates	108,379	793	0.000-4.950
Main management	1,012,136	20,177	0.000-13.000
Others			
Financial Information Service Co., Ltd.	19,384,439	28,026	0.000-5.250
Kaohsiung City Farmers' Association	13,822,000	74,560	0.000-1.715
Tamshui First Credit Bank	21,746,464	376,250	0.000-1.715
Others	<u>11,445,677</u>	<u>157,258</u>	0.000-13.000
	<u>\$ 70,442,648</u>	<u>\$ 693,349</u>	
		December 31	
		2025	2024

7) Accrued income (part of receivables)

Sister companies		
BPCTLI	\$ 410,679	\$ 326,892
TCSIT	2,307	3,196
TCS	<u>2,136</u>	<u>2,157</u>
	<u>\$ 415,122</u>	<u>\$ 332,245</u>

8) Accrued interest (part of receivables)

Sister companies		
TCBF	\$ 103	\$ 465
TCS	<u>442</u>	<u>1,068</u>
	<u>\$ 545</u>	<u>\$ 1,533</u>

	December 31	
	2025	2024
9) Accrued securities (part of receivables)		
Sister companies		
TCS	\$ <u>114,686</u>	\$ <u>74</u>
10) Tax receivable - consolidated tax return (part of current tax assets)		
Parent company	\$ <u>2,428,825</u>	\$ <u>3,233,193</u>
11) Tax payable - consolidated tax return (part of current tax liabilities)		
Parent company	\$ <u>1,877,224</u>	\$ <u>-</u>
12) Guarantee deposits received (part of other financial liabilities)		
Parent company	\$ 7,214	\$ 7,214
Sister companies		
BPCTLI	4,915	4,897
TCS	14,071	12,794
Others	6,410	6,107
Others		
Taiwan Asset Management Corporation	4,300	4,300
Agricultural Bank of Taiwan	<u>10,700</u>	<u>10,700</u>
	<u>\$ 47,610</u>	<u>\$ 46,012</u>
	For the Year Ended December 31	
	2025	2024
13) Service fee income (part of service fee income, net)		
Sister companies		
BPCTLI	\$ 1,828,834	\$ 1,304,196
Others	65,811	120,295
Main management	556	438
Others	<u>35,913</u>	<u>30,554</u>
	<u>\$ 1,931,114</u>	<u>\$ 1,455,483</u>
14) Service charge (part of service fee income, net)		
Sister companies		
TCS	\$ 200	\$ 400
Main management	<u>107</u>	<u>118</u>
	<u>\$ 307</u>	<u>\$ 518</u>

	For the Year Ended December 31	
	2025	2024
15) Other income (part of other noninterest gain, net)		
Parent company	\$ 4,074	\$ 3,958
Sister companies		
TCS	2,060	1,878
BPCTLI	5	75
TCSIT	24	24
Others		
Taiwan Asset Management Corporation	1,516	2,012
Financial Information Service Co., Ltd.	2,009	1,814
Others	<u>784</u>	<u>848</u>
	<u>\$ 10,472</u>	<u>\$ 10,609</u>
16) Donation (part of other noninterest gain, net)		
Main management	\$ 2,000	\$ 2,000
Others	<u>900</u>	<u>900</u>
	<u>\$ 2,900</u>	<u>\$ 2,900</u>

17) Lease agreements - the Company is lessor

The Company lease out investment properties under operating leases with lease terms of 2 to 10 years. Rentals which are determined based on the prices of nearby properties are calculated on the basis of the leased areas and are payable monthly.

a) Future lease payment receivable was as follows:

	December 31	
	2025	2024
Parent company	\$ 50,263	\$ 80,420
Sister companies		
TCS	145,413	59,903
BPCTLI	51,402	70,205
CAM	39,245	50,614
TCBF	19,807	28,610
TCSIT	25,282	3,530
Others	3,992	2,088
Others		
Agricultural Bank of Taiwan	104,525	147,633
Taiwan Asset Management Corporation	<u>23,855</u>	<u>36,850</u>
	<u>\$ 463,784</u>	<u>\$ 479,853</u>

b) Lease income (part of other non-interest gains, net):

	For the Year Ended December 31	
	2025	2024
Parent company	\$ 30,445	\$ 29,737
Sister companies		
TCS	54,711	53,129
BPCTLI	20,069	19,876
CAM	9,316	9,158
Others	15,745	15,470
Others		
Taiwan Asset Management Corporation	12,995	12,995
Agricultural Bank of Taiwan	<u>43,108</u>	<u>43,108</u>
	<u>\$ 186,389</u>	<u>\$ 183,473</u>

18) Derivatives

Related Party	Type of Derivatives	Contract Period	For the Year Ended December 31, 2025				
			Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet		
					Account	Amounts	
Sister company - BPCTLI	Currency swap	2025.10.27-2026.10.27	EUR 13,204	\$ 17,718	Financial assets at fair value through profit or loss	\$ 17,718	
	Currency swap	2025.10.14-2026.03.16	US\$ 69,981	7,515	Financial assets at fair value through profit or loss	7,515	
	Currency swap	2025.12.22-2026.01.26	US\$ 20,000	(1,214)	Financial liabilities at fair value through profit or loss	(1,214)	
Sister company - TCBF	Currency swap	2025.12.10-2026.01.20	US\$ 8,000	1,936	Financial assets at fair value through profit or loss	1,936	
Other - TCB 6 Year Senior Emerging Market Bond Fund	Currency swap	2025.06.04-2026.01.12	US\$ 7,000	13,908	Financial assets at fair value through profit or loss	13,908	
	Currency swap	2025.08.29-2026.01.12	US\$ 3,000	(1,351)	Financial liabilities at fair value through profit or loss	(1,351)	
Other - TCB US short Duration High Yield Bond Fund	Currency swap	2025.09.23-2026.06.23	US\$ 2,100	3,086	Financial assets at fair value through profit or loss	3,086	
Other - TCB Global Core Infrastructure Income Fund	Currency swap	2025.11.19-2026.03.19	US\$ 300	(128)	Financial liabilities at fair value through profit or loss	(128)	
Other - TCB 2032 Target Date Multi-Asset Income Fund	Currency swap	2025.12.18-2026.03.18	US\$ 2,700	43	Financial assets at fair value through profit or loss	43	
Other - TCB Global High Yield Bond Fund	Currency swap	2025.05.21-2026.10.30	US\$ 3,650	5,556	Financial assets at fair value through profit or loss	5,556	
Other - TCB Multi-Asset AI Theme Fund	Currency swap	2025.11.28-2026.02.26	US\$ 2,500	347	Financial assets at fair value through profit or loss	347	
Other - TCB 2026 Maturity Senior Emerging Market Corporate Bond Fund	Currency swap	2025.05.29-2026.02.26	US\$ 455	952	Financial assets at fair value through profit or loss	952	
Other - TCB Global Healthcare Multi-Asset Income Fund	Currency swap	2025.11.06-2026.02.06	US\$ 4,000	2,658	Financial assets at fair value through profit or loss	2,658	
Other - TCB Environment & Socially Responsible Multi-Asset Fund	Currency swap	2025.11.28-2026.02.26	US\$ 1,000	139	Financial assets at fair value through profit or loss	139	
Other - TCB Global Hybrid Income Bond Fund	Currency swap	2025.09.12-2026.09.15	US\$ 8,310	8,557	Financial assets at fair value through profit or loss	8,557	
Other - TCB Diversified Income Multi-Asset Fund	Currency swap	2025.12.08-2026.03.09	US\$ 1,000	192	Financial assets at fair value through profit or loss	192	

Related Party	Type of Derivatives	Contract Period	For the Year Ended December 31, 2024				
			Nominal Amounts	Valuation Gain (Loss)	Amounts on the Consolidated Balance Sheet		
					Account	Amounts	
Sister company - BPCTLI	Currency swap	2024.10.24-2025.02.24	EUR 3,000	\$ (1,172)	Financial liabilities at fair value through profit or loss	\$ (1,172)	
	Currency swap	2024.12.31-2025.03.31	EUR 4,844	309	Financial assets at fair value through profit or loss	309	
	Currency swap	2024.10.31-2025.03.31	US\$ 81,465	43,379	Financial assets at fair value through profit or loss	43,379	
Other - TCB 6 Year Senior Emerging Market Bond Fund	Currency swap	2024.11.29-2025.08.29	US\$ 3,000	862	Financial assets at fair value through profit or loss	862	
Other - TCB US Short Duration High Yield Bond Fund	Currency swap	2024.12.23-2025.09.23	US\$ 3,450	693	Financial assets at fair value through profit or loss	693	
Other - TCB Global Core Infrastructure Income Fund	Currency swap	2024.11.18-2025.02.18	US\$ 400	157	Financial assets at fair value through profit or loss	157	
Other - TCB 2032 Target Date Multi-Asset Income Fund	Currency swap	2024.12.18-2025.03.18	US\$ 2,700	869	Financial assets at fair value through profit or loss	869	
Other - TCB 2025 Maturity Senior Emerging Market Bond Fund	Currency swap	2024.10.31-2025.03.31	US\$ 13,650	7,370	Financial assets at fair value through profit or loss	7,370	
Other - TCB Global High Yield Bond Fund	Currency swap	2024.08.21-2025.04.14	US\$ 3,200	1,858	Financial assets at fair value through profit or loss	1,858	
Other - TCB Multi-Asset AI Theme Fund	Currency swap	2024.12.26-2025.02.26	US\$ 1,500	147	Financial assets at fair value through profit or loss	147	

The realized profit on the currency swaps transactions with related parties was as follows:

	For the Year Ended December 31	
	2025	2024
Financial assets and liabilities at fair value through profit or loss		
Sister company		
BPCTLI	\$ 36,575	\$ 244,024
TCBF	9,328	3,665
Others	<u>16,046</u>	<u>74,219</u>
	<u>\$ 61,949</u>	<u>\$ 321,908</u>

Terms of other transactions with related parties were similar to those for third parties, except for the more favorable interest rate for managers' savings within a prescribed limit.

c. Salaries, bonuses and remuneration to main management

The salaries, bonuses and remunerations of the directors and main management for the year ended December 31, 2025 and 2024, are summarized as follows:

	For the Year Ended December 31	
	2025	2024
Salaries and other short-term employment benefits	\$ 174,751	\$ 172,792
Post-employment benefits	7,386	8,283
Interest arising from the employees' preferential rate in excess of normal rates	<u>3,372</u>	<u>3,588</u>
	<u>\$ 185,509</u>	<u>\$ 184,663</u>

37. PLEDGED ASSETS

a. In addition to those mentioned in other notes, the face values of the pledged bonds and certificates of deposit are summarized as follows:

	December 31	
	2025	2024
Financial assets at fair value through other comprehensive income - debt instrument investments	\$ 691,790	\$ 475,383
Investments in debt instruments at amortized cost	<u>83,202,953</u>	<u>83,141,923</u>
	<u>\$ 83,894,743</u>	<u>\$ 83,617,306</u>

To comply with the Central Bank of the Republic of China's (CBC) Interbank Funds Transfer and Settlement System for real-time gross settlement (RTGS), the pledged time deposits are mainly to provide the Central Bank of the Republic of China's (CBC) foreign currency fund lending warranty as of December 31, 2025 and 2024. The pledged amount may be adjusted anytime, and the unused overdraft amount at the end of a day can also be treated as the Company's liquidity reserve. The remaining bonds and time deposits are used as preparation and collateral for various businesses.

- b. To expand their capital sourcing and enhance their liquidity position, the Bank's Seattle Branch, Los Angeles Branch, New York Branch and Houston Branch obtained access privileges at the Discount Window Account of the Federal Reserve Bank. For this access, the four branches pledged the following assets:

(In Thousands of U.S. Dollars)

Date	Outstanding Balance Loan	Bonds Balance	Collateral Value
December 31, 2025	<u>\$ 872,566</u>	<u>\$ 47,000</u>	<u>\$ 755,410</u>
December 31, 2024	<u>\$ 702,659</u>	<u>\$ -</u>	<u>\$ 592,530</u>

- c. As of December 31, 2025 and 2024, due to the KHR loans borrowed from the National Bank of Cambodia, the Bank provided US\$6,802 thousand and US\$10,400 thousand, respectively, of its Phnom Penh Branch were provided. as collateral to the National Bank of Cambodia in accordance with the relevant regulations.

38. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in other notes, the significant commitments were as follows:

- a. As of December 31, 2025, the Bank's outstanding major construction and procurement contracts amounted to \$954,614 thousand, of which \$622,675 thousand was still unpaid.
- b. According to the joint venture contract signed with BNP Paribas Assurance (BNPPA), the Bank signed the tri-party agreement with BNP Paribas Cardif TCB Life Insurance Co., Ltd. (BPCTLI) and Cooperative Insurance Brokers Co., Ltd. (CIB) on April 13, 2010, which identified BPCTLI as the sole supplier of life insurance products for the Bank and CIB, also applying the Bank's marketing channels to sell life insurance products. Since the Bank merged with the CIB on June 24, 2016, the Bank signed a two-party agreement with BPCTLI on March 30, 2018 to replace the original tri-party agreement, the rights and obligations of the CIB were assumed by the Bank.
- c. The Bank participated in the Urban Renewal Project of land located at No. 480 and 480-2, 5 sections of Ren'ai Section, Da'an District, Taipei City (the Baotong Building Urban Renewal Project). Kedge Construction Co., Ltd. and Yvansor Engineering Co., Ltd. were awarded the construction contract on March 4, 2025, with a total contract value of \$3.698 billion. The Bank's current share of the contract rights is 93.4006%, As of December 31, 2025, the allocated costs amounted to approximately \$3.319 billion.

39. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments that are not measured at fair value

	December 31			
	2025		2024	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 826,672,103	\$ 824,921,295	\$ 749,673,663	\$ 743,133,423
<u>Financial liabilities</u>				
Bank debentures	60,240,000	60,852,843	59,140,000	59,628,965

Fair value hierarchy as at December 31, 2025 and 2024:

Fair value hierarchy as at December 31, 2025

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 824,921,295	\$ -	\$ 824,921,295	\$ -
<u>Financial liabilities</u>				
Bank debentures	60,852,843	-	60,852,843	-

Fair value hierarchy as at December 31, 2024

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 743,133,423	\$ -	\$ 742,969,498	\$ 163,925
<u>Financial liabilities</u>				
Bank debentures	59,628,965	-	59,628,965	-

In addition to those listed above, the management considered other financial instruments which are not measured at fair value closed to their fair value.

- b. The valuation techniques and assumptions the Bank uses for determining fair values are as follows:

The fair values of financial instruments traded on active markets are based on quoted market prices. However, in many instances where there are no quoted market prices for the Bank's various financial instruments, fair values are based on estimates using other financial data and appropriate valuation methodologies. The financial data obtained by the Bank for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments. Fair values of forward contracts, currency swap contracts, foreign-currency margin contracts, cross-currency swap contracts and interest rate swap contracts are calculated using the discounted cash flow method, unless the fair values are provided by counterparties. Fair values of option contracts are based on estimates using the Black Scholes pricing model.

The Bank estimates the fair value of each forward contract on the basis of the swap points quoted by Refinitiv on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the Bloomberg information system, unless the fair values are provided by counterparties. The calculation of the fair value of each option contract is based on the mid-price (the average of bid and ask prices) quoted by Refinitiv and applied consistently.

For debt instruments with no active market, if there are theoretical prices from the Taipei Exchange an over-the-counter securities exchange) on the balance sheet date, they are used as the basis for evaluating the fair value of debt instruments with no active market. Otherwise, the latest trade prices and quoted prices by major markets are used. The fair values of bank debentures are recorded as follows: (a) debentures with no maturity dates - at book values; (b) debentures with floating interest rates - at theoretical prices quoted by the Taipei Exchange; and (c) debentures with fixed interest rates - at estimates reached using the discounted cash flow method. The discount rates used were between 1.4022% and 1.7486%, between 1.5495% and 2.018% as of December 31, 2025 and 2024, respectively, and were comparable with interest rates for loans with similar terms and characteristics.

Evaluation technique and input of fair value measurement at Level 3

The Company adopts the market approach for domestic unlisted equity investment, and selects similar industries with the target company. The main business model is similar. The products and scales are close to the comparable listed companies. The fair value estimation is based on the information of the listed company, or the price-book ratio (P/B) of the industry to which the target is evaluated is estimated as the multiplier of the fair value estimate. The significant unobservable input used is discount for lack of marketability. A decrease in discount for lack of marketability used in isolation would result in increases in fair value.

The ranges for the discount for lack of marketability used in the assessment of fair value based on the market approach on December 31, 2025 and 2024 are as follows:

	December 31	
	2025	2024
Discount for lack of marketability	10%-30%	10%-30%

With other input values remaining and a change in discount for lack of marketability input value to reflect reasonable assumptions, the amount of fair value of investment in equity instruments will increase (decrease) as follows:

	December 31	
	2025	2024
Discount for lack of marketability		
Increase 10%	<u>\$ (1,974,727)</u>	<u>\$ (1,286,683)</u>
Decrease 10%	<u>\$ 1,974,727</u>	<u>\$ 1,286,683</u>

c. The hierarchies of the Company's financial instruments measured at fair value on a recurring basis as of December 31, 2025 and 2024 were as follows:

1) Fair value hierarchy

Financial Instrument Measured at Fair Value	December 31, 2025			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 811,876	\$ 282,633	\$ -	\$ 529,243
Debt instruments	598,958	-	598,958	-
Others	126,434,447	13,370	126,421,077	-
Financial assets at FVTOCI				
Equity instruments	52,584,732	38,278,777	-	14,305,955
Debt instruments	415,463,184	5,348,040	410,115,144	-
Others	6,947,357	-	6,947,357	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(3,861,754)	-	(3,861,754)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	9,430,121	9,495	9,420,626	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(897,356)	-	(897,356)	-

Financial Instrument Measured at Fair Value	December 31, 2024			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL				
Equity instruments	\$ 937,337	\$ 429,263	\$ -	\$ 508,074
Debt instruments	594,162	-	594,162	-
Others	89,975,113	11,960	89,963,153	-
Financial assets at FVTOCI				
Equity instruments	53,542,159	44,381,025	-	9,161,134
Debt instruments	398,531,002	5,857,827	392,673,175	-
Others	3,659,990	-	3,659,990	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(4,768,858)	-	(4,768,858)	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	7,358,769	21,566	7,337,203	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	(429,173)	-	(429,173)	-

2) Reconciliation for financial assets based on the fair value measurement of Level 3

Financial Assets	Financial Assets at FVTPL	Investment in Equity Instruments at FVTOCI	Total
Balance at January 1, 2025	\$ 508,074	\$ 9,161,134	\$ 9,669,208
Recognized in profit	(22,397)	-	(22,397)
Recognized in OCI (investment in equity instruments at FVTOCI)	-	3,238,097	3,238,097
Purchase	60,566	1,915,650	1,976,216
Disposal	(17,000)	(8,926)	(25,926)
Balance at December 31, 2025	<u>\$ 529,243</u>	<u>\$ 14,305,955</u>	<u>\$ 14,835,198</u>
Balance at January 1, 2024	\$ 461,367	\$ 7,032,939	\$ 7,494,306
Recognized in profit	(29,285)	-	(29,285)
Recognized in OCI (investment in equity instruments at FVTOCI)	-	428,195	428,195
Purchase	85,892	1,700,000	1,785,892
Disposal	(9,900)	-	(9,900)
Balance at December 31, 2024	<u>\$ 508,074</u>	<u>\$ 9,161,134</u>	<u>\$ 9,669,208</u>

The change in unrealized gains or losses for the year ended December 31, 2025 and 2024 included in profit or loss for assets held at December 31, 2025 and 2024 was \$22,397 thousand losses and \$29,285 thousand losses, respectively.

d. Information of financial liabilities designated as at FVTPL as follows:

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Difference between carrying amount and contractual amount at maturity		
Fair value	\$ 3,861,754	\$ 4,768,858
Amount payable at maturity	<u>3,946,348</u>	<u>4,932,503</u>
	<u>\$ (84,594)</u>	<u>\$ (163,645)</u>
		Changes in Fair Value Attributable to Changes in Credit Risk
Current amount of change		
As of December 31, 2025		<u>\$ (13,630)</u>
As of December 31, 2024		<u>\$ 611</u>
Accumulated amount of change		
As of December 31, 2025		<u>\$ (26,033)</u>
As of December 31, 2024		<u>\$ (12,403)</u>

The change in fair value attributable to changes in credit risk recognized as other comprehensive income was calculated as the difference between the total change in fair value of bank debentures and the change in fair value due to changes in market risk factors. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding the credit risk margin constant. The fair value of bank debentures was estimated by discounting future cash flows using quoted benchmark and the Company's interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowings with similar maturities to estimate the credit risk margin.

e. Information on financial risk management

1) Risk management

The objective of risk management is to develop a sound risk management mechanism, and on the basis of the risk tolerance level and the expected return level, pursue the maximum value of stockholders' investments. The main risks faced by the Bank include the business credit risk in- and off- balance-sheet, market risks (including interest, exchange, equity security, and commodity risks) and liquidity risk.

The Bank has risk management policies and risk monitoring procedures, which have been reviewed and approved by the Board and are used to effectively identify, measure, monitor and control credit, market, and operating and liquidity risks.

The Board, the highest decision-making unit for the risk management, takes charge of approving the risk management policy and system and building the risk management culture. It also takes ultimate responsibility for overall risk management.

Under the risk management decision approved by the Board, the risk management committee takes charge of and reviews all the Bank's risk management implementation, capital adequacy assessment, and risk exposure management. It also communicates and the inter-departmental risk management issues and coordinates issue handling and continually monitor the execution of risk management procedures.

The risk management department is responsible for planning and designing the risk management system, deliberating capital allocation, setting up the instruments for risk measurement and capital provision, and monitoring risk control. This department also regularly prepares reports for submission to senior management, the risk management committee and the Board.

Under the business management regulation and risk policy, the business supervising unit manages and oversees each business unit toward proper risk management and carries out risk review and control. In addition, the Audit Department evaluates the annual plan according to the bank's risk-based internal audit system and suggests improvements in type and frequency.

2) Credit risk

a) Credit risk management policy

Credit risk refers to a borrower, a financial instrument issuer or a transaction counterparty undergoing financial difficulty or other adverse situations (such as a dispute between the borrower and its business partner), which could result in loss due to breach of contract. Credit risk can come from on- and off-balance-sheet items. On-balance sheet items are mainly lending, due from bank and call loans to other banks, security investment and derivatives. Off-balance sheet items are mainly guarantees, acceptance, letters of credit and loan commitments.

The risk management policy, which is founded on the basic principles of safety, liquidity, profitability, welfare and growth, is implemented by the credit risk management division toward the cultivation of a risk management culture. All on- and off-balance sheet transactions should be detailed analyzed in detail to identify existing and potential credit risk. Based on the Bank's business characteristics and the principle of risk diversification, risk status is analyzed and evaluated, centralized limits are set, and a risk monitoring and alert mechanism has been developed and operated. For a more effective credit risk evaluation, an internal rating system has been created to enhance the ability to quantify risk.

The Company's main business items that are measured and managed for credit risks are as follows:

i. Loans business (including loan commitments and guarantees)

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and uncollectable. The Company also set up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

The Company applies to its credit business the so-called "5Ps of credit analysis" as the basis for lending approval and evaluation of its counterparties. These 5Ps are: People (know customers' background and their credit status well); purpose (what will the fund be used for); payment (the borrower's ability to repay an obligation when it falls due); protection (the Company's recourse on repayment defaults); and perspective (how the credit is seen in light of rewards and risks). After a loan is granted, the transaction is reviewed and monitored to ensure the Company's creditor's rights.

To quantify credit risk, the Company applies statistical methods using customers' qualitative data and lending history to develop a rating module for corporate finance and consumer finance. This module is used to create an internal credit rating system for risk evaluation, in which 12 is the base grade of the general quality and 1 default level of corporate customers, and 9 or 10 on the business segment consumer customers.

The 5P credit analysis and the module rating specifically apply to corporate customers. Micro credits and residential mortgages are assessed by using the credit rating model, and consumer loans are assessed individually for default risks.

ii. Due from and call loans to other banks

The Company evaluates the credit status of counterparties before closing deals. The Company grants different limits to the counterparties on the basis of their respective credit ratings as suggested by domestic and foreign credit rating agencies.

iii. Investments in debt instruments and derivatives

The Company identifies and manages credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The Company conducts derivative transactions with other banks and set the lending limits at their credit rating and the ranking given by the Banker magazine. The credits extended to general customers are monitored in accordance with the related transaction limits, collateral and loss limits for derivatives established through normal credit granting processes.

b) Measurement of expected credit losses

i. The determination of significantly increased credit risk after initial recognition

In order to determine whether the credit risks has increased significantly after initial recognition, the Company assessed changes in default risks of financial assets over the duration at the balance sheet date. To evaluate changes in default risks, the Company considered reasonable and verifiable information (including forward-looking information). The major considerations include:

Loans business

i) Quantitative benchmark

Overdue loans: Loans and other credits (including accrued interest) are overdue for at least 30 days but less than 90 days.

ii) Qualitative benchmark

- Borrower or its representative suffered from dishonored check due to insufficient funds.
- Borrower or its representative suffered from credit card suspension.
- Owners of credit card have been denied by Taiwan Clearing House (THC).
- Objective evidence shows that the borrower's ability to fulfill obligation has been affected.

Bonds and bills business

i) Quantitative benchmark

Credit rating of bond issuers are not classified as investment grade and downgraded by over two grades, or classified as CCC.

Credit risks are deemed low, if the credit rating of the issuer was classified as investment grade at the issue date and the credit risk did not increase significantly after initial recognition.

ii) Qualitative benchmark

Credit rating of bond issuers are not classified as investment grade and downgraded by no more than two grades, but credit risk increase significantly.

ii. Definition of default and credit loss on financial assets

The Company defines financial asset default in the same manner as financial asset impairment. If one or more of the following conditions occur, the Company can conclude that the financial asset has defaulted and the credit is impaired:

Loans business

i) Loans and other credits (including accrued interest) are overdue for at least 90 days.

ii) Borrower filed for bankruptcy or reorganization.

iii) Borrower defaulted on other financial instruments.

iv) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulties, has granted the borrower concession that the lender would not otherwise consider.

v) Borrower has been denied by TCH.

Bonds and bills business

i) Interest or principal of bonds without payment are overdue for at least 90 days.

ii) Borrower has indication of impairment such as overdue receivables, doubtful debts, financial crisis, contract condition change due to financial crisis and bankruptcy or reorganization.

The above definition of default is applicable to financial assets that are held by the Company, and is into line with the definition of internal-management intention. Therefore, it is applied to related impairment evaluation models.

If the conditions that define default and credit loss of financial assets have been corrected and the financial assets have returned to the original state of compliance, the financial assets are no longer recognized as impaired.

iii. Reversal policy

When the Company is unable to recover financial assets to expectations, they are entirely or partly written off against the allowance amount. Indicators of uncollectible financial assets are as follows:

- i) The debtor's inability to recover all or part of the debts due to dissolution, escape, settlement, bankruptcy or other reasons.
- ii) After collaterals assumed and assets of principal and subordinate debtors have been priced low or after deductions for first-order mortgage have been made, the remaining value of the assets is not enough to pay any obligation; also, if execution cost nears or exceeds the debtor's liability, no gain will be realized.
- iii) The Bank is not responsible for the collaterals assumed and assets of principal and subordinate debtors experiencing low priced auctions with no bidders.
- iv) Overdue loans or collections were made after two years from the settlement date.
- v) Overdue credit card loans and overdue receivables were aged over nine months after the settlement date.

Financial assets that have been written off by the Company may continue activities in progress, while complying with procedures according to relevant policies.

iv. Measurement of expected credit losses

Loans business

In order to assess the expected credit loss, the Company will categorize credit assets according to credit risk and industry assessments of borrower, as well as credit risk of the types of collateral.

A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The Company considers both 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplying, the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month.

Probability of default refers to a possibility that a borrower would default to the contract (please refer to the introduction to "The definition of default and credit loss on financial assets"). Loss given default refers to the ratio of default loss caused by borrower. Probability of default and loss given default for loan business of the Company are calculated by the adjustment of historical default rate, which is based on historical internal information (e.g. credit loss experience), current observable information and prospective macroeconomics statistics (e.g. monitoring indicator from National Development Association and unemployment rate from Directorate General of Budget, Accounting and Statistics, Executive Yuan).

The Company estimates the exposure at default according to the aggregate book value. In addition, the estimations of expected credit loss for the 12-month loan period and duration of loan commitment made by the Company are based on the credit conversion factor (CCF), using the portion of the loan commitment that is expected to be used within 12 months of reporting date and expected duration to calculate expected credit loss and determine the exposure at default.

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of December 31, 2025.

Bonds and bills business

A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The Company measures expected credit loss by calculating the product of loss given default and exposure at default, while taking into account the probability of default of a 12-month period and duration, as well as the effect of changes in currency values.

There is no significant change in the estimation method and assumptions used to calculate expected credit loss as of December 31, 2025.

v. Forward-looking information considerations

Loans business

The Company has taken into account previous forward-looking information when assessing asset default probability. The Company analyzes past archives to identify relevant economic factors affecting personal and company asset default probabilities.

According to the Company’s previous forward-looking information, estimations are calculated at the end of the year per year on average. The influence of relevant economic factors and expected credit loss identified by the Company on December 31, 2024 and 2023 is as follows:

Relevant economic factors	Probability of Default
	Monitoring indicator/unemployment rate

Bonds and bills business

The assessment of the increase/decrease in the credit risk is based on the Company’s amortization costs and other comprehensive income measured by fair value, referring to changes in external credit ratings according to the international credit ratings service (Moody’s) as a quantitative indicator. Also, the expected credit loss uses external credit ratings and Moody’s periodic calculations of default probability and loss given default as references. As international credit ratings services have taken into account forward-looking information in assessing credit ratings, it is also appropriate for the Company to consider forward-looking information when assessing relevant expected credit loss.

c) Credit risk avoidance or mitigation policy

i. Strengthen collaterals and other credits

The Company has a series of measures for credit granting to reduce credit risks. One of the measures is to require collaterals from the borrowers. To secure a debt, the Bank manages and assesses the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, the Company stipulates the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that the Company reserves the right to reduce the granted quota, to shorten the repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Company in order to reduce the credit risks.

There was no major change in the collateral policy of the Company on the balance sheet date, and there was no significant change in the overall collateral quality.

The Company closely monitors the value of collaterals of financial instruments and considers impairment on credit-impaired financial assets. Credit-impaired financial assets and collateral to mitigate potential loss were as follows:

December 31, 2025

	Gross Carrying Amount	Allowance for Possible Losses	Total Exposure Amount (Amortized Cost)	Fair Value of Collateral
<u>Impaired financial assets</u>				
Receivables	\$ 365,573	\$ 155,479	\$ 210,094	\$ -
Discount and loans	37,691,058	4,121,392	33,569,666	71,409,008

December 31, 2024

	Gross Carrying Amount	Allowance for Possible Losses	Total Exposure Amount (Amortized Cost)	Fair Value of Collateral
<u>Impaired financial assets</u>				
Receivables	\$ 326,128	\$ 139,696	\$ 186,432	\$ -
Discount and loans	34,757,643	4,662,035	30,095,608	64,092,969

The total amount of financial assets that have been written off but have recourse action by the Company in December 31, 2025 and 2024 was \$13,976,838 thousand and \$13,128,583 thousand, respectively.

ii. Credit limit and the control of concentration of credit risk

To avoid the concentration of credit risks, the Company sets up centralized credit limits for business segments, countries, collaterals, groups, and construction financing. Monthly, or more frequently, as needed, the Company reviews credit limits, monitor the actual risk-exposure condition and whether the usage rate of limits meets relevant regulations and reports the review results to superior management, risk management committee and the Board periodically. If there is a possibility of breach of the credit limits, the related department or division will apply appropriate procedures to ensure that the credit limits are followed.

Concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The concentration of significant transactions of the Bank and its subsidiary is not with a single customer or a single counterparty, but with groups belonging to similar industries. The profile by group or industry, regions and collaterals of obligations that were 10% or more of total outstanding loans is as follows:

Credit Risk Profile by Group or Industry	December 31			
	2025		2024	
	Amount	%	Amount	%
Natural person	\$ 1,215,269,061	39	\$ 1,149,093,563	37
Manufacturing	548,300,886	17	573,937,851	19
Government agencies	349,525,771	11	318,912,678	10

iii. Master netting arrangement

The Company settles most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or in some circumstances where the transactions are terminated because of a counterparty's default.

d) Maximum exposures to credit risks

The maximum exposures to credit risks of assets on the consolidated balance sheets without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts.

The maximum exposure of financial instrument to credit risks which was not applicable to impairment is as follows:

	December 31	
	2025	2024
Financial assets at fair value through profit or loss - debt instrument	\$ 598,958	\$ 594,162

The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument are stated as follows:

December 31, 2025					
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Maximum exposures to credit risk	\$ 343,630,868	\$ 928,507	\$ 1,690,493	\$ -	\$ 346,249,868
Allowance for possible losses	(779,122)	(7,440)	(723,971)	-	(1,510,533)
Difference of impairment loss under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(522,767)	(522,767)
	<u>\$ 342,851,746</u>	<u>\$ 921,067</u>	<u>\$ 966,522</u>	<u>\$ (522,767)</u>	<u>\$ 344,216,568</u>
December 31, 2024					
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Maximum exposures to credit risk	\$ 326,290,685	\$ 8,438	\$ 115,408	\$ -	\$ 326,414,531
Allowance for possible losses	(771,268)	(10)	(33,692)	-	(804,970)
Difference of impairment loss under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	(518,927)	(518,927)
	<u>\$ 325,519,417</u>	<u>\$ 8,428</u>	<u>\$ 81,716</u>	<u>\$ (518,927)</u>	<u>\$ 325,090,634</u>

The Company’s management believes its ability to minimize credit risk exposures on off-balance sheet items is mainly due to its rigorous evaluation of credit extended and the periodic reviews of these credits.

Some financial assets held by the Company, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, call loans to security firms, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have high credit ratings.

In addition to the above assets, credit quality analysis of other financial assets is as follows:

a) Credit quality analysis of discounts and loans

	December 31, 2025				Difference of Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL			
Discounts and loans	\$ 3,120,412,699	\$ 4,988,372	\$ 37,691,058	\$ -	\$ 3,163,092,129	
Allowance for possible losses	(4,656,231)	(182,221)	(4,121,392)	-	(8,959,844)	
Difference of impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(28,536,318)	(28,536,318)	
	<u>\$ 3,115,756,468</u>	<u>\$ 4,806,151</u>	<u>\$ 33,569,666</u>	<u>\$ (28,536,318)</u>	<u>\$ 3,125,595,967</u>	
	December 31, 2024				Difference of Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL			
Discounts and loans	\$ 3,058,112,727	\$ 3,548,709	\$ 34,757,643	\$ -	\$ 3,096,419,079	
Allowance for possible losses	(4,512,112)	(33,968)	(4,662,035)	-	(9,208,115)	
Difference of impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	(26,490,820)	(26,490,820)	
	<u>\$ 3,053,600,615</u>	<u>\$ 3,514,741</u>	<u>\$ 30,095,608</u>	<u>\$ (26,490,820)</u>	<u>\$ 3,060,720,144</u>	

b) Credit quality analysis of receivables

	December 31, 2025				Difference of Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Credit Impairment by Using Simplified Method		
Receivables	\$ 17,998,002	\$ 68,456	\$ 365,573	\$ 5,217,258	\$ -	\$ 23,649,289
Allowance for possible losses	(27,508)	(18,207)	(155,479)	(208,347)	-	(409,541)
Difference of impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(244,140)	(244,140)
	<u>\$ 17,970,494</u>	<u>\$ 50,249</u>	<u>\$ 210,094</u>	<u>\$ 5,008,911</u>	<u>\$ (244,140)</u>	<u>\$ 22,995,608</u>

December 31, 2024						
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Credit Impairment by Using Simplified Method	Difference of Impairment Recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Receivables	\$ 19,583,814	\$ 65,883	\$ 326,128	\$ 5,325,369	\$ -	\$ 25,301,194
Allowance for possible losses	(37,254)	(12,849)	(139,696)	(172,154)	-	(361,953)
Difference of impairment recognized under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(163,457)	(163,457)
	<u>\$ 19,546,560</u>	<u>\$ 53,034</u>	<u>\$ 186,432</u>	<u>\$ 5,153,215</u>	<u>\$ (163,457)</u>	<u>\$ 24,775,784</u>

c) Credit quality analysis of securities

December 31, 2025				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 431,822,830	\$ -	\$ 304,146	\$ 432,126,976
Allowance for possible losses	(46,316)	-	(188,874)	(235,190)
Amortized cost	431,776,514	-	115,272	431,891,786
Fair value adjustments	(9,564,087)	-	82,842	(9,481,245)
	<u>\$ 422,212,427</u>	<u>\$ -</u>	<u>\$ 198,114</u>	<u>\$ 422,410,541</u>
Investments in debt instruments at amortized cost	\$ 826,693,538	\$ -	\$ -	\$ 826,693,538
Allowance for possible losses	(21,435)	-	-	(21,435)
Balance	<u>\$ 826,672,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 826,672,103</u>

December 31, 2024				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investments in debt instruments at FVTOCI				
Gross carrying amount	\$ 420,741,779	\$ -	\$ 339,148	\$ 421,080,927
Allowance for possible losses	(49,926)	-	(211,628)	(261,554)
Amortized cost	420,691,853	-	127,520	420,819,373
Fair value adjustments	(18,771,998)	-	143,617	(18,628,381)
	<u>\$ 401,919,855</u>	<u>\$ -</u>	<u>\$ 271,137</u>	<u>\$ 402,190,992</u>
Investments in debt instruments at amortized cost	\$ 749,702,633	\$ -	\$ -	\$ 749,702,633
Allowance for possible losses	(28,970)	-	-	(28,970)
Balance	<u>\$ 749,673,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 749,673,663</u>

- d) The changes in allowance for possible losses of investments in debt instruments at FVTOCI are summarized below:

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2025	\$ 49,926	\$ -	\$ 211,628	\$ 261,554
New financial assets purchased	8,360	-	-	8,360
Derecognition of financial assets in the current reporting period	(5,439)	-	-	(5,439)
Change in model or risk parameters	(5,137)	-	(14,104)	(19,241)
Changes in exchange rates and other changes	<u>(1,394)</u>	<u>-</u>	<u>(8,650)</u>	<u>(10,044)</u>
Balance at December 31, 2025	<u>\$ 46,316</u>	<u>\$ -</u>	<u>\$ 188,874</u>	<u>\$ 235,190</u>
Balance at January 1, 2024	\$ 52,572	\$ -	\$ 210,853	\$ 263,425
New financial assets purchased	9,736	-	-	9,736
Derecognition of financial assets in the current reporting period	(7,259)	-	-	(7,259)
Change in model or risk parameters	(7,216)	-	(13,508)	(20,724)
Changes in exchange rates and other changes	<u>2,093</u>	<u>-</u>	<u>14,283</u>	<u>16,376</u>
Balance at December 31, 2024	<u>\$ 49,926</u>	<u>\$ -</u>	<u>\$ 211,628</u>	<u>\$ 261,554</u>

- e) The changes in allowance for possible losses of investments in debt instruments at amortized cost are summarized below:

	12-month ECL	Lifetime ECL (Collective Assessment)	Lifetime ECL (Non-purchased or Non-originated Credit-impaired Financial Assets)	Total
Balance at January 1, 2025	\$ 28,970	\$ -	\$ -	\$ 28,970
New financial assets purchased	2,512	-	-	2,512
Derecognition of financial assets in the current reporting period	(7,807)	-	-	(7,807)
Change in model or risk parameters	(1,830)	-	-	(1,830)
Changes in exchange rates and other changes	<u>(410)</u>	<u>-</u>	<u>-</u>	<u>(410)</u>
Balance at December 31, 2025	<u>\$ 21,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,435</u>
Balance at January 1, 2024	\$ 33,530	\$ -	\$ -	\$ 33,530
New financial assets purchased	10,871	-	-	10,871
Derecognition of financial assets in the current reporting period	(11,155)	-	-	(11,155)
Change in model or risk parameters	(4,880)	-	-	(4,880)
Changes in exchange rates and other changes	<u>604</u>	<u>-</u>	<u>-</u>	<u>604</u>
Balance at December 31, 2024	<u>\$ 28,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,970</u>

3) Market risks

Market risk refers to the risk of losses in positions arising from adverse movements of market prices. It refers to interest rates, exchange rates, equity security prices, commodity prices, etc.

The main market risks that the Company faces are equity security, interest rates, and exchange rate risks. The market risk position of equity security mainly includes domestic listed and OTC stocks, domestic stock index options and stock market index futures; the position of interest rate mainly includes short-term bills, bonds and interest rate derivative instruments; and the instruments exposed to exchange rate risk mainly include spot contracts and forward contracts and derivatives denominated in foreign currency.

Under the market risk management policies approved by the board of directors, the new Basel Capital Accord and regulations implemented by relevant authorities and in consideration of the Bank's own market risk management system and its overall risk management goals and product features, the Bank has set all types of investment authorization limits and stop-loss rules, regularly reviews the customers' credit status and compiles management information reports to control all types of market risks effectively.

The Company's market risk management procedures include risk identification, evaluation, and measurement as well as risk monitoring, and reporting. Every units' risk management personnel analyze data on market risk position and evaluate measurement methods, including the statistical basic measurement method, sensitivity analysis, and situational analysis. Monitoring content includes trading processes, collective and individual, of all transaction units and all financial instruments, such as change of position, change of profit and loss, trading pattern, and if trading objects are transacted within the authorized scope and limits.

The Company's business units and risk management unit have established market risk factors for identifying risk exposure positions and use these factors to measure market risks. The market risk factors refer to the components of financial instruments' position, such as profit and loss and sensitivity to risk, which might be affected by interest rates, exchange rates and equity security market prices.

The Company's risk management unit reports to management periodically the execution status of measures on market risk management, investment positions, and profit and loss control so that management can fully understand the status of market risk management. The Company also has cleared reporting procedures and rules for all types of transaction limits and the stop-loss order. If any transaction amount reaches the limit, the stop-loss order is executed immediately; if the stop-loss order is not executed, the transaction unit is required to explain the reasons for non-execution and prepare a response plan for management's approval.

The Bank applies market risk sensitivity as a risk control instrument. Market risk sensitivity position refers to the change in the value of a position due to a change in a certain market risk factor. Market risk factors include interest rates, exchange rates, and equity security prices. The Bank's position sensitivity exposure trading book contains all types of positions exposed to market risk and the range of change to which sensitivity analysis applied under various pressure scenarios for all types of risk factors.

Assuming all other factors are held constant, the effects of risks within defined change scenarios are shown below:

Main Risk	Change Scenario	December 31, 2025	December 31, 2024
Interest rate risk	Interest rate curve increased 100 basis points	\$ (402,145)	\$ (310,872)
	Interest rate curve fell 100 basis points	408,010	315,328
Exchange rate risk	USD/NT\$, EUR/NT\$ increased 3%	(320,755)	(324,939)
	USD/NT\$, EUR/NT\$ fell 3%	320,755	324,939
	Others (RMB, AUD etc.)/NT\$ increased 5%	42,181	36,661
	Others (RMB, AUD etc.)/NT\$ fell 5%	(42,181)	(36,661)
Equity security price risk	Equity security price increased by 15%	4,514	61,416
	Equity security price fell by 15%	(4,514)	(61,416)

The exchange rate risk is as follows:

December 31, 2025

			(In Thousands)
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
USD	\$ 16,012,192	31.4450	\$ 503,503,384
RMB	7,845,885	4.5000	35,306,484
AUD	1,591,825	21.0600	33,523,844
JPY	128,337,702	0.2011	25,808,712
EUR	577,773	36.9400	21,342,925
<u>Financial liabilities</u>			
USD	24,867,164	31.4450	781,947,971
AUD	1,324,494	21.0600	27,893,838
RMB	5,864,831	4.5000	26,391,741
JPY	129,205,343	0.2011	25,983,194
EUR	486,405	36.9400	17,967,801

December 31, 2024

			(In Thousands)
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
USD	\$ 15,659,721	32.7850	\$ 513,403,948
RMB	8,969,191	4.4840	40,217,852
AUD	1,548,680	20.4200	31,624,046
JPY	131,652,664	0.2096	27,594,398
EUR	620,697	34.1400	21,190,581
<u>Financial liabilities</u>			
USD	22,931,454	32.7850	751,807,732
RMB	6,761,259	4.4840	30,317,485
JPY	127,965,733	0.2096	26,821,618
AUD	908,184	20.4200	18,545,117
EUR	451,348	34.1400	15,409,018

4) Liquidity risk

Liquidity risk is inherent in all bank operations and might be affected by specific or general industry and environmental events. These events include credit-related events, mergers or acquisitions, systemic changes and natural disasters. The Bank defines liquidity risk of failing to obtain sufficient funds in timely manner and at an acceptable cost to meet payment obligations that have occurred or are expected to occur.

The liquidity risk management strategy is based on the overall risk management objectives and involves liquidity risk identification, measurement, monitoring and control to maintain the Bank's appropriate liquidity and ensure adequate funding for meeting liability obligations or for capital growth.

The liquidity risk management procedures involve identification, measurement, monitoring and reporting of risk. Each business unit should identify the existing liquidity risk in business activities and financial products.

For adequate liquidity for all types of deposits, TCB follows the relevant regulations issued by the Central Bank to estimate the liquidity reserves and calculates and controls daily the liquidity reserve ratios.

For the Bank's operating liquidity, the fund disbursement unit performs daily cash flow management and monitoring of the payments schedule on the basis of detailed reports by different departments and relevant rules.

The risk management department regularly generates risk reports, which include the liquidity reserve ratios, liquidity coverage ratio, net stable funding ratio, and the maturity analysis of instruments and transactions denominated in major foreign currencies, and submits them to the Asset and Liability Management Committee and the Board as reference for decision making.

The Bank stipulates liquidity risk limits, which are regularly monitored and reviewed by the risk management department. If a liquidity risk limit is exceeded or other exception situations occur, the business supervising unit immediately develops appropriate contingency measures and submits them to the Asset and Liability Management Committee for approval and implementation.

The Bank's guidelines for implementing contingency measures for business emergency or sudden liquidity crisis are aimed at quick crisis resolution and resumption of normal operations.

The Bank's liquidity reserve ratios were 31.64% and 28.64% in December 2025 and 2024, respectively.

The Company disclosed the analysis of cash outflows on non-derivative financial liabilities by their residual maturities as of the balance sheet dates. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

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 other banks	\$ 217,697,606	\$ 93,658,833	\$ 74,541,697	\$ 115,500,000	\$ -	\$ 501,398,136
Financial liabilities at fair value through profit or loss	-	-	-	-	3,946,348	3,946,348
Securities sold under repurchase agreements	6,057,871	785,897	776,490	86,869	-	7,707,127
Payables	17,995,269	3,306,368	7,306,412	4,640,607	5,369,951	38,618,607
Deposits and remittances	524,797,086	637,800,838	586,536,654	875,731,828	1,577,939,733	4,202,806,139
Bank debentures	-	-	1,000,000	5,050,000	54,190,000	60,240,000
Lease liabilities	71,575	179,830	164,758	280,551	1,662,084	2,358,798
Other items of cash outflow on maturity	1,774,194	55,029	-	1,031,582	6,649,200	9,510,005

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 184,271,895	\$ 76,600,286	\$ 20,505,823	\$ 151,155,700	\$ -	\$ 432,533,704
Financial liabilities at fair value through profit or loss	-	1,047,481	-	-	3,885,022	4,932,503
Securities sold under repurchase agreements	6,619,442	1,063,018	858,399	65,260	-	8,606,119
Payables	17,140,943	3,299,544	7,534,537	4,737,978	5,284,789	37,997,791
Deposits and remittances	439,240,691	688,082,630	586,928,286	835,580,055	1,536,245,088	4,086,076,750
Bank debentures	-	-	-	-	59,140,000	59,140,000
Lease liabilities	71,176	184,162	166,589	297,596	1,803,351	2,522,874
Other items of cash outflow on maturity	1,339,595	50,166	8	1,006,359	5,223,606	7,619,734

In the above table, the maturity analysis of deposits and remittances by residual-maturity period was based on the Company's historical experience. Assuming that all demand deposits as of December 31, 2025 and 2024 must be repaid soon, the capital expenditure will be increased by \$2,197,363,862 thousand and \$2,110,803,628 thousand, respectively, within 30 days these balance sheet dates.

The Company assesses the maturity dates of contracts to understand the basic elements of all derivative financial instruments shown in the balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown in the balance sheets. The maturity analysis of derivative financial liabilities is as follows:

a) Derivative financial liabilities to be settled at net amounts

December 31, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 1,663	\$ 3,489	\$ 3,470	\$ 8,035	\$ -	\$ 16,657
Interest	(3,757)	(1,152)	(4,066)	19,942	276,320	287,287

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 1,814	\$ 2,777	\$ 429	\$ 648	\$ -	\$ 5,668
Interest	-	5,301	290	13,110	154,302	173,003

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 19,586,452	\$ 8,430,217	\$ 10,344,012	\$ 1,067,039	\$ -	\$ 39,427,720
Cash inflow	19,739,357	8,603,896	10,635,721	1,120,369	-	40,099,343
Net cash flow	152,905	173,679	291,709	53,330	-	671,623

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 6,829,206	\$ 3,037,026	\$ 1,021,256	\$ 413,877	\$ -	\$ 11,301,365
Cash inflow	6,777,039	3,004,254	1,038,191	423,089	-	11,242,573
Interest derivatives						
Cash outflow	173,329	100,994	356,679	-	-	631,002
Cash inflow	173,428	96,750	346,586	-	-	616,764
Total cash outflow	7,002,535	3,138,020	1,377,935	413,877	-	11,932,367
Total cash inflow	6,950,467	3,101,004	1,384,777	423,089	-	11,859,337
Net cash flow	(52,068)	(37,016)	6,842	9,212	-	(73,030)

The Bank conducted maturity analysis of off-balance sheet items based on the residual maturities as of the balance sheet dates. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some of these amounts may not correspond to those shown in the balance sheets.

December 31, 2025	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 3,745,885	\$ 8,470,392	\$ 22,033,217	\$ 21,566,321	\$ 127,247,757	\$ 183,063,572
Irrevocable credit card commitments	239,729	720,313	1,050,358	3,562,610	57,254,889	62,827,899
Letters of credit issued yet unused	3,889,440	9,993,398	2,467,134	1,688,191	2,003,503	20,041,666
Other guarantees	8,174,018	4,955,267	9,252,014	13,122,957	44,812,475	80,316,731

December 31, 2024	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 2,806,592	\$ 7,823,540	\$ 9,735,321	\$ 30,023,914	\$ 103,282,160	\$ 153,671,527
Irrevocable credit card commitments	157,258	859,424	1,497,143	4,792,261	56,319,004	63,625,090
Letters of credit issued yet unused	3,369,178	10,628,582	2,562,761	1,495,270	3,730,696	21,786,487
Other guarantees	10,293,392	6,351,691	5,146,662	12,012,060	53,527,622	87,331,427

5) Climate risk

In order to respond to global climate change and strengthen climate risk management, and to ensure the stable operation and sustainable development of the Company, in accordance with the Financial Supervisory Commission's "Guidelines for Financial Disclosure of Climate Risks by Banks in Taiwan" and the Company's "Climate Risk Management Guidelines", climate risk issues are incorporated into business operation considerations. In addition to the "High Pollution and Carbon-Ranking Industries" quota and the regular monitoring report, the Company is required to carry out industry-specific verification mechanisms prior to investment and financing operations. In addition to the "High Pollution and High Carbon Emission Industries" limit and regular monitoring and reporting, HBCL is required to conduct industry-specific checking mechanisms, and if it is a high-pollution and high-carbon emission industry, it should state the countermeasures as reference information for audits, and regularly disclose the implementation of climate risk management every year in order to enhance the quality and transparency of the information disclosure.

f. Transfers of financial assets

Under the Company operations, most of derecognized financial assets are securities sold under repurchase agreements, and the contractual cash flows have been transferred to others. The Company has the responsibility to repurchase transferred financial assets at fixed prices, and cannot use, sell and pledge transferred financial assets. However, the Company is still in the risk exposure of interest rate and credit, so the transferred financial assets cannot be removed entirely. The information on derecognized financial assets and liabilities is as follows:

December 31, 2025					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 2,948,135	\$ 2,955,798	\$ 2,948,135	\$ 2,955,798	\$ (7,663)
Financial assets at FVTOCI - securities sold under repurchase agreements	4,295,887	4,751,329	4,295,887	4,751,329	(455,442)

December 31, 2024					
Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL - securities sold under repurchase agreements	\$ 2,680,865	\$ 2,683,754	\$ 2,680,865	\$ 2,683,754	\$ (2,889)
Financial assets at FVTOCI - securities sold under repurchase agreements	5,331,111	5,922,365	5,331,111	5,922,365	(591,254)

g. Offsetting financial assets and financial liabilities

The Company is eligible to present in the balance sheet on a net basis certain derivative assets and derivative liabilities pertaining to transactions with counterparties under enforceable master netting arrangements or similar agreements and there is an intention either to make settlements on a net basis or to realize the asset and settle the liability simultaneously. A master netting agreement provides for a single net settlement of all financial instruments covered by the agreement if the counterparty defaults on any contract. Parties may also settle transactions at gross amounts if a single settlement results in cash flows being equivalent to a single net amount.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheets or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2025

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Resell agreements	\$ 7,707,127	\$ -	\$ 7,707,127	\$ (7,244,022)	\$ -	\$ 463,105

December 31, 2024

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Resell agreements	\$ 8,606,119	\$ -	\$ 8,606,119	\$ (8,011,976)	\$ -	\$ 594,143

40. CAPITAL MANAGEMENT

According to the competent authority's regulations governing the principles of capital adequacy management, the Bank evaluates the capital adequacy. In accordance with the operating plans and budget target approved by the board of directors, and taking into consideration the Bank's development strategy, capital adequacy, liabilities ratios, and dividend policy, the Bank proposes capital adequacy evaluation plan (ICAAP), which include stress testing, estimation for each season's capital adequacy ratio, etc. to ensure the capital adequacy ratio and internal management ratio can be reached and capital structure is sound.

To monitor capital adequacy, the risk management department regularly reports capital adequacy ratios on a monthly basis and performs quarterly reviews the execution status of and actual operation data variation on the Bank's capital adequacy evaluation plan. When the actual capital adequacy ratio might go lower than target, the Bank immediately reviews the causes, prepares a report and proposes response strategies to maintain appropriate capital adequacy levels.

The Banking Law and related regulations require that the Bank to maintain the minimum requirement for consolidated and bank capital adequacy ratios (CAR), including the common equity Tier 1 ratio, Tier 1 capital ratio, and total capital adequacy ratio.

Information on the Bank's CAR is as follows:

(In Thousands of New Taiwan Dollars, %)

Items		Year	December 31, 2025	
			Standalone	Consolidated
Eligible capital	Common equity		\$ 281,415,375	\$ 281,524,949
	Other Tier 1 capital		35,690,000	35,690,000
	Tier 2 capital		47,676,697	47,760,760
	Eligible capital		364,782,072	364,975,709
Risk-weighted assets	Credit risk	Standardized approach	2,171,839,732	2,178,564,778
		Internal ratings based approach	-	-
		Securitization	3,079,602	3,079,602
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	54,343,346	54,615,472
		Advanced measurement approach	-	-
	Market risk	Standardized approach	45,338,322	45,342,563
		Internal model approach	-	-
	Risk-weighted assets		2,274,601,002	2,281,602,415
Capital adequacy ratio			16.04	16.00
Ratio of the common equity to risk-weighted assets			12.37	12.34
Ratio of Tier 1 capital to risk-weighted assets			13.94	13.90
Ratio of leverage			5.90	5.89

(In Thousands of New Taiwan Dollars, %)

Items		Year	December 31, 2024	
			Standalone	Consolidated
Eligible capital	Common equity		\$ 259,937,652	\$ 260,044,883
	Other Tier 1 capital		35,690,000	35,690,000
	Tier 2 capital		47,239,359	47,281,531
	Eligible capital		342,867,011	343,016,414
Risk-weighted assets	Credit risk	Standardized approach	2,159,571,459	2,162,945,202
		Internal ratings based approach	-	-
		Securitization	6,148,816	6,148,816
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	96,020,823	96,316,781
		Advanced measurement approach	-	-
	Market risk	Standardized approach	33,880,025	33,870,338
		Internal model approach	-	-
	Risk-weighted assets			2,295,621,123
Capital adequacy ratio			14.94	14.92
Ratio of the common equity to risk-weighted assets			11.32	11.31
Ratio of Tier 1 capital to risk-weighted assets			12.88	12.86
Ratio of leverage			5.75	5.73

Note 1: Eligible capital, risk-weighted assets and exposure measurement are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and the “Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks.”

Note 2: Formulas used were as follows:

- 1) Eligible capital = The common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Ratio of leverage = Tier 1 capital ÷ Exposure measurement.

41. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

- a. Asset quality: Table 2 (attached).
 b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2025			December 31, 2024		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of Bank's Equity	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of Bank's Equity
1	Group A Railway transportation	\$ 30,443,193	10.04	Group A Railway transportation	\$ 30,443,193	10.98
2	Group B Petroleum and coal products manufacturing	29,460,656	9.71	Group B Petroleum and coal products manufacturing	28,639,287	10.33
3	Group C Real estate development	24,068,353	7.94	Group C Real estate development	26,529,265	9.57
4	Group D Iron and steel smelting	15,847,876	5.23	Group J Wholesale of electronic and communication equipment and parts	15,634,013	5.64
5	Group E Cotton and textile	15,287,200	5.04	Group E Cotton and textile	15,623,975	5.64
6	Group F Iron and steel smelting	13,479,842	4.44	Group K Wire and cable manufacturing	15,049,571	5.43
7	Group G Financial leasing	11,645,644	3.84	Group D Iron and steel smelting	14,789,722	5.34
8	Group H Computers manufacturing	11,531,281	3.80	Group L Cotton and textile	14,277,513	5.15
9	Group I LCD panel and its component manufacturing	11,200,854	3.69	Group G Financial leasing	13,948,259	5.03
10	Group J Wholesale of electronic and communication equipment and parts	10,986,934	3.62	Group F Iron and steel smelting	11,121,975	4.01

Note 1: The list shows rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2025

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 3,449,200,835	\$ 181,623,732	\$ 95,717,019	\$ 477,233,982	\$ 4,203,775,568
Interest rate-sensitive liabilities	1,353,684,734	2,084,489,579	201,551,148	69,497,363	3,709,222,824
Interest rate sensitivity gap	2,095,516,101	(1,902,865,847)	(105,834,129)	407,736,619	494,552,744
Net worth					263,883,143
Ratio of interest rate-sensitive assets to liabilities					113.33
Ratio of interest rate sensitivity gap to net worth					187.41

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2024

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 3,301,149,343	\$ 185,321,153	\$ 44,151,119	\$ 464,506,702	\$ 3,995,128,317
Interest rate-sensitive liabilities	1,283,762,352	2,050,339,323	161,367,737	72,636,338	3,568,105,750
Interest rate sensitivity gap	2,017,386,991	(1,865,018,170)	(117,216,618)	391,870,364	427,022,567
Net worth					241,626,007
Ratio of interest rate-sensitive assets to liabilities					111.97
Ratio of interest rate sensitivity gap to net worth					176.73

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs that are 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 (in New Taiwan dollars).

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2025

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 13,981,758	\$ 1,298,139	\$ 719,209	\$ 3,017,572	\$ 19,016,678
Interest rate-sensitive liabilities	22,671,808	2,681,151	2,088,944	-	27,441,903
Interest rate sensitivity gap	(8,690,050)	(1,383,012)	(1,369,735)	3,017,572	(8,425,225)
Net worth					1,253,094
Ratio of interest rate-sensitive assets to liabilities					69.30
Ratio of interest rate sensitivity gap to net worth					(672.35)

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2024

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 13,314,869	\$ 1,251,944	\$ 943,651	\$ 3,119,778	\$ 18,630,242
Interest rate-sensitive liabilities	21,579,217	1,691,254	2,300,358	44,300	25,615,129
Interest rate sensitivity gap	(8,264,348)	(439,310)	(1,356,707)	3,075,478	(6,984,887)
Net worth					1,083,518
Ratio of interest rate-sensitive assets to liabilities					72.73
Ratio of interest rate sensitivity gap to net worth					(644.65)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and 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 that are 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 (in U.S. dollars).

d. Profitability

Unit: %

Items		December 31, 2025	December 31, 2024
Return on total assets	Before income tax	0.50	0.49
	After income tax	0.41	0.40
Return on equity	Before income tax	8.68	8.60
	After income tax	7.17	7.03
Net income ratio		35.10	32.89

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

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

Note 3: Net income ratio = Income after income tax ÷ Total net revenues.

Note 4: The above profitability ratios are calculated that based on the amount of consolidated financial report.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2025

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 4,576,119,300	\$ 673,687,959	\$ 421,010,526	\$ 192,114,616	\$ 211,472,394	\$ 664,702,963	\$ 2,413,130,842
Main capital outflow on maturity	5,327,890,528	302,499,478	250,527,626	650,074,816	651,252,642	1,192,253,681	2,281,282,285
Gap	(751,771,228)	371,188,481	170,482,900	(457,960,200)	(439,780,248)	(527,550,718)	131,848,557

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2024

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 4,341,262,169	\$ 635,465,783	\$ 367,839,426	\$ 195,535,556	\$ 226,293,850	\$ 603,521,969	\$ 2,312,605,585
Main capital outflow on maturity	5,021,896,702	255,922,067	224,744,453	650,181,161	606,344,099	1,134,148,466	2,150,556,456
Gap	(680,634,533)	379,543,716	143,094,973	(454,645,605)	(380,050,249)	(530,626,497)	162,049,129

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2025

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 29,956,343	\$ 8,312,037	\$ 3,134,716	\$ 2,831,028	\$ 4,676,970	\$ 11,001,592
Main capital outflow on maturity	34,421,176	13,751,956	6,828,188	5,469,288	4,622,216	3,749,528
Gap	(4,464,833)	(5,439,919)	(3,693,472)	(2,638,260)	54,754	7,252,064

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2024

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 27,622,491	\$ 7,656,351	\$ 4,829,029	\$ 2,162,888	\$ 3,099,446	\$ 9,874,777
Main capital outflow on maturity	31,405,000	11,145,648	8,550,829	4,060,666	4,400,437	3,247,420
Gap	(3,782,509)	(3,489,297)	(3,721,800)	(1,897,778)	(1,300,991)	6,627,357

Note: The above amounts included only U.S. dollar amounts held by the Bank.

42. TAIWAN COOPERATIVE BANK, LTD.'S TRUST BUSINESS UNDER THE TRUST LAW

- a. Trust-related items are those shown in the following balance sheets, statements of income and trust property list

These items were managed by the Bank's Trust Department. However, these items were not included in the financial statements.

Balance Sheets of Trust Accounts					
December 31, 2025 and 2024					
Trust Assets	2025	2024	Trust Liabilities	2025	2024
Cash in banks	\$ 17,497,817	\$ 19,280,204	Payables		
Short-term investments			Accrued expense	\$ 2,806	\$ 2,185
Mutual funds	284,057,651	259,520,482	Others	337	550
Stocks	6,773,111	6,081,885	Mutual funds payable	439	2,751
Bonds	453,465	495,569		<u>3,582</u>	<u>5,486</u>
	<u>291,284,227</u>	<u>266,097,936</u>	Accounts payable on securities under custody	<u>265,337,844</u>	<u>249,124,099</u>
Securities lending	<u>164,026</u>	<u>122,984</u>	Trust capital	<u>423,830,076</u>	<u>405,684,760</u>
Receivables	<u>25,313</u>	<u>29,745</u>	Reserves and retained earnings		
Real estate			Net income	2,003,438	1,438,821
Land	63,373,890	66,757,556	Retained earnings	<u>194,144</u>	<u>153,887</u>
Buildings	15,625	16,434		<u>2,197,582</u>	<u>1,592,708</u>
Construction in process	<u>53,587,738</u>	<u>54,896,093</u>			
	<u>116,977,253</u>	<u>121,670,083</u>			
Intangible assets					
Superficies	<u>82,002</u>	<u>82,002</u>			
Other assets	<u>602</u>	<u>-</u>			
Securities under custody	<u>265,337,844</u>	<u>249,124,099</u>			
Total	<u>\$ 691,369,084</u>	<u>\$ 656,407,053</u>	Total	<u>\$ 691,369,084</u>	<u>\$ 656,407,053</u>

Note: As of December 31, 2025 and 2024, total trust-related assets included OBU funds and bonds investments in the amount of \$1,764,358 thousand and \$1,821,967 thousand, respectively.

Trust Property List
December 31, 2025 and 2024

Investment Items	2025	2024
Cash in banks	\$ 17,497,817	\$ 19,280,204
Short-term investments		
Mutual funds	284,057,651	259,520,482
Stocks	6,773,111	6,081,885
Bonds	453,465	495,569
Securities lending	164,026	122,984
Receivables		
Accrued interest	14,461	15,997
Mutual funds	-	307
Cash dividends	9,785	10,141
Receivables on the sale of securities	174	2,453
Others	893	847
Real estate		
Land	63,373,890	66,757,556
Buildings	15,625	16,434
Construction in process	53,587,738	54,896,093
Intangible assets		
Superficies	82,002	82,002
Other assets	602	-
Securities under custody	<u>265,337,844</u>	<u>249,124,099</u>
 Total	 <u>\$ 691,369,084</u>	 <u>\$ 656,407,053</u>

**Statements of Income on Trust Accounts
For the Years Ended December 31, 2025 and 2024**

	2025	2024
Revenues		
Interest revenue	\$ 83,195	\$ 72,192
Lending stock	2,551	2,833
Cash dividends	202,564	154,215
Realized gain on investment - stocks	217,418	301,467
Unrealized gain on investment - stocks	1,591,424	1,174,030
Unrealized capital gain - lending stock	60,367	49,005
Realized gain on investment - mutual funds	47,102	52,568
Unrealized gain on investment - mutual funds	141,497	98,553
Beneficial certificates appropriation	23,682	17,646
Others	<u>24,560</u>	<u>2,072</u>
Total revenues	<u>2,394,360</u>	<u>1,924,581</u>
Expenses		
Management fees	12,741	12,290
Monitoring fees	93	104
Taxes	56	461
Service charge	89	87
Postage expenses	44,751	572
Unrealized loss on investment - stocks	260,518	390,421
Unrealized capital loss - lending stock	33,798	5,755
Unrealized loss on investment - mutual funds	22,795	13,027
Realized loss on investment - mutual funds	492	15,195
Realized loss on investment - stocks	15,493	47,753
Others	<u>96</u>	<u>95</u>
Total expenses	<u>390,922</u>	<u>485,760</u>
Income before income tax	2,003,438	1,438,821
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 2,003,438</u>	<u>\$ 1,438,821</u>

b. Nature of trust business operations under the Trust Law: Note 1.

43. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN TAIWAN COOPERATIVE FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Under cooperation arrangements, the Bank and Taiwan Cooperative Securities (TCS) promoted securities brokerage business together; thus, related revenues received by the Bank were calculated as follows: (a) revenue based on 20% of the net revenue derived from security transactions for three years. (b) related revenues from utilizing some operating sites and equipment by the TCS; and (c) receiving cross-selling service fees of \$2,000 thousand annually, with the portion exceeding \$2,000 thousand calculated based on actual expenses incurred.

To promote the credit card business and corporate banking business together, the Bank and TCS signed cooperation arrangements, and the related revenue and expenses were received or paid by the Bank were based on the arrangements.

As of December 31, 2025 and 2024, the accrued receivables were \$7,738 thousand and \$4,317 thousand, respectively. The revenues from cross-selling transactions were \$24,253 thousand and \$22,101 thousand in 2025 and 2024, respectively.

To promote the insurance business together, the Bank and TCS signed cooperation arrangements. The service fees paid by the Bank were based on the arrangements.

As of December 31, 2025 and 2024, the accrued payables were \$6 thousand and \$2 thousand, respectively. The expenses from cross-selling transactions were \$77 thousand and \$97 thousand in 2025 and 2024, respectively.

To promote the insurance business together, the Bank and BNP Paribas Cardif TCB Life Insurance Co., Ltd. signed cooperation arrangements. The service fees earned by the Bank were based on the agreed percentage of the premiums from the insurance companies' products sold by the Bank.

As of December 31, 2025 and 2024, the accrued receivables were \$2,660 thousand and \$3,952 thousand, respectively, respectively. The revenues from cross-selling transactions were \$18,784 thousand and \$25,257 thousand in 2025 and 2024, respectively.

To promote venture capital business together, the Bank and Taiwan Cooperative Venture Capital Co., Ltd. signed cooperation arrangements. The service fees earned by the Bank were based on the arrangements.

The revenues from cross-selling transactions were \$20 thousand in 2024.

To promote the venture capital business together, the Bank and Co-operative Assets Management Co., Ltd. signed cooperation arrangements. The service fees earned by the Bank were based on the arrangements.

The revenues from cross-selling transactions were \$40 thousand in 2025.

44. CASH FLOW INFORMATION

a. Non-cash financing activities

Undistributed cash dividends approved by the stockholders in the stockholders' meetings were both \$170,524 thousand as of December 31, 2025 and 2025.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2025

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes			Closing Balance
			New Leases	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	
Long-term borrowings	\$ 5,223,420	\$ 654,560	\$ -	\$ -	\$ 771,220	\$ 6,649,200
Financial liabilities designated as at fair value through profit or loss - bank debentures	4,768,858	(790,444)	-	5,449	(122,109)	3,861,754
Bank debentures	59,140,000	1,100,000	-	-	-	60,240,000
Guarantee deposits received	2,345,937	459,839	-	-	-	2,805,776
Lease liabilities	1,689,197	(652,208)	536,514	-	(14,746)	1,558,757
	<u>\$ 73,167,412</u>	<u>\$ 771,747</u>	<u>\$ 536,514</u>	<u>\$ 5,449</u>	<u>\$ 634,365</u>	<u>\$ 75,115,487</u>

For the year ended December 31, 2024

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes			Closing Balance
			New Leases	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	
Long-term borrowings	\$ 4,932,900	\$ 246,480	\$ -	\$ -	\$ 44,040	\$ 5,223,420
Financial liabilities designated as at fair value through profit or loss - bank debentures	2,774,538	1,916,941	-	(1,122)	78,501	4,768,858
Bank debentures	57,240,000	1,900,000	-	-	-	59,140,000
Guarantee deposits received	1,725,899	620,038	-	-	-	2,345,937
Lease liabilities	<u>1,517,725</u>	<u>(679,766)</u>	<u>833,349</u>	<u>-</u>	<u>17,889</u>	<u>1,689,197</u>
	<u>\$ 68,191,062</u>	<u>\$ 4,003,693</u>	<u>\$ 833,349</u>	<u>\$ (1,122)</u>	<u>\$ 140,430</u>	<u>\$ 73,167,412</u>

45. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and b. investees:

- 1) Financing provided: The Bank - not applicable; investee company - not applicable.
- 2) Endorsement/guarantee provided: The Bank - not applicable; investee company - not applicable.
- 3) Significant marketable securities held: The Bank - not applicable; investee company - not applicable.
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (the Bank disclosed its investments acquired or disposed of): Table 3 (attached).
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: Table 4 (attached).
- 6) Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 7) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
- 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 5 (attached).
- 9) Sale of nonperforming loans: Table 6 (attached).
- 10) Financial asset securitization: None.
- 11) Other significant transactions which may affect the decisions of users of financial reports: None.
- 12) Percentage share in investees and related information: Table 7 (attached).
- 13) Derivative transactions: The Bank - Notes 8, 36 and 39 to the financial statements; investee company: None.

c. Investment in Mainland China:

Based on “Regulations Governing Approvals of Banks to Engage in Financial Activities between the Taiwan Area and the Mainland Area,” the Bank set up the Suzhou Branch, Tianjin Branch, Fuzhou Branch and Changsha Branch in Mainland China. This investment had been approved by the Financial Supervisory Commission. The 4 branches’ information - major operating items, capital stock, the way of investment, investment inflows and outflows, the holding percentage, the investment income or loss, the book value at year-end, the remitted investment profits and the limit on the amount of investment in Mainland China - can be seen in Table 8 (attached).

d. Business relationships and significant transactions among the parent company and subsidiaries: Table 9 (attached).

46. OPERATING SEGMENTS

The information reported to the Company’s chief operating decision maker for the assessment of segment performance focuses mainly on business and profit or loss. The Company’s reportable segments are as follows:

- a. Deposit and loan section, including savings, loans and remittances;
- b. Credit section, including legal person and personal credit businesses;
- c. Funding section, including funding management with domestic and foreign currencies, securities, investments and other financial management;
- d. Trust and Insurance section, including development, promotion and management of trust and insurance transactions;
- e. Other noncore businesses.

The accounting policies of the reportable segments are the same as the Company’s accounting policies described in Note 4. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.

The revenue, expenses and related information of the Company’s reportable segments for the year ended December 31, 2025 and 2024 are as follows:

	For the Year Ended December 31, 2025						
	Deposit and Loan Section	Credit Section	Funding Section	Trust and Insurance Section	Others	Eliminate	Total
Net interest	\$ 19,660,804	\$ 22,034,358	\$ (7,784,526)	\$ -	\$ 302,969	\$ -	\$ 34,213,605
Net revenues and gains other than interest	<u>163,997</u>	<u>3,119,910</u>	<u>13,828,981</u>	<u>7,057,257</u>	<u>1,045,043</u>	<u>(135,773)</u>	<u>25,079,415</u>
Net revenues	19,824,801	25,154,268	6,044,455	7,057,257	1,348,012	(135,773)	59,293,020
Bad-debt expenses commitment and provision for losses on commitment and guarantees	-	(4,301,118)	-	-	(71,767)	-	(4,372,885)
Operating expenses	<u>(9,525,166)</u>	<u>(12,857,836)</u>	<u>(1,028,425)</u>	<u>(4,003,130)</u>	<u>(2,293,724)</u>	<u>-</u>	<u>(29,708,281)</u>
Income before income tax	<u>\$ 10,299,635</u>	<u>\$ 7,995,314</u>	<u>\$ 5,016,030</u>	<u>\$ 3,054,127</u>	<u>\$ (1,017,479)</u>	<u>\$ (135,773)</u>	<u>\$ 25,211,854</u>

For the Year Ended December 31, 2024

	Deposit and Loan Section	Credit Section	Funding Section	Trust and Insurance Section	Others	Eliminate	Total
Net interest	\$ 22,410,625	\$ 20,486,409	\$ (12,879,156)	\$ -	\$ 312,284	\$ -	\$ 30,330,162
Net revenues and gains other than interest	<u>235,714</u>	<u>3,559,060</u>	<u>16,890,048</u>	<u>5,754,782</u>	<u>861,422</u>	<u>863</u>	<u>27,301,889</u>
Net revenues	22,646,339	24,045,469	4,010,892	5,754,782	1,173,706	863	57,632,051
Bad-debt expenses commitment and provision for losses on commitment and guarantees	-	(5,512,767)	-	-	(148,037)	-	(5,660,804)
Operating expenses	<u>(9,451,480)</u>	<u>(12,267,685)</u>	<u>(1,043,725)</u>	<u>(3,805,747)</u>	<u>(2,229,951)</u>	<u>-</u>	<u>(28,798,588)</u>
Income before income tax	<u>\$ 13,194,859</u>	<u>\$ 6,265,017</u>	<u>\$ 2,967,167</u>	<u>\$ 1,949,035</u>	<u>\$ (1,204,282)</u>	<u>\$ 863</u>	<u>\$ 23,172,659</u>

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

**CONSOLIDATED ENTITIES
DECEMBER 31, 2025 AND 2024**

Subsidiaries included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership		Note
				December 31, 2025	December 31, 2024	
Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	Belgium	Banking	90.02	90.02	

Subsidiaries not included in the consolidated financial statements

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership		Note
				December 31, 2025	December 31, 2024	
None	-	-	-	-	-	

TAIWAN COOPERATIVE BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES

DECEMBER 31, 2025 AND 2024

(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2025					December 31, 2024				
Items		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 1,404,865	\$ 814,470,906	0.17	\$ 9,437,856	671.80	\$ 1,974,691	\$ 827,705,765	0.24	\$ 9,110,433	461.36
	Unsecured	625,559	1,147,431,830	0.05	10,407,318	1,663.68	1,009,232	1,139,329,739	0.09	10,379,764	1,028.48
Consumer banking	Housing mortgage (Note 4)	934,498	888,717,909	0.11	13,391,563	1,433.02	603,670	814,126,903	0.07	12,266,801	2,032.04
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	47,052	14,695,081	0.32	235,336	500.16	15,348	13,256,233	0.12	185,100	1,206.02
	Other (Note 6)	Secured	1,631,204	275,579,165	0.59	3,674,683	225.27	1,350,058	280,886,874	0.48	3,322,360
Unsecured		42,993	10,045,213	0.43	166,196	386.57	38,173	11,060,398	0.35	169,113	443.02
Loan		4,686,171	3,150,940,104	0.15	37,312,952	796.24	4,991,172	3,086,365,912	0.16	35,433,571	709.92
		Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards		7,043	5,250,621	0.13	50,861	722.15	8,963	5,270,187	0.17	60,251	672.22
Accounts receivable factored without recourse (Note 7)		-	90,443	-	4,860	-	-	97,351	-	7,919	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)		59					90				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)		418					729				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)		11,514					10,967				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)		51,300					47,479				

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming receivables: Nonperforming receivables ÷ Outstanding receivable balance.

Note 3: Coverage ratio of loans: Allowance for credit losses for loans ÷ Nonperforming loans.
Coverage ratio of receivables: Allowance for credit losses for receivables ÷ Nonperforming receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumers banking loans refer to secured or unsecured loans that exclude housing mortgage, cash and credit card, and small-scale credit loans.

(Continued)

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and letter dated September 20, 2016 (Ref. No. 10500134790).

(Concluded)

TAIWAN COOPERATIVE BANK, LTD.

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2025
 (In Shares and in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Taiwan Cooperative Bank, Ltd.	Taipei Financial Center Corporation	Financial assets at fair value through other comprehensive income	Itochu Taiwan Investment Corporation	Non-related parties	24,000,000	\$ 540,960	49,500,000	\$ 1,915,650	-	\$ -	\$ -	\$ -	73,500,000	\$ 2,844,450 (Note)

Note: The ending balance includes a valuation adjustment of \$387,840 thousand.

TAIWAN COOPERATIVE BANK, LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT A COST OF AT LEAST NTS300 MILLION OR 10% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2025
 (In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date (Note 1)	Transaction Amount (Note 2)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Taiwan Cooperative Bank, Ltd.	Urban renewal project located at Lot Nos. 480 and 480-2, Subsection 5, Ren'ai Section, Daan District, Taipei City.	2025.03.04	\$ 3,453,954	Payments shall be made upon acceptance of work based on construction progress.	Kedge Construction Co., Ltd. and Yvansor Engineering Co., Ltd.	Non-related parties	-	-	-	\$ -	Public selection	Urban renewal	None

Note 1: The actual date of occurrence refers to the date on which the counterparty and the transaction amount can be reasonably determined.

Note 2: The total contract amount for the construction project is \$3.698 billion (inclusive of tax). Based on the Bank's proportionate share of 93.4006%, which corresponds to its share of the updated land rights value, the portion of the construction contract amount attributable to the Bank as of December 31, 2025 was \$3,319,245 thousand.

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS300 MILLION OR 10% OF THE PAID-IN CAPITAL

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Company, Ltd.	Parent company	\$ 2,428,825 (Note 1)	-	\$ -	-	\$ -	\$ -
	BNP Paribas Cardif TCB Life Insurance Co., Ltd.	Sister companies	413,339 (Note 2)	-	-	-	-	-

Note 1: The receivable related to consolidated tax returns.

Note 2: It is a receivable income such as commissions.

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

**SALE OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2025**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Summary statement:

Date of Transaction	Counterparty	Loan Composition	Book Value	Selling Price	Gain (Loss) on Disposal	Terms	Relationship Between the Counterparty and the Company
2025.05.30 (Note 1)	Flynn Properties Inc.	Medium-term unsecured credit for corporate households (participate in the international syndicated loan case)	\$ 167,211 (US\$ 5,574) (Note 2)	\$ 275,095 (US\$ 9,170)	\$ 107,884 (US\$ 3,596)	None	Non-related parties

Note 1: The transaction date is based on U.S. local time.

Note 2: The balance of carrying amount was original loans US\$21,356 thousand deducted loss allowance US\$15,782 thousand.

2. Disposal of nonperforming loans amounts of \$1 billion (exclude disposal to the related parties): None.

TAIWAN COOPERATIVE BANK, LTD.

PERCENTAGE SHARE IN INVESTEEES AND RELATED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

Investee Company (Note 1)	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Percentage Share of the Bank and Its Affiliates in Investees (Note 1)				Note
						Shares	Pro Forma Shares (Note 2)	Total		
								Shares	Percentage of Ownership	
<u>Finance-related business</u>										
United Taiwan Bank S.A.	Belgium	Banking	90.02	\$ 2,542,806	\$ 135,773	2,639,659	-	2,639,659	90.02	(Note 4)
Taiwan Asset Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	17.59	3,619,560	120,900	186,000,000	-	186,000,000	17.59	
Financial Information Service Co., Ltd.	Taipei City	Information service	3.15	1,345,112	57,701	23,507,737	-	23,507,737	3.15	
Taiwan Financial Asset Service Co., Ltd.	Taipei City	Property auction	8.82	203,700	3,150	15,000,000	-	15,000,000	8.82	
Taiwan Depository & Clearing Co., Ltd.	Taipei City	Custody of securities and short-term bills	0.84	776,667	19,545	10,148,777	-	10,148,777	1.00	
Taiwan Futures Exchange Co., Ltd.	Taipei City	Futures clearing	1.75	1,085,971	27,215	13,078,650	-	13,078,650	1.81	
Financial eSolution Co., Ltd.	Taipei City	Office machine wholesaling	9.92	46,621	700	2,181,617	-	2,181,617	9.92	
Taipei Forex Inc.	Taipei City	Foreign exchange brokering	7.06	94,122	12,460	1,400,000	-	1,400,000	7.06	
Sunny Asset Management Co., Ltd.	Taipei City	Acquisition of delinquent loans	2.33	1,759	164	139,594	-	139,594	2.33	
Taiwan Mobile Payment Company	Taipei City	IT software service	4.00	29,280	-	2,400,000	-	2,400,000	4.00	
Taiwan Stock Exchange	Taipei City	Stock exchange	1.50	3,759,860	60,000	26,000,000	-	26,000,000	1.50	
Taiwania Capital Buffalo II Bioventures, LP	Taipei City	Venture capital	8.47	349,040	(18,595)	(Note 3)	-	(Note 3)	8.47	
			(Note 3)						(Note 3)	
Wisdom Capital Limited Partnership	Taipei City	Venture capital	9.90	117,739	10,720	(Note 3)	-	(Note 3)	9.90	
			(Note 3)						(Note 3)	
TaiAx Life Science Fund L.P.	Taipei City	Venture capital	2.87	26,484	(9,293)	(Note 3)	-	(Note 3)	2.87	
			(Note 3)						(Note 3)	
Yichuang III Venture Capital Limited Partnership.	Taipei City	Venture capital	6.49	35,980	(4,020)	(Note 3)	-	(Note 3)	6.49	
			(Note 3)						(Note 3)	
<u>Non-finance related business</u>										
United Real Estate Management Co., Ltd.	Taipei City	Real estate appraisal	30.00	146,077	8,217	10,115,630	-	10,115,630	30.00	
Taiwan Power Company	Taipei City	Power development and supply	0.14	265,404	-	78,754,764	-	78,754,764	0.14	
Taiwan Sugar Company	Tainan City	Sugar manufacturing and agriculture	0.08	229,554	3,810	4,233,752	-	4,233,752	0.08	
Lien-An Service Co., Ltd.	Taipei City	Leasing	5.00	3,720	125	125,000	-	125,000	5.00	
Taipei Rapid Transit Co., Ltd.	Taipei City	Public transportation	0.0014	147	1	14,286	-	14,286	0.0014	
China Daily News	Tainan City	Newspaper publishing	0.04	28	-	16,768	-	16,768	0.04	
Taipei Financial Center Corp.	Taipei City	Residence and buildings lease construction and development	5.00	2,844,450	115,513	73,500,000	-	73,500,000	5.00	
Taiwan High Speed Rail Corporation	Taipei City	High speed railroad transportation business	0.95	1,492,400	55,965	53,340,000	-	53,340,000	0.95	

Note 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates in accordance with the Company Law have been included.

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of the Banking Law.
b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of the "Securities and Exchange Law Enforcement Rules."
c. Derivative contracts, such as those on stock options, are those conforming to the definition of derivatives in Statement of International Financial Reporting Standards No. 9 - "Financial Instruments."

Note 3: The ending percentage share of the Bank of Taiwania Capital Buffalo II Bioventures, LP, Wisdom Capital Limited Partnership, TaiAx Life Science Fund L.P. and Yichuang III Venture Capital Limited Partnership. (the Bank's contribution to the total amount of funds of the partnership) is stated as disclosed.

Note 4: The ending percentage share of the Bank of United Taiwan Bank S.A. has been fully eliminated on consolidation.

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2025	Accumulated Inward Remittance of Investment Earnings as of December 31, 2025
					Outflow	Inflow						
Suzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	\$ 4,547,235 (US\$ 154,395) (Note 1)	Direct	\$ 4,547,235 (US\$ 154,395) (Note 1)	\$ -	\$ -	\$ 4,547,235 (US\$ 154,395) (Note 1)	\$ 236,835	100	\$ 236,835	\$ 7,336,428	\$ -
Tianjin Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,947,314 (US\$ 97,387) (Note 1)	Direct	2,947,314 (US\$ 97,387) (Note 1)	-	-	2,947,314 (US\$ 97,387) (Note 1)	79,822	100	79,822	2,542,143	-
Fuzhou Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,950,882 (US\$ 97,549) (Note 1)	Direct	2,950,882 (US\$ 97,549) (Note 1)	-	-	2,950,882 (US\$ 97,549) (Note 1)	95,413	100	95,413	3,756,994	-
Changsha Branch	Deposits, loans, import and export, exchange and foreign exchange business	2,630,485 (US\$ 87,232) (Note 1)	Direct	2,630,485 (US\$ 87,232) (Note 1)	-	-	2,630,485 (US\$ 87,232) (Note 1)	74,533	100	74,533	2,590,676	-

Accumulated Investment in Mainland China as of December 31, 2025	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$ 13,075,916 (US\$ 436,563) (Note 1)	\$ 13,075,916 (US\$ 436,563) (Note 1)	\$ 182,141,071

Note 1: Translation into New Taiwan dollars at the exchange rates on the date of each outflow of investment.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China," investments are limited to the largest of 60% of the Bank's net asset value or 60% of the Bank's consolidated net asset value.

TAIWAN COOPERATIVE BANK, LTD. AND SUBSIDIARY

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE PARENT COMPANY AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Due from banks	\$ 581,536	Note 4	0.01
1	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Deposits from banks	581,536	Note 4	0.01
0	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Call loans to banks	2,068,640	Note 4	0.04
1	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Call loans from banks	2,068,640	Note 4	0.04
0	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Medium-term unsecured loans	3,509,300	Note 4	0.07
1	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Long-term borrowings	3,509,300	Note 4	0.07
0	Taiwan Cooperative Bank, Ltd.	United Taiwan Bank S.A.	a	Interest revenue	113,606	Note 4	0.19
1	United Taiwan Bank S.A.	Taiwan Cooperative Bank, Ltd.	b	Interest expense	113,606	Note 4	0.19

Note 1: These companies listed in Table 8 are identified as follows:

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

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary.
- b. From subsidiary to parent company.
- c. Between subsidiaries.

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

Note 4: The terms for the transactions between the transacting company and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding NT\$100 million.