

FIRST COMMERCIAL BANK
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024

For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

PWCR25000424

INDEPENDENT AUDITORS' REPORT**To the Board of Directors and Stockholders of First Commercial Bank*****Opinion***

We have audited the accompanying consolidated balance sheets of First Commercial Bank, Ltd. (the "Bank") and its subsidiaries as at December 31, 2025 and 2024, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as at 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, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants, Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Bank 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 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, we do not provide a separate opinion on these matters.

The Bank and its subsidiaries' key audit matters for the year ended December 31, 2025 are stated as follows:

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
110208 臺北市信義區基隆路一段 333 號 27 樓
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 110208, Taiwan
T: +886 (2) 2729 6666, F: +886 (2) 2729 6686

Impairment Assessment for Discounts and Loans

Description

The recognition and measurement of expected credit losses on discounts and loans complies with the requirements under IFRS 9 “Financial Instruments” and relevant regulations issued by the competent authority. For the accounting policy of recognition and measurement of expected credit losses on discounts and loans, please refer to Note 4(9); for critical accounting judgements, estimates, and assumption uncertainty of the recognition and measurement of expected credit losses on discounts and loans, please refer to Note 5(3). For information of allowance for bad debts of discounts and loans, which amounted to NTD\$41,155,084 thousand, as at December 31, 2025, please refer to Note 6(8); for disclosures of related credit risks, please refer to Note 12(2)C(C).

As stated in Note 5(3), impairment assessment of discounts and loans of the Bank and its subsidiaries is based on the expected credit loss model. At each financial reporting date, financial instruments are categorised into three stages based on the degree of change in its credit risk since initial recognition. Provision for impairment loss is measured either using 12-month expected credit losses (stage 1 where there has been no significant increase in credit risk since initial recognition) or lifetime expected credit losses (stage 2 where there has been a significant increase in credit risk since initial recognition; or stage 3 where the credit has been impaired). The measurement of expected credit losses mainly considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The aforementioned impairment assessment for discounts and loans involves multiple assumptions, estimates, and judgments. Therefore, the auditor considers the impairment assessment for discounts and loans as one of the key audit matters for 2025.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

1. Understood and assessed the related written policies, internal control system, the expected credit loss impairment model and methodology, and the approval process.
2. Sampled and tested the implementation effectiveness of internal controls related to the recognition and measurement of expected credit losses, including management of collateral and its value assessment, controls for changes in parameters, and approval for provisioning of expected credit losses.
3. Sampled and tested the consistency of measurement criteria for the samples in the three stages of expected credit loss with the judgement results of the system.
4. Sampled and tested major assumptions for the parameters of the expected credit loss model, including historical data of probability of default, loss given default, and exposure at default.

5. Sampled and tested forward-looking information.
 - (1) Sampled and tested the macroeconomics data (economic growth rate, annual inflation rate, etc.) adopted by the management when measuring expected credit losses under IFRS 9 “Financial Instruments” .
 - (2) Assessed the forward-looking scenarios and their respective weights adopted by the management.
6. Assessed cases in stage 3 (credit impaired) with material amounts that were previously assessed individually.
7. Assessed whether the provision for impairments is in compliance with relevant regulations of the competent authorities.

Fair value measurement of unlisted stocks without an active market

Description

For the accounting policy for unlisted stocks without an active market (included in financial assets at fair value through other comprehensive income), please refer to Note 4(7); for critical accounting judgements, estimates, and assumption uncertainty of unlisted stocks without an active market, please refer to Note 5(2). For information on unlisted stocks of financial assets at fair value through other comprehensive income (Level 3), which amounted to NTD\$13,197,762 thousand, as at December 31, 2025, please refer to Notes 6(4) and 12(1)E.

The fair value of unlisted stocks held by the Bank and its subsidiaries is determined by valuation methods since these financial instruments have no quoted prices from active market. Management primarily relies on valuation reports prepared by management’s expert for the fair value measurement of these financial instruments. These measurements are largely based on comparable listed companies in similar industries or recently published market multiples and subsequently discounted according to market liquidity or specified risk.

The aforementioned fair value measurement of unlisted stocks includes the determination of assumptions and parameters adopted in valuation models and methods. Because this involves subjective judgements and various assumptions and estimates, we have included the fair value measurement of stocks of unlisted companies with no active market as one of the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

1. Understood and assessed the related written policies, internal control system, fair value measurement models and methodologies, and approval process of the fair value measurement of unlisted stocks.
2. Reviewed whether the expert's report has been evaluated and approved by management and assessed the reasonableness of the evaluation results.
3. Understood and assessed the independence, professionalism, and competence of management expert.
4. Evaluated whether the valuation model and methods used by the management expert are appropriate and widely used in the industry; evaluated the reasonableness of the expert's selection of comparable companies; and sampled and agreed the parameters used in the valuation methods to relevant supporting documents.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of First Commercial Bank, Ltd. as at and for the years ended December 31, 2025 and 2024.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 Bank and its subsidiaries' 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 Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 professional skepticism throughout the audit. We also:

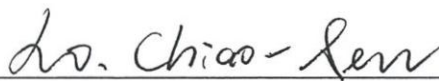
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 Bank and its subsidiaries' 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 Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Bank and its subsidiaries audit. We remain solely responsible for our audit opinion.

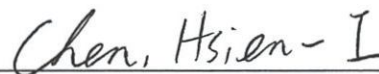
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or 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.



Lo, Chiao-Sen



Chen, Hsien-I

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2026

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or standards on auditing of the Republic of China, and their applications in practice.

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes	December 31, 2025		December 31, 2024	
			AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 73,357,612	1	\$ 57,042,817	1
11500	Due from the central bank and call loans to banks	6(2) and 7	332,814,519	7	307,495,238	7
12000	Financial assets at fair value through profit or loss	6(3) and 7	200,511,579	4	170,826,621	4
12100	Financial assets at fair value through other comprehensive income	6(4) and 8	416,913,625	9	394,966,520	9
12200	Investments in debt instruments at amortised cost	6(5) and 8	953,488,131	20	891,643,999	19
12500	Securities purchased under resell agreements	6(6)	3,444,800	-	2,622,080	-
13000	Receivables, net	6(7)	54,680,860	1	50,451,087	1
13200	Current tax assets		1,123,632	-	1,052,702	-
13500	Discounts and loans, net	6(8) and 7	2,792,737,443	57	2,630,535,508	58
15000	Investments measured by equity method, net	6(9)	3,016,164	-	3,087,378	-
15500	Other financial assets, net		307,173	-	270,358	-
18500	Property and equipment, net	6(10)	27,138,640	1	26,898,919	1
18600	Right-of-use assets, net	6(11)	2,647,681	-	2,613,121	-
18700	Investment property, net	6(13)	7,181,806	-	7,190,910	-
19000	Intangible assets, net		974,531	-	925,144	-
19300	Deferred tax assets	6(36)	4,698,486	-	4,891,599	-
19500	Other assets, net	6(14) and 8	4,064,337	-	3,861,772	-
	Total assets		<u>\$ 4,879,101,019</u>	<u>100</u>	<u>\$ 4,556,375,773</u>	<u>100</u>

(Continued)

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2025		December 31, 2024		
		AMOUNT	%	AMOUNT	%	
21000	Deposits from the central bank and banks	6(15) and 7	\$ 390,441,307	8	\$ 315,267,631	7
21500	Due to the central bank and banks		180,000	-	2,183,708	-
22000	Financial liabilities at fair value through profit or loss	6(16) and 7	10,642,087	1	11,598,441	-
22500	Notes and bonds issued under repurchase agreement	6(17)	8,615,968	-	25,004,172	1
23000	Payables	6(18)	41,327,619	1	43,866,138	1
23200	Current tax liabilities	7	3,602,717	-	3,285,499	-
23500	Deposits and remittances	6(19) and 7	3,960,627,525	81	3,715,726,202	82
24000	Bank notes payable	6(20)	55,800,000	1	60,650,000	1
25500	Other financial liabilities	6(21)	76,132,286	2	76,516,525	2
25600	Provisions	6(22)	4,074,957	-	4,009,665	-
26000	Lease liabilities	7	2,526,930	-	2,466,852	-
29300	Deferred income tax liabilities	6(36)	7,774,130	-	8,347,325	-
29500	Other liabilities	6(23)	8,983,963	-	11,587,549	-
	Total Liabilities		<u>4,570,729,489</u>	<u>94</u>	<u>4,280,509,707</u>	<u>94</u>
	Equity					
31101	Common stock	6(24)	122,846,000	2	110,401,000	2
31500	Capital surplus	6(24)	34,470,351	1	34,470,351	1
32000	Retained earnings					
32001	Legal reserve	6(24)	86,819,654	2	79,558,287	2
32003	Special reserve	6(24)	4,040,146	-	4,040,146	-
32011	Unappropriated earnings	6(25)(38)	28,135,135	-	26,653,432	1
32500	Other equity interest	6(26)	32,060,244	1	20,742,850	-
	Total Equity		<u>308,371,530</u>	<u>6</u>	<u>275,866,066</u>	<u>6</u>
	Total Liabilities and Equity		<u>\$ 4,879,101,019</u>	<u>100</u>	<u>\$ 4,556,375,773</u>	<u>100</u>

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	For the years ended December 31,				Changes Percentage (%)
		2025		2024		
		AMOUNT	%	AMOUNT	%	
41000	Interest income	\$ 115,119,601	171	\$ 114,507,844	180	1
51000	Interest expense	(82,574,666)	(123)	(85,394,279)	(134)	(3)
	Net interest revenue	32,544,935	48	29,113,565	46	12
	Net revenue other than interest					
49100	Net service fee revenue	13,096,081	20	11,990,278	19	9
49200	Gain on financial assets or liabilities measured at fair value through profit or loss	17,847,522	27	19,187,281	30	(7)
43100	Realized gains on financial assets at fair value through other comprehensive income	2,258,077	3	1,295,901	2	74
43600	Losses arising from derecognition of financial assets measured at amortised cost	(412,534)	(1)	(477,230)	(1)	(14)
45000	Impairment reversals (losses) on assets	124,126	-	(155,546)	-	(180)
49750	Share of (loss) profit of associates accounted for using equity method	(45,972)	-	108,021	-	(143)
49600	Foreign exchange gain	1,483,534	2	1,745,297	3	(15)
49800	Net other revenue other than interest income	528,431	1	930,137	1	(43)
	Net revenue	67,424,200	100	63,737,704	100	6
58200	Bad debt expense, commitment and guarantee liability provision	(6,271,729)	(9)	(5,759,148)	(9)	9
	Operating expense					
58500	Employee benefits expense	(18,227,761)	(27)	(17,551,549)	(28)	4
59000	Depreciation and amortization expense	(2,200,139)	(3)	(2,177,157)	(3)	1
59500	Other general and administrative expense	(9,077,691)	(14)	(8,797,374)	(14)	3
61001	Profit from continuing operations before tax	31,646,880	47	29,452,476	46	7
61003	Income tax expense	(5,983,962)	(9)	(5,645,991)	(9)	6
64000	Profit	\$ 25,662,918	38	\$ 23,806,485	37	8

(Continued)

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	For the years ended December 31,				Changes Percentage (%)	
		2025		2024			
		AMOUNT	%	AMOUNT	%		
Other comprehensive income, net of tax							
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax							
65201	Gains on remeasurements of defined benefit plans	6(22)	\$ 324,488	-	\$ 426,696	1	(24)
65204	Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	6(26)	6,661,715	10	5,973,200	9	12
65205	Change in fair value of financial liability designated as at FVTPL attributable to change in credit risk of liability	6(26)	(14,517)	-	8,475	-	(271)
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(36)	(64,897)	-	(85,339)	-	(24)
Components of other comprehensive income that will be reclassified to profit or loss, net of tax							
65301	Exchange differences on translation	6(26)	(1,591,198)	(2)	4,024,617	6	(140)
65306	Share of other comprehensive gain (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(9)(26)	124,447	-	(97,418)	-	(228)
65308	Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(26)	6,184,785	9	(4,830,722)	(7)	(228)
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(26)	(21,289)	-	(83,800)	-	(75)
65000	Other comprehensive income, net of tax		\$ 11,603,534	17	\$ 5,335,709	9	117
Total comprehensive income, net of tax							
Profit, attributable to:							
67101	Owners of parent	6(37)	\$ 25,662,918	38	\$ 23,806,485	37	8
Comprehensive income, attributable to:							
67301	Owners of parent		\$ 37,266,452	55	\$ 29,142,194	46	28
Basic and diluted earnings per share (In New Taiwan dollars)							
Basic and diluted earnings per share							
			\$ 2.09		\$ 1.94		

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent								
	Retained earnings					Other equity interest			Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Gain or loss on financial assets at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	
Year 2024									
Equity at beginning of year	\$ 102,165,000	\$ 34,470,351	\$ 73,161,890	\$ 4,106,928	\$ 23,770,746	(\$ 1,385,506)	\$ 17,184,463	\$ -	\$ 253,473,872
Profit	-	-	-	-	23,806,485	-	-	-	23,806,485
Other comprehensive income	-	-	-	-	341,357	3,927,199	1,058,678	8,475	5,335,709
Total comprehensive income	-	-	-	-	24,147,842	3,927,199	1,058,678	8,475	29,142,194
Appropriation and distribution of retained earnings									
Legal reserve appropriated	-	-	6,396,397	-	(6,396,397)	-	-	-	-
Special reserve appropriated	-	-	-	(60,526)	60,526	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(6,750,000)	-	-	-	(6,750,000)
Stock dividends of ordinary share	8,236,000	-	-	-	(8,236,000)	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	50,459	-	(50,459)	-	-
Reversal of special reserve	-	-	-	(6,256)	6,256	-	-	-	-
Equity at end of year	<u>\$ 110,401,000</u>	<u>\$ 34,470,351</u>	<u>\$ 79,558,287</u>	<u>\$ 4,040,146</u>	<u>\$ 26,653,432</u>	<u>\$ 2,541,693</u>	<u>\$ 18,192,682</u>	<u>\$ 8,475</u>	<u>\$ 275,866,066</u>
Year 2025									
Equity at beginning of year	\$ 110,401,000	\$ 34,470,351	\$ 79,558,287	\$ 4,040,146	\$ 26,653,432	\$ 2,541,693	\$ 18,192,682	\$ 8,475	\$ 275,866,066
Impact of IAS 29	-	-	-	-	(260,988)	-	-	-	(260,988)
Profit	-	-	-	-	25,662,918	-	-	-	25,662,918
Other comprehensive income (loss)	-	-	-	-	259,591	(1,466,751)	12,825,211	(14,517)	11,603,534
Total comprehensive income (loss)	-	-	-	-	25,922,509	(1,466,751)	12,825,211	(14,517)	37,266,452
Appropriation and distribution of retained earnings									
Legal reserve appropriated	-	-	7,261,367	-	(7,261,367)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,500,000)	-	-	-	(4,500,000)
Stock dividends of ordinary share	12,445,000	-	-	-	(12,445,000)	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	26,549	-	(26,549)	-	-
Equity at end of year	<u>\$ 122,846,000</u>	<u>\$ 34,470,351</u>	<u>\$ 86,819,654</u>	<u>\$ 4,040,146</u>	<u>\$ 28,135,135</u>	<u>\$ 1,074,942</u>	<u>\$ 30,991,344</u>	<u>(\$ 6,042)</u>	<u>\$ 308,371,530</u>

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 31,646,880	\$ 29,452,476
Adjustments		
Adjustments to reconcile profit		
Provision for bad debt expense, commitment and guarantee liability	9,338,960	9,519,767
Depreciation expense of property and equipment	956,237	966,734
Depreciation expense of investment property	10,784	10,701
Depreciation expense of right-of-use assets	744,889	752,641
Amortization expense	488,229	447,081
Interest income	(115,119,601)	(114,507,844)
Interest expense	82,574,666	85,394,279
Dividend income	(2,161,717)	(1,846,565)
Share of loss (profit) of associates accounted for using equity method	45,972	(108,021)
Loss on retired property and equipment	3,861	6,049
Disposal gain recognized in profit or loss, property, plant and equipment	-	(306,992)
(Reversal of) impairment loss on assets	(124,126)	155,546
Gain on lease modification	(21,967)	(2,893)
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in due from the central bank	(3,421,854)	(9,615,917)
Increase in financial assets at fair value through profit or loss	(29,684,958)	(19,249,034)
Increase in financial assets at fair value through other comprehensive income	(9,095,987)	(47,503,500)
Increase in investments in debt instruments measured at amortised cost	(61,855,014)	(16,184,455)
Increase in receivables	(1,037,187)	(1,653,186)
Increase in discounts and loans	(170,662,268)	(237,254,117)
(Increase) decrease in other financial assets	(46,220)	485
Increase in other assets	(121,247)	(349,075)
Changes in operating liabilities		
Increase in deposits from the central bank and banks	75,173,676	36,200,476
Decrease in financial liabilities at fair value through profit or loss	(970,871)	(6,533,933)
Decrease in payables	(1,605,029)	(6,951,571)
Increase in deposits and remittances	244,901,323	194,319,157
Decrease in other financial liabilities	(384,239)	(3,019,791)
Decrease in provisions	(92,182)	(338,601)
(Decrease) increase in other liabilities	(2,603,586)	3,518,220
Cash flows generated from (used in) operations	46,877,424	(104,681,883)
Interest received	111,781,410	109,782,062
Interest paid	(83,506,999)	(81,298,687)
Dividends received	2,169,279	1,850,250
Income taxes paid	(6,203,942)	(6,761,525)
Net cash flows generated from (used in) operating activities	71,117,172	(81,109,783)

(Continued)

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2025	2024
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of property and equipment	(\$ 1,212,590)	(\$ 1,167,328)
Proceeds from disposal of property and equipment	-	47
Acquisition of intangible assets	(485,019)	(558,070)
Acquisition of investment properties	(1,680)	(2,947)
Proceeds from disposal of investment properties	-	325,962
Net cash flows used in investing activities	(1,699,289)	(1,402,336)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
(Decrease) increase in due to the central bank and banks	(2,003,708)	214,468
(Decrease) increase in notes and bonds issued under repurchase agreement	(16,388,204)	10,609,749
(Decrease) increase proceeds from issuing bank notes payable	(4,850,000)	8,300,000
Principal payments for lease liabilities	(631,997)	(722,713)
Cash dividends paid	(4,500,000)	(6,750,000)
Net cash flows (used in) generated from financing activities	(28,373,909)	11,651,504
Effect of exchange rate changes on cash and cash equivalents	(1,976,271)	3,895,599
Net increase (decrease) in cash and cash equivalents	39,067,703	(66,965,016)
Cash and cash equivalents at beginning of year	251,782,871	318,747,887
Cash and cash equivalents at end of year	\$ 290,850,574	\$ 251,782,871
The components of cash and cash equivalents		
Cash and cash equivalents reported in the balance sheet	\$ 73,375,582	\$ 57,057,400
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	214,030,192	192,103,391
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	3,444,800	2,622,080
Cash and cash equivalents at end of year	\$ 290,850,574	\$ 251,782,871

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(Expressed in thousands of New Taiwan dollars, Unless Otherwise Indicated)

1. History and Organization

(1) The Bank was incorporated in 1899 as a company limited by shares and had been a listed company since February 9, 1962. The Bank was privatised on January 22, 1998. On January 2, 2003, the Bank became a subsidiary of First Financial Holding Co., Ltd. (“FFHC”) through an exchange of shares. After the exchange of shares, the Bank ceased from being listed on the Taiwan Stock Exchange (“TSE”) but remains as a public company. As of December 31, 2025, the Bank’s operating units consist of Business Division, Trust Division, Offshore Banking Branch, as well as domestic and overseas branches.

(2) The Bank’s primary services are as follows:

- A. Engaging in business as prescribed under the Banking Law;
- B. Conducting trust business as authorised by the competent authorities;
- C. Concurrently engaging in insurance agency related businesses as a commercial bank pursuant to the Insurance Act;
- D. Establishing overseas branches to operate business approved by the local government; and
- E. Engaging in other businesses approved by the competent authorities.

(3) The Bank’s parent company is First Financial Holding Co., Ltd., which holds 100% of the Bank’s shares as of December 31, 2025.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on February 24, 2026.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2025 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 21, ‘Lack of exchangeability’	January 1, 2025

The above standards and interpretations have no significant impact to the Bank and its subsidiaries’ financial condition and financial performance based on the Bank and its subsidiaries’ assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Bank and its subsidiaries

New standards, interpretations and amendments endorsed by the FSC effective from 2026 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026

Except for the following, the above standards and interpretations have no significant impact to the Bank and its subsidiaries’ financial condition and financial performance based on the Bank and its subsidiaries’ assessment. The quantitative impact will be disclosed when the assessment is complete.

Amendments to IFRS 9 and IFRS 7, ‘Amendments to the classification and measurement of financial instruments’

- A. Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, covering contractual terms that can change cash flows based on contingent events (for example, interest rates linked to ESG targets), non-recourse features and contractually-linked instruments.
- B. Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets), including a qualitative description of the nature of the contingent event, quantitative information about the possible changes to contractual cash flows that could result from those contractual terms and the gross carrying amount of financial assets and amortised cost of financial liabilities subject to these contractual terms.
- C. Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception relating to the derecognition of a financial liability (or part of a financial liability) settled through an electronic payment system. Applying the exception, an entity is permitted to derecognise a financial liability before the settlement date if, and only if, the entity has initiated a payment instruction and specific conditions are met.

The conditions for the exception are that the entity making the payment does not have:

- (A) the practical ability to withdraw, stop or cancel the payment instruction;
 - (B) the practical ability to access the cash used for settlement; and
 - (C) significant settlement risk associated with the electronic payment system.
- D. Update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). The entity shall disclose the fair value of each class of investment and is no longer required to disclose the fair value of each investment. In addition, the amendments require the entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognised during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period; and any transfers of the cumulative gain or

loss within equity during the reporting period related to the investments derecognised during that reporting period.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</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 International Accounting Standards Board
IFRS 18, ‘Presentation and disclosure in financial statements’	January 1, 2027(Note)
IFRS 19, ‘Subsidiaries without public accountability: disclosures’	January 1, 2027
Amendments to IAS 21, ‘Translation to a Hyperinflationary Presentation Currency’	January 1, 2027

Note : The FSC has announced in a press release on September 25, 2025 that public companies will apply IFRS 18 starting from the fiscal year 2028. Additionally, entities can choose to adopt IFRS 18 earlier based on their requirements after the FSC endorses IFRS 18.

Except for the following, the above standards and interpretations have no significant impact to the Bank and its subsidiaries’ financial condition and financial performance based on the Bank and its subsidiaries’ assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 18, ‘Presentation and disclosure in financial statements’

IFRS 18, ‘Presentation and disclosure in financial statements’ replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

4. Summary of Material Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and the International Financial Reporting Standards, International Accounting Standards, IFRIC[®] Interpretations, and SIC[®] Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the financial assets or financial liabilities (including derivative instruments) measured at fair value, defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation and foreclosed assets (which are stated at the lower

of its carrying amount or fair value less costs to sell at the end of period), these consolidated financial statements have been prepared under the historical cost convention.

- B. The analysis of expense is classified based on the nature of expenses.
- C. The preparation of financial statements in conformity with IFRSs that came into effect as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank and its subsidiaries' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Principles for preparation of consolidated financial statements

- (A) The Bank and its subsidiaries prepare the consolidated financial statements by aggregating the Bank's and its subsidiaries assets, liabilities, revenues and expenses, which have been eliminated versus owners' equity during the consolidation. In addition, the financial statements of the Bank and its subsidiaries are made in the same reporting period. (Item included in the consolidated financial statements are not classified as current and non-current items.) Relevant items are arranged in order based on current and non-current nature.
- (B) A subsidiary refers to an investee that the Bank and its subsidiaries have controlling power over. The Bank and its subsidiaries have control over an investee if the following elements are met:
 - a. power over the relevant activities of the investee, i.e. the investor has voting rights or other existing rights that give it the ability to direct the relevant activities;
 - b. exposure, or rights, to variable returns from its involvement with the investee;
 - c. the ability to use its power over the investee to affect the amount of the investor's returns.
- (C) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Bank and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Bank and its subsidiaries.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Business activities	Percentage of holding shares (%)	
			December 31, 2025	December 31, 2024
FCB	First Commercial Bank (USA)	Banking services	100	100
FCB	FCB Leasing Co., Ltd. (FCBL)	Leasing(Note)	100	100

Note : FCBL was approved for establishment in May 1998. Its main business includes chattel guarantees and related repo trades, lease businesses, and receivable factoring.

C. Subsidiaries not included in the consolidated financial statements:

Investor	Subsidiary	Business activities	Percentage of holding shares (%)		Note
			December 31, 2025	December 31, 2024	
FCBL	First Financial Assets Management (B.V.I) Ltd.	Note 2	100	100	Note 1
	FCBL Capital International (B.V.I) Ltd.	Note 3	100	100	Note 1

Note 1: Since the aforementioned subsidiaries' assets and net income do not account for a sizable fraction of consolidated assets and consolidated net income, they are considered immaterial in the preparation of the consolidated financial statements. Therefore, the Bank believes that excluding these subsidiaries does not affect the overall presentation of the consolidated financial statements.

Note 2: The main business activities include financial institution creditors' rights (money) debt and accounts receivable purchase business, as well as real estate trading business, etc.

Note 3: The primary activities include operating chattel mortgage and conditional sale, leasing business, and accounts receivable purchase business.

D. Adjustment on different accounting periods of the subsidiaries: None.

E. Information with respect to the subsidiaries' significant restriction to transfer its funds to the parent company: None.

F. Specific operation risks of the foreign subsidiaries: None.

G. Restrictions on earnings distribution of subsidiaries: None.

(4) Foreign currency translation

A. Functional and presentation currency

Financial statements of the entities in the Bank and its subsidiaries are presented by the currency of the primary economic environment in which the entities operate (that is the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars.

B. Transactions and balances

Foreign currency transactions denominated in a foreign currency or required to settle in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign currency monetary items should be reported using the closing rate (market exchange rate) at the date of each balance sheet. When multiple exchange rates are available for use, they should be reported using the rate that would be used to settle the future cash flows of the foreign currency transactions or balances at the measurement date. Foreign currency non-monetary items measured at historical cost should be reported using the exchange rate at the date of the transaction. Foreign currency non-monetary items measured at fair value should be reported at the rate that existed when the fair values were determined.

Exchange differences arising when foreign currency transactions are settled or when monetary items are translated at rates different from those at which they were translated when initially recognised or in previous financial statements are reported in profit or loss in the period, with one exception. The exception is that exchange differences associated with the gains or losses of the parts of effective hedges of cash flow hedges or hedges of net investments in foreign operations are recognised in other comprehensive income.

If a gain or loss on a non-monetary item is recognised in other comprehensive income, any foreign exchange component of that gain or loss is also recognised in other comprehensive income. Conversely, if a gain or loss on a non-monetary item is recognised in profit or loss, any foreign exchange component of that gain or loss is also recognised in profit or loss.

C. Translation of foreign operations

If the Bank and its subsidiaries have a functional currency (not in an economy with high inflation) that is different from their presentation currency in the consolidated financial statements, its operating results and financial position are translated into the presentation currency using the following procedures:

- (A) Assets and liabilities presented are translated using the Bank's closing exchange rate at the balance sheet date;
- (B) Profit or loss presented is translated using the current average exchange rate (if exchange rates in the period fluctuate rapidly, then translations use the exchange rates of the dates of transaction); and
- (C) All exchange differences arising from translation are recognised in other comprehensive income.

Exchange differences arising from the above-mentioned procedures are recognised as "Exchange differences on translation of foreign financial statements" under equity.

When preparing consolidated financial statements, exchange differences arising from the translation of the net investment in foreign operations and monetary hedges considered a part of those net investments are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, related exchange differences that were originally recorded in other comprehensive income are reclassified to profit or loss.

(5) Cash and cash equivalents

"Cash and cash equivalents" in the consolidated balance sheet includes cash on hand, due from other banks, short-term highly liquid time deposits and investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. For the consolidated statement of cash flows, cash includes cash and cash equivalents, due from central bank and call loans to other banks, securities purchased under resell agreements qualified as cash and cash equivalents as defined by IAS 7.

(6) Securities purchased or sold under resell or repurchase agreements

The transactions of bills and bonds with a condition of repurchase agreement or resell agreement are accounted under the financing method. The interest expense and interest income are recognised as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognised at the date of sale or purchase.

(7) Financial assets and financial liabilities

The financial assets and liabilities of the Bank and its subsidiaries including derivatives are recognised in the consolidated balance sheet and are properly classified in accordance with IFRSs as endorsed by FSC.

A. Financial assets

All financial assets held by the Bank and its subsidiaries are classified according to the business model and characteristics of the contractual cash flows of the underlying asset. The categories are: "discounts and loans", "receivables", "financial assets at fair value through profit or loss", "financial assets at fair value through other comprehensive income", and "investments in debt

instruments at amortised cost”.

Business model refers to the method by which the Bank and its subsidiaries manage the financial assets to generate cash flows, which originates from collecting contractual cash flows, selling financial assets, or both. When determining whether the contractual cash flows of the asset are solely payments of principal and interest on principal amount outstanding, the Bank and its subsidiaries assess whether the contractual cash flows are consistent with those required in a basic loan agreement. In other words, the Bank and its subsidiaries determine whether interest is solely based on the time value of money, credit risk related to the principal amount outstanding on specified dates, other risks and costs associated with the basic loan agreement, and marginal profits consideration.

(A) Regular purchase or sale

Financial assets held by the Bank and its subsidiaries, regardless of type or accounting classification, are all accounted for using trade date accounting by convention at the time of purchase or sale.

(B) Discounts and loans

Discounts and loans consist of export bills negotiation, export bills discount, loans, and non-accrual loans transferred from loans. Discounts and loans are measured at amortised cost using the effective interest rate method. Measurement at initial investment amount is allowed if effect of discounting is immaterial.

If a discounts and loans held by the Bank and its subsidiaries is renegotiated or has its terms modified due to financial difficulties of the borrower, so that it is required to be derecognised entirely or partially in accordance with IFRS 9, the old financial asset should be derecognised, and a new financial asset and related gains or losses should be recognised.

If discounts and loans held by the Bank and its subsidiaries are renegotiated or has its terms modified due to financial difficulties of the borrower and the renegotiation and modification do not lead to financial assets derecognized, or if renegotiations or modification of terms are for reasons other than financial difficulties, which rarely results in the derecognition of the asset, the carrying amount of the asset should be recalculated and resulting gains or losses should be recognised in profit or loss.

(C) Receivables

Receivables include those originated and those not originated by the Bank and its subsidiaries. The former originated directly from money, products or services that the Bank and its subsidiaries provided to the debtors, while the latter refers to all other kinds of receivables. Receivables are measured at amortised cost using the effective interest rate method. However, short-term receivables without bearing interest are measured at initial invoice amount if the effect of discounting is immaterial.

(D) Financial assets at fair value through profit or loss

a. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

b. At initial recognition, the Bank and its subsidiaries measure the financial assets at fair value and recognise the transaction costs in profit or loss. The Bank and its subsidiaries subsequently measure the financial assets at fair value, and recognise the gain or loss in profit or loss.

- c. The Bank and its subsidiaries recognise the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Bank and its subsidiaries and the amount of the dividend can be measured reliably.
- (E) Financial assets at fair value through other comprehensive income
- a. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Bank and its subsidiaries have made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Bank and its subsidiaries' business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
 - b. At initial recognition, the Bank and its subsidiaries measure the financial assets at fair value plus transaction costs. The Bank and its subsidiaries subsequently measure the financial assets at fair value:
 - (a) The changes in fair value of equity instruments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Bank and its subsidiaries and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- (F) Investments in debt instruments at amortised cost
- a. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Bank and its subsidiaries' business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
 - b. At initial recognition, the Bank and its subsidiaries measure the financial assets at fair value plus transaction costs. Interest income from these financial assets is amortised to profit or loss over the period of bond circulation using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised.
 - c. The Bank and its subsidiaries' time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(G) Reclassification of financial assets

Excluding equity instruments and financial assets designated as at fair value through profit or loss that cannot be reclassified, the Bank and its subsidiaries reclassify certain financial assets when there is a change in the business model used to manage the assets. The reclassification of the asset is applied prospectively from the reclassification date, and previously recognised gains, losses (including impairment or reversal of gains), and interest income cannot be restated.

(H) Derecognition of financial assets

The Bank and its subsidiaries derecognise a financial asset when one of the following conditions is met:

- a. The contractual rights to receive the cash flows from the financial asset expire.
- b. The contractual rights to receive cash flows of the financial asset have been transferred and the Bank and its subsidiaries have transferred substantially all risks and rewards of ownership of the financial asset.
- c. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Bank and its subsidiaries have not retained control of the financial asset.

B. Financial liabilities

Financial liabilities held by the Bank and its subsidiaries include financial liabilities at fair value through profit and loss and financial liabilities measured at amortised cost.

(A) Financial liabilities at fair value through profit and loss

These include financial liabilities held for trading and those designated as financial liabilities at fair value through profit and loss.

Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- a. Hybrid (combined) contracts; or
- b. They eliminate or significantly reduce a measurement or recognition inconsistency; or
- c. They are managed and their performance is evaluated on a fair value basis in accordance with documented risk management policy or investment strategy.

At initial recognition, the Bank and its subsidiaries measure the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Bank and its subsidiaries subsequently measure these financial liabilities at fair value with any gain or loss recognised in profit or loss.

If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(B) Financial liabilities carried at amortised cost

Financial liabilities, which are not classified as financial liabilities at fair value through profit or loss, or financial guarantee contract, all belong to financial liabilities at amortised cost.

(C) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(8) Offsetting financial instruments

Financial assets and financial liabilities are offset and reported in the net amount in the balance sheet only when (1) there is a legally enforceable right to offset the recognised amounts; and (2) there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(9) Impairment of financial assets

For discounts and loans, receivables, debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, other financial assets, loan commitments and financial guarantee contracts, at each reporting date, after taking into consideration all reasonable and verifiable information that includes forward-looking information, the Bank and its subsidiaries recognise the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognise the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has significantly increased since initial recognition or credit has been impaired. In measuring the expected credit losses of a financial asset, the Bank and its subsidiaries must reflect the following:

- A. Unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- B. Discounting for the time value of money.
- C. Reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions (available at reporting date without undue cost or effort).

At the balance sheet date, impairment loss of credit assets should be evaluated in accordance with relevant regulations such as "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", Jin-Guan-Yin-Guo-Zi No. 10300329440 issued on December 4, 2014 (related to strengthening the ability of domestic banks to bear risks of real estate loans) and Jin-Guan-Yin-Fa-Zi No. 10410001840 issued on April 23, 2015 (related strengthening the management of domestic banks risk exposure in Mainland China and the risk bearing capacity), and the International Financial Reporting Standard 9 ("IFRS 9"). Between the allowance amount required by the relevant regulations and the allowance amount calculated under IFRS 9, the greater amount should be recorded, and the credit asset should be presented net of such allowance amount.

Loss allowance of lease receivables is measured by lifetime expected credit losses.

(10) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are

closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(11) Investments measured by equity method

Investments measured by equity method of the Bank and its subsidiaries refers to investments in associates.

- A. Associates are all entities over which the Bank and its subsidiaries have significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Bank's and its subsidiaries' share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Bank's and its subsidiaries' share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank and its subsidiaries does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Bank's ownership percentage of the associate, the Bank recognises the Bank's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains or losses on transactions between the Bank and its subsidiaries and its associates are eliminated to the extent of the Bank and its subsidiaries' interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Bank and its subsidiaries.
- E. When the Bank disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss on the same basis as would be used if the relevant assets or liabilities were directly disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(12) Property and equipment

The property and equipment of the Bank and its subsidiaries are recognised on the basis of the historical cost less accumulated depreciation. The historical cost includes any cost directly attributable to the acquisition of the asset.

If the future economic benefit generated from subsequent cost of the asset can be measured reliably and is very likely to flow into the Bank and its subsidiaries, the subsequent cost of property and equipment including the carrying amount may be individually recognised as asset. Additionally, the carrying amounts of a replaced item are derecognised.

Major renewals and improvements incurred to increase the future economic benefits of the assets are deemed as capital expenditure. Routine maintenance and repairs are charged to expense as

incurred.

Land is not affected by depreciation. Depreciation for other assets is measured on a straight-line basis over the estimated service lives of the assets until salvage value. Service life is as follows:

Land and improvements	3 ~ 30 years
Buildings and structures (including ancillary equipment)	5 ~ 55 years
Transportation equipment	5 ~ 10 years
Machinery and computer equipment	3 ~ 4 years
Miscellaneous assets	5 ~ 17 years

Leasehold improvements are depreciated over the lease terms of the lease agreements or 5 years.

On balance sheet date, the Bank and its subsidiaries assess or appropriately adjusts the salvage value and service life of the asset. When there is an activity or change in the environment suggesting that the carrying amount may not be recovered, the Bank and its subsidiaries shall evaluate impairment on the asset. If the carrying amount of the asset is higher than the recoverable amount, the carrying amount shall be written off until it is equivalent to the recoverable amount. The recoverable amount is the higher of asset at fair value less disposal expense and value in use. Any gain or loss on disposal is calculated by the difference between the carrying amount and proceeds on disposal, and is recognised in the “Net other revenue other than interest income” in the statement of comprehensive income.

(13) Investment property

The properties held by the Bank and its subsidiaries, with an intention to obtain long-term rental profit or capital increase or both and not being used by other entities of the consolidated the Bank and its subsidiaries, are classified as investment property. Investment property includes the office building and land rented in the form of an operating lease.

Part of the property may be held by the Bank and its subsidiaries and another part generates rental income or capital increase. If the property held by the Bank and its subsidiaries can be sold individually, then the accounting treatment should be made separately. IAS 16 as endorsed by FSC applies to the self-used property, and property used to generate rental income or capital increase or both is applicable for investment property set out in IAS 40 as endorsed by FSC. If each part of the property cannot be sold individually and the self-used proportion is not material, then the entire property is deemed as investment property.

When the future economic benefit related to the investment property is very likely to flow into the Bank and its subsidiaries and the costs can be reliably measured, the investment property shall be recognised as assets. When the future economic benefit generated from subsequent costs is very likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalised. All maintenance costs are recognised as incurred in the consolidated statement of comprehensive income.

Investment property is subsequently measured by cost model. Depreciated cost is used to calculate amortization expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable to property and equipment. The fair value of investment property is disclosed in the financial statements at the balance sheet date, of which the valuation should be carried out by the appraisal segment of the Bank and its subsidiaries based on the internal appraisal guidelines.

(14) Foreclosed assets

Foreclosed properties are stated at the lower of its carrying amount or fair value less costs to sell at the end of period.

(15) Leasing arrangements (lessor)-lease receivables/operating leases

When the Bank and its subsidiaries are the lessor, please refer to Note 4(13) for the accounting treatment of the leased assets satisfying investment property set out in IAS 40, "Investment Property".

The lease contracts of the Bank and its subsidiaries include operating leases and finance leases.

A. Operating lease

Rental receivable from the operating lease is calculated through straight-line method based on the lease term, which are recognised as "net other revenue other than interest income".

B. Finance lease

The asset is derecognised when the finance lease contract is signed and the present value of lease payment is recognised as lease receivable. The difference between the total lease receivable and present value is recognised as unrealised interest income, and transferred to interest income as incurred at the end of the period based on accrual basis accounting. Rental income is calculated based on remaining lease payment receivable using the embedded interest rate or incremental borrowing interest rate and recognised as current gain and loss.

(16) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Bank and its subsidiaries. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(A) Fixed payments, less any lease incentives receivable; and

(B) Variable lease payments that depend on an index or a rate.

The Bank and its subsidiaries subsequently measure the lease liability at amortised cost using the interest method and recognise interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(A) The amount of the initial measurement of lease liability;

(B) Any lease payments made at or before the commencement date;

(C) Any initial direct costs incurred by the lessee; and

(D) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liabilities in profit or loss.

(17) Intangible assets

The intangible assets of the Bank and its subsidiaries consist of computer software expenditures, which are recognised by cost and amortised through straight-line method over its economic useful life.

Subsequent measurements are based on the cost model.

(18) Impairment of non-financial assets

When there is any evidence indicating a possible impairment, the Bank and its subsidiaries immediately perform impairment tests in relation to the assets applicable for IAS 36, “Impairment of Assets”.

If the testing result of the cash-generating unit of an asset or an individual asset suggests that the recoverable amount is less than the carrying amount, impairment loss is recognised. Recoverable amount refers to the higher of an asset’s fair value less its cost or value in use. Reassess the recoverable amount of an asset when there is an indication that the impairment loss recognised in the prior period decreases or does not exist anymore. If there is any change in the estimated recoverable amount and result in an increase, asset impairment is reversed to the extent that the carrying amounts shall not exceed what the carrying amounts after deducting depreciation or amortization would have been if the impairment had not been recognised.

(19) Provisions, contingent liabilities, and contingent assets

The Bank and its subsidiaries recognise liabilities when all of the following three conditions are met :

- A. present obligation (legal or constructive) has arisen as a result of past event; and
- B. the outflow of economic benefits is highly probable upon settlement; and
- C. the amount is reliably measurable.

The outflow of economic benefit as a result of settlement is determined based on the overall obligation when there are several similar obligations. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised.

Measurements for provisions are at discounted present value of expenditure for settlement obligation using a pre-tax discount rate with timely adjustment made that reflects the current market assessments of the time value of money and the risks specific to the liabilities.

Contingent liability is a possible obligation that arises from a past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and its subsidiaries. Or it could be a present obligation as a result of a past event but the payment is not probable or the amount cannot be measured reliably. The Bank and its subsidiaries did not recognise any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

Contingent asset is a possible asset that arises from a past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and its subsidiaries. The Bank and its subsidiaries did not recognise any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

(20) Financial guarantee contract and loan commitments

A financial guarantee contract is a contract that requires the Bank and its subsidiaries to make specified payments to reimburse the holder for a loss which is incurred owing that a specified debtor fails to make payment when they are due in accordance with the original or modified terms of a debt instrument.

The Bank and its subsidiaries initially recognises financial guarantee contracts at fair value on the date of issuance granted. The Bank and its subsidiaries charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognised in deferred accounts and amortised through straight-line method during the contract term.

Subsequently, the Bank and its subsidiaries should measure the contract at the higher of:

- A. Loss allowance recognised in accordance with IFRS 9, as endorsed by the FSC; and
- B. The amount initially recognised less, when appropriate, cumulative gains recognised in accordance with IFRS 15.

Impairment loss of the aforementioned guarantee policy reserve is assessed in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and IFRS 9, and the greater of the two amounts is recorded as provision.

Expected credit losses are recognised for loan commitments of the Bank and its subsidiaries, and the measurement of expect credit losses is described in Note 4(9).

Provision for credit losses is recognised for loan commitments and financial guarantee contracts. If a financial instrument includes a loan (financial asset) and undrawn commitment component (loan commitment), and if the Bank and its subsidiaries cannot separate the expected credit losses of the loan from that of the loan commitment, the expected credit loss of the loan commitment is recognised along with that of the financial asset. The amount of the total credit loss in excess of the carrying amount of the financial asset should be recognised as a provision.

The increase in liabilities due to financial guarantee contract and loan commitments is recognised in “bad debt expense, commitment and guarantee liabilities provision”.

(21) Employee benefits

A. Short-term employee benefits

The Bank and its subsidiaries recognise undiscounted short-term employee benefits due in the future as expenses during the period that the employees render service.

B. Employee preferential deposit

The Bank provides preferential interest rate for employees, including flat preferential savings rate for current employees and retired employees. The difference gap compared to market interest rate is deemed as employee benefits.

According to Regulations Governing the Preparation of Financial Statements by Public Banks, the preferential interest paid to current employees is calculated based on accrual basis, and the difference between the preferential interest and the market interest is recognised under “employee benefit expense”. According to Article 30 of Regulations Governing the Preparation

of Financial Statements by Public Banks, the interest rate upon retirement agreed with the employees which exceeds general market interest rate is actualized in accordance with IAS 19, Defined Benefit Plan, as endorsed by FSC. However, various parameters should be in compliance with competent authorities if indicated otherwise.

C. Termination benefit

Termination benefit is paid to the employee being terminated who is not yet eligible for retirement or as a result of voluntary termination in exchange of termination benefit. The Bank and its subsidiaries have made commitments in the formal detailed employment termination plan which is irrevocable, and recognises liabilities when providing termination benefit to employees who voluntarily dismiss. Termination benefit paid 12 months after the financial reporting date should be discounted.

D. Post-employment benefit

The Bank and its subsidiaries adopt both defined benefit plan and defined contribution plan. Overseas branches and subsidiaries adopt defined benefit plans based on regulations of the country in which the entities operate.

The pension in each period is recognised as pension cost in the period as incurred. Prepaid pension assets can only be recognised in the range of refundable cash or decrease in future payment.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have approximate duration of the related pension liability.

Remeasurement of defined benefit plan includes: (1) actuarial gains and losses; (2) return on plan assets, but not including amounts already included in net interest of net defined benefit liabilities (assets); and (3) any changes in effect of asset ceiling, but not including amounts already included in net interest of defined benefit plan. The Bank and its subsidiaries choose to categorise remeasurement of defined benefit plan under retained earnings.

Any actuarial gains and losses on pension of the defined benefit plan are all recognised in other comprehensive income. Past service cost is recognised immediately in profit in the period incurred.

E. Employees' compensation

Employees' compensation is recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' remuneration is different from the actual distributed amounts as resolved, the differences should be recognised based on the accounting for changes in estimates.

(22) Income and expense

Income and expense of the Bank and its subsidiaries are recognised as incurred. Expense consists of employee benefit expense, depreciation and amortization expense and other business and administration expenses. Dividends revenue is recognised in the consolidated statements of

comprehensive income when the dividends-collecting right for the Bank and its subsidiaries is established. However, interest income is recognised on a cash basis upon receiving the interest when (1) reclassified as non-accrual loans; and (2) interest due to a bailout and negotiations to extend the maturity is not recognised as interest income but recorded in the memo accounts.

- A. Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expense generated from interest-bearing financial assets are calculated by effective interest according to relevant regulation and recognised as “interest income” and “interest expense” in the consolidated statements of comprehensive income.
- B. Handling fees and expenses are recognised when cash is received, or the earning process is substantially completed; service fee earned from performing significant items shall be recognised upon the completion of the service, such as syndication loan service fee received from sponsor, handling fees and expenses of subsequent services of loans are amortised or included in the calculation of effective interest rate of loans and receivables during the service period. However, according to the Articles 10.8 and 10.11 of the “Regulation Governing the Preparation of Financial Reports by Public Banks”, the loans and receivables may be measured by the initial amounts if the effects on discount are insignificant.
- C. For more details on rental income of operating lease and unrealised interest income of finance lease in relation to lease business, please refer to Note 4(15).

(23) Income tax

A. Current tax

Income tax payable (refundable) is calculated on the basis of the tax laws enacted in the countries where the Bank and its subsidiaries operate and generate taxable income. Except for transactions or other matters that are directly recognised in other comprehensive income or equity, all the other transactions should be recognised as income or expense and recorded as gain and loss in the period. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

B. Deferred tax

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amount of assets and liabilities included in the consolidated balance sheet are calculated through liability method and recognised as deferred income tax. The temporary difference of the Bank and its subsidiaries mainly occurs due to the revaluation on the depreciation of property and equipment and certain financial instruments (including derivatives) and provision and transferring of the reserve for pension and other post-employment benefits. Deductible temporary difference within the scope that it is probable to offset taxable income is recognised as deferred tax assets.

Temporary difference related to the investees, branches and affiliated entities are recognised as deferred income tax liabilities. However, when the Bank and its subsidiaries are capable of controlling the time length required to reverse the temporary difference and the temporary difference is unlikely to reverse in the foreseeable future, the temporary difference is not recognised.

The land revaluation appraisal occurred due to the revaluation assessment in line with relevant regulations, deemed as taxable temporary difference, and is recognised as deferred income tax liabilities.

If the future taxable income is probable to be utilised as unused loss carryforwards or deferred income tax credit which can be realised in the future, the proportion of realization is deemed as deferred income tax assets.

C. Consolidated tax return

Pursuant to the provisions of Tai-Cai-Shui-Zi No. 910458039, ‘profit-seeking enterprises shall jointly declare and report profit-seeking enterprise income tax in accordance with Article 49 of the Financial Holding Company Act and Article 40 of the Business Mergers And Acquisitions Act’, in which where a financial holding company holds more than 90% of the outstanding issued shares of a domestic subsidiary, such a financial holding company may, for the tax year in which its such shareholding in the subsidiary has existed for the entire twelve months of the tax year, elect to be the tax payer itself, and jointly declare and report profit-seeking enterprise income tax. Thus, in accordance with the aforementioned Letter, the Bank along with its parent company, First Financial Holding Co., Ltd. (FFHC), and affiliated companies, First Securities Inc. (FS); First Securities Investment Trust Co., Ltd. (FSIT); First Financial Asset Management Co., Ltd.; First Venture Capital Co., Ltd.; and First Consulting Co., Ltd., elect to use a consolidated tax return for the declaration and reporting of their profit-seeking income tax and surplus retained earnings, as well as elect FFHC as the tax payer for the consolidated tax return.

The Bank along with its parent company and affiliates elected the consolidated tax return to jointly declare and report their income tax. Related reimbursements and disbursements are accounted for receivables or payables and are presented in net value when preparing the consolidated as financial statements.

D. Certain transactions of the Bank and its subsidiaries are recognised in other comprehensive income. The tax effects on these kinds of transactions are also recognised in other comprehensive income.

E. Current tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Share capital and dividends

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recorded in the Bank’s and its subsidiaries’ consolidated financial statements in the period in which they are resolved by the Bank’s and its subsidiaries’ Board of Directors in substitution for the stockholders. Cash dividends are recorded as liabilities, stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Operating segments

The Bank and its subsidiaries’ operating segment reports are consistent with the internal reports provided to the chief operating decision-maker (“CODM”). The CODM is a team that allocates resources to operating segments and evaluates their performance. The Bank and its subsidiaries’ CODM is the Bank and its subsidiaries’ Board of Directors.

(26) Hyperinflationary economies

If a hyperinflationary economy's currency serves as the functional currency of the Bank's overseas operations, those operations must first produce their financial statements using the current measuring unit as of the balance sheet date. Profit and loss for the current period should incorporate gains and losses from the net monetary position. The closing exchange rate on the balance sheet date should then be used to convert all amounts in the financial statements into the presentation currency. While exchange discrepancies resulting from the translation of financial statements are adjusted in other comprehensive income, the impact of restating the overseas operations' initial financial information into the current measuring unit is adjusted in retained earnings under equity. The New Taiwan Dollar, the Bank's presentation currency and functional currency, does not come from an economy with a high rate of inflation. As a result, the overseas operations' comparative period information presents at the amounts shown in the financial statements from the previous year.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The consolidated financial statements of the Bank and its subsidiaries may be affected by the adoption of accounting policies, accounting estimates and assumptions. Therefore, adoption of the significant accounting policies in Note 4 requires the management's judgment, estimate and assumption, which involves information of significant adjustment made on the carrying amount of assets and liabilities in the next financial statements due to lack of resources. Estimates and assumptions of the Bank and its subsidiaries are the best estimates in compliance with IFRS as endorsed by FSC. Estimate and assumptions are made on the basis of past experience and other elements deemed to be relevant. The Bank and its subsidiaries will continually monitor the estimates and assumptions.

Certain accounting policies and judgments of management could have significantly affected the recognised amounts in the consolidated financial statements. Details are as follows:

(1) Evaluation on financial instruments - debt instruments and derivatives

The Bank and its subsidiaries evaluate the financial instrument at fair value not traded in an active market or with no quoted price. The fair value may be estimated with reference to observable market price in the market if there is observable information of similar instruments. If not, fair value is calculated based on the appropriate evaluation models generally used in the market. The input used in the model should first primarily be based on the observable information in the market. However, in the event that certain information or input cannot be observed directly in the market and/or the model assumption itself is comparatively objective, then the measurement of financial instrument at fair value can be retrieved from historical data or other appropriate assumptions. Every valuation model of the Bank and its subsidiaries are assessed and tested on a regular basis to ensure the output can reflect actual information and the market price. Note 12(1)C provides the main assumptions used in determining the financial instruments at fair value. The competent authorities recognise that the valuation models and assumptions chosen can be appropriately used to determine the fair value of financial instruments.

(2) Evaluation on financial instruments - equity instruments

The fair value of unlisted stocks without active market held by the Bank and its subsidiaries are measured using valuation techniques that involve observable data or models of financial instruments with similar characteristics. If there are no observable inputs from the market, the fair value of the instrument is measured with appropriate assumptions. If fair value is determined by a valuation model, it should be calibrated so that the end result reflects actual data and market prices, and observable data should be used whenever it is possible.

The measurement of fair value is primarily calculated using recently published market multipliers of comparable publicly listed companies in similar industries, and discounted according to market liquidity and particularity of risk. Any changes in these judgements and estimates will impact the fair

value measurement of these unlisted stocks. Please refer to Note 12(1)C for the financial instruments fair value information.

(3) Expected credit losses

For debt instruments measured at fair value through other comprehensive income and financial assets measured at amortised cost, the measurement of expected credit losses uses complex models and multiple assumptions. These models and assumptions take into account future macro-economic conditions and credit behaviors of borrowers (e.g. probability of customer default and loss). Please refer to Note 12(2)C for detailed information on parameters, assumptions, and estimation methods used in measuring expected credit losses and disclosure of the sensitivity of credit loss to the aforementioned factors.

The measurement of expected credit losses according to applicable accounting rules involves significant judgement in several areas, for example:

- A. The criteria used to judge whether there is significant increase in credit risk.
- B. The selection of appropriate models and assumptions for measuring expected credit losses.
- C. Determining the forward-looking factors that are necessary for the measurement of expected credit losses for each type of product.
- D. For the purpose of measuring expected credit losses, classifying the financial instruments according to similar credit risk characteristics.

Judgements and estimations used in above expected credit losses, please refer to Note 12(2)C.

(4) Post-employment benefit

The present value of post-employment benefit obligation is based on actuarial result of various assumptions, through which any change could affect the carrying amount of post-employment benefit obligation.

Discount rate and future asset growth rate are included when determining the net pension cost (income), and the Bank and its subsidiaries decide the appropriate discount rate at the end of each year, which is used to calculate the estimated present value of future cash outflow of post-employment benefit obligation needed. The Bank and its subsidiaries should consider interest rate of government bonds of the same currency and maturity in order to determine the appropriate discount rate.

Other significant assumptions on post-employment benefit are made based on the current market situation.

6. Summary of significant accounts

(1) Cash and cash equivalents

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Cash on hand	\$ 13,710,000	\$ 25,967,989
Checks for clearance	5,724,130	5,965,265
Due from other banks	53,941,452	25,124,146
Less : Allowance for bad debts- due from other banks	(17,970)	(14,583)
Total	<u>\$ 73,357,612</u>	<u>\$ 57,042,817</u>

Information relating to credit risk is provided in Note 12(2) C.

(2) Due from the central bank and call loans to banks

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Reserve for deposits-account A	\$ 52,320,085	\$ 25,578,500
Reserve for deposits-account B	108,538,877	103,048,537
Inter-Bank clearing fund	32,381,268	29,462,601
Deposits of national treasury account	76,840	74,555
Deposits of overseas branches with foreign Central Banks	29,900,218	39,582,210
Reserve for deposits-foreign currency	676,067	734,384
Call loans and overdrafts to other banks	<u>108,976,647</u>	<u>109,040,560</u>
Subtotal	332,870,002	307,521,347
Less: Allowance for bad debt expense - call loans to banks	(55,483)	(26,109)
Total	<u>\$ 332,814,519</u>	<u>\$ 307,495,238</u>

- A. The Bank and its subsidiaries' reserve for deposits is required by the Banking Law and is determined by applying the reserve ratios set by the Central Bank to the monthly average balance of each type of deposit. The reserve amount is deposited in the reserve deposit account at the Central Bank. According to the regulations, such reserve for deposits - account B cannot be withdrawn except for monthly adjustments of the reserve for deposits.
- B. Amounts in conformity and not in conformity with cash and cash equivalents as defined by IAS No.7 were as follows :

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
In conformity with cash and cash equivalents as defined by IAS No.7	\$ 214,030,192	\$ 192,103,391
Not in conformity with cash and cash equivalents as defined by IAS No.7		
Reserve for deposits-account B	108,538,877	103,048,537
Deposits of overseas branches with foreign Central Banks (Note)	<u>10,300,933</u>	<u>12,369,419</u>
Total	<u>\$ 332,870,002</u>	<u>\$ 307,521,347</u>

Note: The deposits of overseas branches are reserves required by the respective local central banks. The deposits are restricted from deployment.

- C. Information relating to credit risk is provided in Note 12(2)C.

(3) Financial assets at fair value through profit or loss

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Financial assets mandatorily measured at fair value through profit or loss</u>		
Short-term bills	\$ 80,357,032	\$ 65,208,640
Stocks	205,954	186,838
Bonds (government bonds, bank debentures, and corporate bonds)	77,484,740	56,404,962
Others	6,455,355	7,349,550
Derivative instruments	23,883,761	27,703,234
Valuation adjustment	1,063,928	848,311
Subtotal	<u>189,450,770</u>	<u>157,701,535</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Bonds	9,076,125	11,505,062
Valuation adjustment	<u>1,984,684</u>	<u>1,620,024</u>
Subtotal	<u>11,060,809</u>	<u>13,125,086</u>
Total	<u>\$ 200,511,579</u>	<u>\$ 170,826,621</u>

A. Amounts recognised in profit or loss in relation to financial assets and financial liabilities at fair value through profit or loss are listed below:

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
Net gains and losses on financial assets mandatorily measured at fair value through profit or loss and financial liabilities held for trading	\$ 17,512,073	\$ 18,804,832
Net gains and losses on financial assets and liabilities designated as at fair value through profit or loss	<u>335,449</u>	<u>382,449</u>
Total	<u>\$ 17,847,522</u>	<u>\$ 19,187,281</u>

B. The financial instruments of the Bank and its subsidiaries designated at fair value through profit or loss upon initial recognition were designated to eliminate or reduce recognition inconsistency.

C. As of December 31, 2025 and 2024, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount of debt investments were \$170,007,529 and \$135,636,163, respectively; the maximum exposure to credit risk in respect of the amount of derivatives were \$23,883,761 and \$27,703,234, respectively.

D. As of December 31, 2025 and 2024, the fair value of the bonds designated as financial assets measured at fair value through profits or losses, which were under repurchase and resell agreement, were \$0 and \$622,915, respectively.

(4) Financial assets at fair value through other comprehensive income

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Debt instruments</u>		
Short-term bills	\$ -	\$ 653,150
Bonds	<u>357,745,288</u>	<u>350,347,537</u>
	357,745,288	351,000,687
Valuation adjustment	(1,343,644)	(7,533,047)
Subtotal	<u>356,401,644</u>	<u>343,467,640</u>
<u>Equity instruments</u>		
Stocks - listed	21,577,113	21,444,907
Stocks - unlisted	5,754,642	3,721,853
Other marketable securities	<u>847,368</u>	<u>634,428</u>
	28,179,123	25,801,188
Valuation adjustment	<u>32,332,858</u>	<u>25,697,692</u>
Subtotal	<u>60,511,981</u>	<u>51,498,880</u>
Total	<u>\$ 416,913,625</u>	<u>\$ 394,966,520</u>

- A. The Bank and its subsidiaries have selected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$60,511,981 and \$51,498,880 as of December 31, 2025 and 2024, respectively.
- B. In 2025 and 2024, in order to diversify risks, the Bank and its subsidiaries sold listed (OTC) stock investments with fair values of \$7,412,030 and \$4,190,911, respectively. The accumulated gains from disposals were \$26,549 and \$50,459, respectively.
- C. The Bank and subsidiaries' recognised dividend income in relation to the equity instruments at fair value through other comprehensive income in 2025 and 2024 amounted to \$2,158,013 and \$1,835,346, respectively. As of December 31, 2025 and 2024, those related to investment held at the end of the periods amounted to \$2,022,026 and \$1,680,082, respectively.
- D. Please refer to Note 8 for details of the above financial assets at fair value through other comprehensive income pledged as collateral as of December 31, 2025.
- E. As of December 31, 2025 and 2024, the fair value of the bonds as financial assets measured at fair value through other comprehensive income, which were under repurchase and resell agreement, amounted to \$7,515,566 and \$19,801,410, respectively.
- F. Information relating to credit risk is provided in Note 12(2)C.

(5) Investments in debt instruments at amortised cost

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Certificates of deposit purchased	\$ 662,055,000	\$ 641,110,800
Bonds	289,077,059	250,605,361
Short-term bills	<u>2,439,116</u>	<u>-</u>
Subtotal	953,571,175	891,716,161
Less: Accumulated impairment	(83,044)	(72,162)
Total	<u>\$ 953,488,131</u>	<u>\$ 891,643,999</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the year ended December 31, 2025	For the year ended December 31, 2024
Interest income	\$ 19,342,660	\$ 17,860,247
Impairment loss	(11,578)	(9,268)
Loss on disposal	(412,534)	(477,230)
	<u>\$ 18,918,548</u>	<u>\$ 17,373,749</u>

B. For the years ended December 31, 2025 and 2024, the Bank and its subsidiaries sold investments in debt instruments for risk management, and the loss on disposal amounted to \$412,534 and \$477,230, respectively.

C. Please refer to Note 8 for details of the above financial assets at amortised cost pledged as collateral as of December 31, 2025.

D. As of December 31, 2025 and 2024, the fair value of the bonds as investments in debt investments at amortised cost, which were under repurchase and resell agreement, amounted to \$1,261,809 and \$5,650,653, respectively.

E. Information relating to credit risk is provided in Note 12(2)C.

(6) Securities purchased under resell agreements

	December 31, 2025	December 31, 2024
Corporate bonds	\$ 3,144,800	\$ 2,522,300
Bank debentures	300,000	99,780
Total	<u>\$ 3,444,800</u>	<u>\$ 2,622,080</u>

As of December 31, 2025 and 2024, the fair value of the above bonds which were acquired as security for bills with a reverse repo and bond investment amounted to \$3,449,051 and \$2,623,633, respectively.

(7) Receivables, net

	December 31, 2025	December 31, 2024
Factoring receivable	\$ 1,607,259	\$ 1,991,188
Interest receivable	27,151,733	23,813,542
Acceptances receivable	4,317,048	5,460,782
Credit card accounts receivable	9,567,652	10,340,969
Installment accounts receivable	6,900,320	4,526,333
Other receivables	6,122,045	5,309,565
Subtotal	<u>55,666,057</u>	<u>51,442,379</u>
Less: Allowance for bad debts	(985,197)	(991,292)
Net amount	<u>\$ 54,680,860</u>	<u>\$ 50,451,087</u>

Information relating to credit risk is provided in Note 12(2)C.

(8) Discounts and loans, net

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Bills and notes discounted and overdrafts	\$ 1,721,474	\$ 2,311,649
Short-term loans	659,471,951	633,791,936
Medium-term loans	1,056,286,967	989,043,672
Long-term loans	1,110,583,251	1,037,602,473
Import-export bills negotiations	625,525	568,063
Loans transferred into non-accrual loans	5,203,359	4,275,805
Subtotal	2,833,892,527	2,667,593,598
Less: Allowance for bad debts	(41,155,084)	(37,058,090)
Net amount	<u>\$ 2,792,737,443</u>	<u>\$ 2,630,535,508</u>

A. Information relating to credit risk is provided in Note 12(2)C.

B. For the years ended December 31, 2025 and 2024, the recoveries of write-offs, which were accounted as deductions from bad debt expense were \$3,067,231 and \$3,760,619, respectively.

(9) Investments measured by equity method, net

A. Investments measured by equity method :

<u>Affiliated Companies</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
East Asia Real Estate Management Co., Ltd.	\$ 19,128	\$ 18,035
FCBL Capital International (B.V.I.) Ltd.	2,283,335	2,372,336
First Financial Assets Management (B.V.I.) Ltd.	713,701	697,007
Total	<u>\$ 3,016,164</u>	<u>\$ 3,087,378</u>

B. The Bank's and its subsidiaries' share of the operating results in all individually immaterial associates are summarised below:

	<u>For the year ended December 31, 2025</u>	<u>For the year ended December 31, 2024</u>
(Loss) gain from continuing operations	(\$ 45,972)	\$ 108,021
Other comprehensive gain (loss)	124,447	(97,418)
Total comprehensive income	<u>\$ 78,475</u>	<u>\$ 10,603</u>

C. Aside from East Asia Real Estate Management Co., Ltd. whose concurrent financial statements have not been audited by a certified public accountant (had the financial statements been audited, the Bank expects the effect to be immaterial), the profit or loss of affiliated companies for the years ended December 31, 2025 and 2024, accounted for by the Bank through the equity method are derived from concurrent financial statements of investees which have been audited and attested by a certified public accountant.

D. The Bank and its subsidiaries are the single largest shareholder of East Asia Real Estate Management Co., Ltd. with a 30% equity interest. Given that four other large shareholders (non-related parties) hold more shares than the Bank and its subsidiaries, which indicates that the Bank and its subsidiaries have no current ability to direct the relevant activities of East Asia Real Estate Management Co., Ltd., the Bank and its subsidiaries have no control, but only have significant influence, over the investee.

(10) Property and equipment, net

Changes in the property and equipment of the Bank and its subsidiaries for the years ended December 31, 2025 and 2024 are as follows:

	<u>Lands and land improvements</u>	<u>Buildings and structures</u>	<u>Machinery and computer equipment</u>	<u>Transportation and communication equipment</u>	<u>Miscellaneous equipment</u>	<u>Leasehold improvement</u>	<u>Unfinished construction and prepayments for equipment</u>	<u>Total</u>
<u>Cost</u>								
At January 1, 2025	\$19,187,935	\$14,057,497	\$ 3,246,984	\$ 869,745	\$ 2,413,531	\$ 1,138,999	\$ 184,848	\$41,099,539
Additions	208,052	166,410	296,909	66,725	100,118	28,608	345,768	1,212,590
Transfers	-	5,176	8,933	1,671	4,464	24,132	(44,376)	-
Transfers to intangible assets	-	-	-	-	-	-	(2,454)	(2,454)
Disposals	-	(730,781)	(205,695)	(25,467)	(53,422)	(81,916)	-	(1,097,281)
Foreign exchange	(2,455)	(2,209)	(5,103)	(2,059)	(3,890)	(16,006)	-	(31,722)
At December 31, 2025	<u>19,393,532</u>	<u>13,496,093</u>	<u>3,342,028</u>	<u>910,615</u>	<u>2,460,801</u>	<u>1,093,817</u>	<u>483,786</u>	<u>41,180,672</u>
<u>Accumulated depreciation</u>								
At January 1, 2025	-	(8,281,647)	(2,378,092)	(606,178)	(1,950,629)	(984,074)	-	(14,200,620)
Depreciation	-	(373,477)	(341,952)	(76,888)	(119,435)	(44,485)	-	(956,237)
Transfers	-	-	-	-	(113)	113	-	-
Disposals	-	730,781	203,888	24,659	52,911	81,181	-	1,093,420
Foreign exchange	-	336	3,986	1,387	3,734	11,962	-	21,405
At December 31, 2025	<u>-</u>	<u>(7,924,007)</u>	<u>(2,512,170)</u>	<u>(657,020)</u>	<u>(2,013,532)</u>	<u>(935,303)</u>	<u>-</u>	<u>(14,042,032)</u>
Net	<u>\$19,393,532</u>	<u>\$ 5,572,086</u>	<u>\$ 829,858</u>	<u>\$ 253,595</u>	<u>\$ 447,269</u>	<u>\$ 158,514</u>	<u>\$ 483,786</u>	<u>\$27,138,640</u>

	Lands and land improvements	Buildings and structures	Machinery and computer equipment	Transportation and communication equipment	Miscellaneous equipment	Leasehold improvement	Unfinished construction and prepayments for equipment	Total
<u>Cost</u>								
At January 1, 2024	\$18,912,754	\$13,741,335	\$ 3,312,529	\$ 840,061	\$ 2,521,456	\$ 1,106,898	\$ 77,294	\$40,512,327
Additions	-	119,116	262,278	51,913	89,261	32,788	611,972	1,167,328
Transfers	271,370	182,163	36,217	-	2,426	9,940	(502,116)	-
Transfers to intangible assets	-	-	-	-	-	-	(2,302)	(2,302)
Disposals	-	-	(375,872)	(25,868)	(208,084)	(34,470)	-	(644,294)
Foreign exchange	3,811	14,883	11,832	3,639	8,472	23,843	-	66,480
At December 31, 2024	<u>19,187,935</u>	<u>14,057,497</u>	<u>3,246,984</u>	<u>869,745</u>	<u>2,413,531</u>	<u>1,138,999</u>	<u>184,848</u>	<u>41,099,539</u>
<u>Accumulated depreciation</u>								
At January 1, 2024	-	(7,914,016)	(2,386,923)	(552,830)	(2,026,941)	(949,727)	-	(13,830,437)
Depreciation	-	(363,270)	(354,462)	(75,585)	(122,792)	(50,625)	-	(966,734)
Disposals	-	-	372,402	24,854	206,493	34,449	-	638,198
Foreign exchange	-	(4,361)	(9,109)	(2,617)	(7,389)	(18,171)	-	(41,647)
At December 31, 2024	-	<u>(8,281,647)</u>	<u>(2,378,092)</u>	<u>(606,178)</u>	<u>(1,950,629)</u>	<u>(984,074)</u>	-	<u>(14,200,620)</u>
Net	<u>\$19,187,935</u>	<u>\$ 5,775,850</u>	<u>\$ 868,892</u>	<u>\$ 263,567</u>	<u>\$ 462,902</u>	<u>\$ 154,925</u>	<u>\$ 184,848</u>	<u>\$26,898,919</u>

There was no interest capitalised on property and equipment acquired of the Bank and its subsidiaries for the years ended December 31, 2025 and 2024.

(11) Leasing arrangements-lessee

A. The Bank and its subsidiaries lease various assets including land, buildings and structures, machinery and computer equipment, business vehicles, etc. Rental contracts are typically made for periods of 1 to 46 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and depreciation charge are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 5,901	\$ 7,451
Buildings and structures	2,493,102	2,422,669
Machinery and computer equipment	17,378	34,940
Transportation and communication equipment	120,161	134,668
Miscellaneous equipment	11,139	13,393
	<u>\$ 2,647,681</u>	<u>\$ 2,613,121</u>

	<u>For the years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 2,548	\$ 2,443
Buildings and structures	675,624	680,154
Machinery and computer equipment	17,562	21,810
Transportation and communication equipment	44,543	43,710
Miscellaneous equipment	4,612	4,524
	<u>\$ 744,889</u>	<u>\$ 752,641</u>

C. For the years ended December 31, 2025 and 2024, the additions to right-of-use assets were \$1,051,051 and \$913,721, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>For the years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 50,364	\$ 45,841
Expense on short-term lease contracts	27,919	93,284
Expense on leases of low-value assets	7,749	11,903
Gain on lease modification	21,967	2,893

E. For the years ended December 31, 2025 and 2024, the Bank and its subsidiaries' total cash outflow for leases were \$718,029 and \$873,741, respectively.

(12) Leasing arrangements-lessor

- A. The Bank and its subsidiaries lease various assets including land, buildings and structures, business vehicles, machinery and equipment. Rental contracts are typically made for periods of 1 to 16 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.
- B. The Bank and its subsidiaries lease machinery and equipment under a finance lease. Based on the terms of the lease contract, the ownership of machinery and equipment will be transferred to lessees when the leases expire. Information on profit or loss in relation to lease contracts is as follows:

	For the years ended December 31,	
	2025	2024
Finance income from the net investment in the finance lease	\$ <u>85,310</u>	\$ <u>71,225</u>

- C. The maturity analysis of the undiscounted lease payments in the finance lease is as follows:

	December 31, 2025		December 31, 2024
2026	\$ 719,463	2025	\$ 619,968
2027	395,268	2026	337,480
2028	201,418	2027	148,828
2029	98,479	2028	62,059
2030	25,769	2029	20,900
2031	-	2030	-
Total	\$ <u>1,440,397</u>	Total	\$ <u>1,189,235</u>

- D. Reconciliation of the undiscounted lease payments and the net investment in the finance lease are provided as follows:

	December 31, 2025	December 31, 2024
Undiscounted lease payments	\$ 1,440,397	\$ 1,189,235
Unearned finance income	(148,509)	(116,951)
Net investment in the lease	\$ <u>1,291,888</u>	\$ <u>1,072,284</u>

- E. For the years ended December 31, 2025 and 2024, the Bank and its subsidiaries recognised rent income in the amounts of \$455,678 and \$491,217, respectively, based on the operating lease agreement, which does not include variable lease payments.

- F. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2025		December 31, 2024
2026	\$ 402,063	2025	\$ 430,431
2027	278,050	2026	337,818
2028	147,234	2027	225,338
2029	76,577	2028	111,757
2030	42,158	2029	48,017
2031	28,039	2030	26,304
After 2032	36,519	After 2031	57,537
	\$ <u>1,010,640</u>		\$ <u>1,237,202</u>

(13) Investment property, net

Please see below table for the investment property of the Bank and its subsidiaries for the years ended December 31, 2025 and 2024:

	Land and land improvements	Buildings and structures	Total
<u>Cost</u>			
At January 1,2025	\$ 6,980,412	\$ 519,517	\$ 7,499,929
Additions	-	1,680	1,680
Disposal	-	(27,516)	(27,516)
At December 31, 2025	<u>6,980,412</u>	<u>493,681</u>	<u>7,474,093</u>
<u>Accumulated depreciation</u>			
At January 1,2025	-	(309,019)	(309,019)
Depreciation	-	(10,784)	(10,784)
Disposal	-	27,516	27,516
At December 31, 2025	-	(292,287)	(292,287)
Investment property, net	<u>\$ 6,980,412</u>	<u>\$ 201,394</u>	<u>\$ 7,181,806</u>
	Land and land improvements	Buildings and structures	Total
<u>Cost</u>			
At January 1, 2024	\$ 6,999,382	\$ 516,570	\$ 7,515,952
Additions	-	2,947	2,947
Disposal	(18,970)	-	(18,970)
At December 31, 2024	<u>6,980,412</u>	<u>519,517</u>	<u>7,499,929</u>
<u>Accumulated depreciation</u>			
At January 1, 2024	-	(298,318)	(298,318)
Depreciation	-	(10,701)	(10,701)
At December 31, 2024	-	(309,019)	(309,019)
Investment property, net	<u>\$ 6,980,412</u>	<u>\$ 210,498</u>	<u>\$ 7,190,910</u>

- A. As of December 31, 2025 and 2024, the investment property at fair value of the Bank and its subsidiaries were \$19,236,499 and \$18,673,399, respectively. All the investment properties of the Bank and its subsidiaries are assessed by the internal appraisal expert, and market approach was adopted for all assessments, which belongs to the fair value in level 2.
- B. For the years ended December 31, 2025 and 2024, the rental income from investment property were \$119,213 and \$116,098, respectively, and the operating expense from investment property were \$68,105 and \$67,520, respectively.

(14) Other assets, net

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Leased assets - vehicles	\$ 146,285	\$ 320,148
Less: Accumulated depreciation	(112,476)	(218,022)
Leased assets, net	<u>33,809</u>	<u>102,126</u>
Foreclosed assets		
Cost	478,492	713,993
Less: Accumulated impairment	(32,025)	(165,483)
Net foreclosed assets	<u>446,467</u>	<u>548,510</u>
Refundable guarantee deposits	3,079,490	2,545,269
Prepayments	438,816	601,347
Others	65,755	64,520
Total	<u>\$ 4,064,337</u>	<u>\$ 3,861,772</u>

Please refer to Note 8 for details of the above other assets pledged as collateral.

(15) Deposits from the central bank and banks

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Call loans from other banks	\$ 301,446,637	\$ 248,951,039
Transfer deposits from Chunghwa Post Co. Ltd.	55,000,000	30,000,000
Overdrafts from other banks	851,239	976,095
Due to other banks	86,336	880,124
Due to the central bank	39,845	36,123
Call loans from central banks	<u>33,017,250</u>	<u>34,424,250</u>
Total	<u>\$ 390,441,307</u>	<u>\$ 315,267,631</u>

(16) Financial liabilities at fair value through profit or loss

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Financial liabilities held for trading		
Derivative instruments	\$ 9,410,670	\$ 9,789,353
Financial liabilities designated as at fair value through profit or loss		
Bonds	1,229,499	1,857,270
Valuation adjustment	1,918	(48,182)
Subtotal	<u>1,231,417</u>	<u>1,809,088</u>
Total	<u>\$ 10,642,087</u>	<u>\$ 11,598,441</u>

A. The Bank initially recognised financial liabilities designated as at fair value through profit or loss and the purpose was made to eliminate or reduce recognition inconsistency.

B. The Bank issued the bank debentures payable at the face value. As of December 31, 2025 and 2024, the carrying amounts exclusive of valuation adjustment and the amounts payable to the creditors were identical.

(17) Notes and bonds issued under repurchase agreement

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Government bonds	\$ 1,389,129	\$ 1,390,527
Bank debentures	7,226,839	23,613,645
Total	<u>\$ 8,615,968</u>	<u>\$ 25,004,172</u>

The Bank and its subsidiaries are obliged to repurchase the above bonds at original sale price plus a mark-up pursuant to the repurchase agreement. The repurchase agreement amounts for such bonds and bills were \$8,698,912 and \$25,274,344 as of December 31, 2025 and 2024, respectively.

(18) Payables

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts payable	\$ 326,244	\$ 422,335
Checks for clearing payable	9,243,270	9,636,364
Bank acceptances	4,489,104	5,558,873
Accrued expenses	7,742,385	7,285,864
Interest payable	13,179,125	14,112,615
Collections payable	820,869	831,535
Import bill advance payable	1,188,087	2,135,173
Other payables	4,338,535	3,883,379
Total	<u>\$ 41,327,619</u>	<u>\$ 43,866,138</u>

(19) Deposits and remittances

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Checking account deposits	\$ 53,341,998	\$ 54,498,273
Demand deposits	925,771,147	859,203,850
Time deposits	1,182,120,474	1,123,202,803
Negotiable certificates of deposit	16,023,373	14,354,527
Savings account deposits	1,780,309,770	1,661,855,592
Remittances outstanding and others	3,060,763	2,611,157
Total	<u>\$ 3,960,627,525</u>	<u>\$ 3,715,726,202</u>

(20) Bank debentures payable

The detailed terms of each issuance are as follows for the year ended December 31, 2025:

	<u>First issue, 2018</u>
Issue date	May 28, 2018
Issue amount	NT\$5 billion
Issue price	At par
Coupon rate	Fixed rate:2.57%
Repayment terms of principal and interest	Simple Interest is paid annually. After the expiration of 5 years and 2 months, early redemption would be possible if it has approval from competent authority.
Maturity period	Perpetual

Second issue, 2018	
Issue date	September 25, 2018
Issue amount	NT\$7 billion
Issue price	At par
Coupon rate	Fixed rate:2.36%
Repayment terms of principal and interest	Simple Interest is paid annually. After the expiration of 5 years and 1 month, early redemption would be possible if it has approval from competent authority.
Maturity period	Perpetual
Second issue, 2020	
Issue date	December 28, 2020
Issue amount	NT\$10 billion
Issue price	At par
Coupon rate	Fixed rate:1.25%
Repayment terms of principal and interest	Simple Interest is paid annually. After the expiration of 5 years and 7 month, early redemption would be possible if it has approval from competent authority.
Maturity period	Perpetual
First issue, 2021	
Issue date	December 8, 2021
Issue amount	NT\$1 billion
Issue price	At par
Coupon rate	Fixed rate:0.52%
Repayment terms of principal and interest	Simple Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	5 years
Second issue, 2021	
Issue date	December 22, 2021
Issue amount	NT\$10 billion
Issue price	At par
Coupon rate	Fixed rate:1.40%
Repayment terms of principal and interest	Simple Interest is paid annually. After the expiration of 5 years and 7 month, early redemption would be possible if it has approval from competent authority.
Maturity period	Perpetual
First issue, 2022	
Issue date	March 22, 2022
Issue amount	NT\$5 billion
Issue price	At par
Coupon rate	Fixed rate:1.05%
Repayment terms of principal and interest	Simple Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	10 years

Second issue, 2022	
Issue date	March 25, 2022
Issue amount	NT\$5 billion
Issue price	At par
Coupon rate	Fixed rate:1.70%
Repayment terms of principal and interest	Simple Interest is paid annually. After the expiration of 5 years and 4 months, early redemption would be possible if it has approval from authority.
Maturity period	Perpetual
Fourth issue, 2022	
Issue date	August 22, 2022
Issue amount	USD 19.7 million (USD 750 thousand repurchased in the secondary market)
Issue price	At par
Coupon rate	Combination of fixed interest rate and structured interest rate (range accrual)
Repayment terms of principal and interest	Simple Interest is paid quarterly. The principal is to be paid pursuant to face value at maturity except for the issuer's redemption.
Maturity period	5 years
Fifth issue, 2022	
Issue date	September 19, 2022
Issue amount	NT\$1.5 billion
Issue price	At par
Coupon rate	Fixed rate:1.50%
Repayment terms of principal and interest	Simple Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	5 years
First issue, 2023	
Issue date	March 21, 2023
Issue amount	NT\$1.5 billion
Issue price	At par
Coupon rate	Fixed rate:1.35%
Repayment terms of principal and interest	Simple Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	5 years
Third issue, 2023	
Issue date	December 22, 2023
Issue amount	USD 20.3 million(USD 150 thousand repurchased in the secondary market)
Issue price	At par
Coupon rate	Combination of fixed interest rate and structured interest rate (range accrual)
Repayment terms of principal and interest	Simple Interest is paid quarterly. The principal is to be paid pursuant to face value at maturity except for the issuer's redemption.
Maturity period	5 years

First issue, 2024	
Issue date	February 5, 2024
Issue amount	NT\$1.5 billion
Issue price	At par
Coupon rate	Fixed rate:1.45%
Repayment terms of principal and interest	Simple Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	3 years

Second issue, 2024	
Issue date	September 26, 2024
Issue amount	NT\$6.8 billion
Issue price	At par
Coupon rate	Fixed rate:2.08%
Repayment terms of principal and interest	Simple Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	10 years

First issue, 2025	
Issue date	March 27, 2025
Issue amount	NT\$1.5 billion
Issue price	At par
Coupon rate	Fixed rate:1.80%
Repayment terms of principal and interest	Simple Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	5 years

As of December 31, 2025 and 2024, the outstanding balances of the above-mentioned bank debentures amounted to \$57.030 billion and \$62.507 billion New Taiwan dollars, respectively. In addition, among the above-mentioned ordinary debentures with a face value of \$1.229 billion and \$1.857 billion were designated as financial liabilities at fair value through profit or loss, respectively.

(21) Other financial liabilities

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Received principal of structured notes	\$ 68,521,079	\$ 71,605,157
Commercial papers payable	7,167,863	3,739,614
Short-term borrowings	-	700,000
Others	443,344	471,754
Total	<u>\$ 76,132,286</u>	<u>\$ 76,516,525</u>

The above-mentioned short-term borrowings are all unsecured credit loans. As of December 31, 2024, the interest rate range was 1.875%~1.910%.

(22) Provisions

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Provisions for employee benefits	\$ 1,189,719	\$ 1,606,339
Reserve for guarantees	2,040,767	1,690,733
Reserve for loan commitments	799,625	671,885
Others	44,846	40,708
Total	<u>\$ 4,074,957</u>	<u>\$ 4,009,665</u>

A. Defined contribution plans

Effective from July 1, 2005, the Bank and its subsidiaries established a funded defined contribution plan pursuant to the Labor Pension Act, which covers the employees with R.O.C. nationality and those who choose to or are required to follow the Labor Pension Act. The contributions are made monthly based on not less than 6% of the employees' monthly salaries and are deposited in the employee's individual pension fund account at the Bureau of Labor Insurance. The payment of pension benefits is based on the employee's individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in lump sum. For the years ended December 31, 2025 and 2024, the pension costs of the Bank and its subsidiaries under the defined contribution plan were \$345,435 and \$321,905, respectively.

For foreign local employees of the Bank and its subsidiaries, pension expenses under defined contribution plans are recognised according to the foreign local regulations. For the years ended December 31, 2025 and 2024, such pension expenses of current period were \$30,764 and \$29,302, respectively.

B. Defined benefit plans

The Bank and its subsidiaries have a defined benefit pension plan set up in accordance with the Labor Standards Law of the R.O.C., covering all regular employees for their services prior to the implementation of the Labor Pension Act on July 1, 2005 and those employees who choose continuously to be applicable to the Labor Standards Law for the services after the implementation of the Labor Pension Act. The payment of pension benefits is based on the length of the service period and average monthly compensation in the last six months prior to retirement. Under the defined benefit plan, employees are granted two points for each year of service for the first 15 years and are granted one point for each additional year of service from the 16th year, but are subject to a maximum of 45 points. Monthly contributions made by the Bank and its subsidiaries to the pension fund that are deposited in the designated pension account at the Bank of Taiwan were based on 10% of the total monthly salaries and wages. Also, the Bank would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Bank will make contributions to cover the deficit by next March.

The net pension costs under defined benefit pension plans of the Bank for the years ended December 31, 2025 and 2024 were \$226,123 and \$238,765, respectively. The above expense were recognized under employee benefit expenses in the statement of comprehensive income.

(A) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Present value of defined benefit obligations	\$ 10,135,231	\$ 10,093,121
Fair value of plan assets	(10,184,723)	(9,709,622)
Net defined benefit liability	<u>(\$ 49,492)</u>	<u>\$ 383,499</u>

(B) Movements in net defined benefit (assets) liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
For the year ended December 31, 2025			
Balance at January 1	\$ 10,093,121	(\$ 9,709,622)	\$ 383,499
Current service cost	223,423	-	223,423
Interest expense (income)	<u>147,683</u>	<u>(144,983)</u>	<u>2,700</u>
	<u>10,464,227</u>	<u>(9,854,605)</u>	<u>609,622</u>
Remeasurements (Note):			
Return on plan assets	-	(689,570)	(689,570)
Change in financial assumptions	161,705	-	161,705
Experience adjustments	<u>203,377</u>	<u>-</u>	<u>203,377</u>
	<u>365,082</u>	<u>(689,570)</u>	<u>(324,488)</u>
Pension fund contribution	-	(334,626)	(334,626)
Pension paid	<u>(694,078)</u>	<u>694,078</u>	<u>-</u>
Balance at December 31	<u>\$ 10,135,231</u>	<u>(\$ 10,184,723)</u>	<u>(\$ 49,492)</u>
For the year ended December 31, 2024			
Balance at January 1	\$ 10,037,755	(\$ 8,924,315)	\$ 1,113,440
Current service cost	227,064	-	227,064
Interest expense (income)	<u>127,259</u>	<u>(115,558)</u>	<u>11,701</u>
	<u>10,392,078</u>	<u>(9,039,873)</u>	<u>1,352,205</u>
Remeasurements (Note):			
Return on plan assets	-	(797,802)	(797,802)
Change in financial assumptions	<u>(171,132)</u>	<u>-</u>	<u>(171,132)</u>
Experience adjustments	<u>542,238</u>	<u>-</u>	<u>542,238</u>
	<u>371,106</u>	<u>(797,802)</u>	<u>(426,696)</u>
Pension fund contribution	-	(542,010)	(542,010)
Pension paid	<u>(670,063)</u>	<u>670,063</u>	<u>-</u>
Balance at December 31	<u>\$ 10,093,121</u>	<u>(\$ 9,709,622)</u>	<u>\$ 383,499</u>

Note: Return on plan assets excluding amounts included in interest income or expense.

- (C) The Bank of Taiwan was commissioned to manage the Fund of the Bank's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Bank and its subsidiaries have no right to participate in managing and operating that fund and hence the Bank and its subsidiaries are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2025 and 2024 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (D) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2025	2024
Discount rate	1.30%	1.50%
Future salary increases	1.50%	1.50%

Assumption on future death rate in 2025 and 2024 were based on the 6th historical life chart by the Taiwan life insurance enterprises, respectively.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Impact on the present value of the defined benefit obligation		
	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2025			
Discount rate	±0.25%	(\$ 201,513)	\$ 207,847
Future salary increases	±0.25%	\$ 206,913	(\$ 201,611)

	Impact on the present value of the defined benefit obligation		
	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2024			
Discount rate	±0.25%	(\$ 207,884)	\$ 214,603
Future salary increases	±0.25%	\$ 214,068	(\$ 208,389)

The sensitivity analysis above is based on other conditions are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once.

The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (E) As of December 31, 2025, the weighted average duration of that retirement plan is 8.2 years.
- (F) Expected contributions to the defined benefit pension plan of the Bank and its subsidiaries for the year ending December 31, 2025 amounts to \$436,442.

C. Stock ownership trust

Since January 17, 2019, the Bank has established employee savings and employee shareholding rules, which stipulates that the Bank's regular employees who have served more than half a year, excluding employees hired locally by overseas branches, may apply to the "Employee Savings and Employee Stock Ownership Committee of the First Commercial Bank" to monthly deposit in the bank trust account for regular investment. The Bank also makes corresponding contribution of the same amount. When the employee retires, resigns or meets other withdrawal conditions, the employee may apply to the Commission to withdraw the trust account. The Bank's pension expenses under the above rules were \$93,831 and \$92,861 for the years ended December 31, 2025 and 2024, respectively.

D. Employee preferential savings plan

The Bank's payment of an allotment for preferential savings of retired and current employees after retirement is in accordance with "First Commercial Bank's preferential savings plan for retired employees". Under the employee preferential savings plan, the Bank recognised pension cost of \$542,775 and \$536,976 for the years ended December 31, 2025 and 2024, respectively. Please see Note 4(21)B for details.

- (A) As of December 31, 2025 and 2024, net liability in the balance sheet were \$1,178,049 and \$1,178,135, respectively.
- (B) Movement in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2025			
Balance at January 1	\$ 1,178,135	\$ -	\$ 1,178,135
Interest expense	44,685	-	44,685
	<u>1,222,820</u>	<u>-</u>	<u>1,222,820</u>
Remeasurements:			-
Experience adjustments	210,554	-	210,554
	<u>210,554</u>	<u>-</u>	<u>210,554</u>
Pension fund contribution	-	(255,325)	(255,325)
Pension paid	(255,325)	255,325	-
Balance at December 31	<u>\$ 1,178,049</u>	<u>\$ -</u>	<u>\$ 1,178,049</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2024			
Balance at January 1	\$ 1,174,300	\$ -	\$ 1,174,300
Interest expense	44,547	-	44,547
	<u>1,218,847</u>	<u>-</u>	<u>1,218,847</u>
Remeasurements:			
Change in financial assumptions	(6,532)	-	(6,532)
Experience adjustments	220,201	-	220,201
	<u>213,669</u>	<u>-</u>	<u>213,669</u>
Pension fund contribution	-	(254,381)	(254,381)
Pension paid	(254,381)	254,381	-
Balance at December 31	<u>\$ 1,178,135</u>	<u>\$ -</u>	<u>\$ 1,178,135</u>

(C) For the years ended December 31, 2025 and 2024, there were no actuarial loss recognised in other comprehensive income.

(D) The principal actuarial assumptions of employee preferential savings plan were as follows:

	For the years ended December 31,	
	2025	2024
Discount rate	4.00%	4.00%
Return rate on capital deposited	2.00%	2.00%
Annual diminishing rate of account balance	1.00%	1.00%
Variable ratio of preferential savings program	50.00%	50.00%

Assumption on future death rate in 2025 and 2024 were based on the 6th historical life chart by the Taiwan life insurance enterprises, respectively.

The analysis for the impact on the present value of the employee preferential savings plan obligation as a result of changes in the primary actuarial assumption is as follows:

Impact on the present value of the employee preferential
savings plan obligation

	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2025			
Discount rate of employee preferential savings	±0.25%	(\$ <u>21,562</u>)	\$ <u>22,307</u>
Return rate of capital deposited	±0.25%	(\$ <u>180,747</u>)	\$ <u>180,747</u>
Annual diminishing rate of account balance	±0.25%	(\$ <u>21,226</u>)	\$ <u>21,879</u>
Potential future variable rate of preferential savings	±10.00%	\$ <u>235,610</u>	(\$ <u>235,609</u>)

Impact on the present value of the employee preferential
savings plan obligation

	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2024			
Discount rate of employee preferential savings	±0.25%	(\$ <u>21,692</u>)	\$ <u>22,447</u>
Return rate of capital deposited	±0.25%	(\$ <u>178,433</u>)	\$ <u>178,433</u>
Annual diminishing rate of account balance	±0.25%	(\$ <u>21,364</u>)	\$ <u>22,026</u>
Potential future variable rate of preferential savings	±10.00%	\$ <u>235,627</u>	(\$ <u>235,627</u>)

The sensitivity analysis above is based on other conditions are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (E) Expected contributions to the employee preferential savings plan of the Bank for the year ending December 31, 2026 amounts to \$122,605.
- E. Credit risk information relating to provisions for loan commitments, guarantee liability and others is provided in Note 12(2)C.

(23) Other liabilities

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Guarantee deposits received	\$ 6,341,007	\$ 8,757,257
Collections in advance	2,386,955	2,496,375
Temporary receipts and suspense accounts	74,211	146,892
Others	181,790	187,025
Total	<u>\$ 8,983,963</u>	<u>\$ 11,587,549</u>

(24) Equity

A. Common stock

As of December 31, 2025, the Bank's authorised and paid-in capital were both \$122,846,000, consisting of 12,284,600 thousand shares of common stock outstanding with a par value of \$10 (in dollars) per share.

The capitalization of the unappropriated earnings in the amount of \$12,445,000 are approved by the Board of Directors' meeting on April 18, 2025 and resolved by the Board of Directors in the capacity of the stockholders' meeting on May 13, 2025. Shares increased amounted to 1,244,500 thousand shares with par value of \$10 (in dollars) and the record date for capital increase is July 14, 2025. The issued capital after increase is \$122,846,000, and the outstanding shares amounted to 12,284,600 thousand shares with par value of \$10 (in dollars).

The capitalization of the unappropriated earnings in the amount of \$8,236,000 are approved by the Board of Directors' meeting on April 12, 2024 and resolved by the Board of Directors in the capacity of the stockholders' meeting on June 14, 2024. Shares increased amounted to 823,600 thousand shares with par value of \$10 (in dollars) and the record date for capital increase is August 12, 2024. The issued capital after increase is \$110,401,000, and the outstanding shares amounted to 11,040,100 thousand shares with par value of \$10 (in dollars).

B. Capital surplus

As required by the Company Act, capital surplus resulting from the amount received in excess of par value of the issuance of capital stock and donated income may not only be used to offset the accumulated losses but also to issue new shares or distribute cash dividends in proportion to the number of shares being held by original shareholders. In addition, according to the Securities and Exchange Act, the additional paid-in capital used for capital increase shall not exceed 10% of total issued capital stock. A company should not use the capital surplus to cover its capital loss, unless the surplus reserve is insufficient.

As of December 31, 2025 and 2024, the details on the Bank and the subsidiaries' capital surplus were as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Share premium	\$ 34,460,326	\$ 34,460,326
Share-based payments	1,895	1,895
Reorganization (Note)	8,130	8,130
Total	<u>\$ 34,470,351</u>	<u>\$ 34,470,351</u>

Note: A subsidiary of the Bank, FCBL Leasing, acquired the equity of FCBL Financial Asset Management British Virgin Islands Limited by cash on April 11, 2019, using equity method to recognise changes in net equity value of \$8,130.

C. Legal reserve and special reserve

(A) Legal reserves

According to the Company Law of the R.O.C., the legal reserve shall not be used for any other purposes, except that is used to make up accumulated deficits and to allot new shares or cash in proportion to original stockholders' shares. However, the allotment of new shares or cash is limited to the portion of the legal reserve that exceeds 25% of the paid-in capital.

(B) Special reserve

Upon the first-time adoption of IFRSs, regulations require the Bank to provide special reserve. Such special reserve is reversed in proportion to the original recognition when the Bank subsequently uses, disposes or reclassifies related assets. If the above related assets are investment properties and belong to land, reversal of the special reserve is made when the land is disposed or reclassified. In addition, the "trading loss reserve" and "default loss reserve" have been abolished in "Regulations Governing Securities Firms". The "trading loss reserve" and "default loss reserve" set aside before the end of December 2010 should be transferred to "special reserve" according to Jin-Guan-Zeng-Chung No. 0990073857 dated January 11, 2011. It shall not be used after transferring, except that is used to make up accumulated deficits or when the special reserve reaches 50% of the paid-in capital, half of the special reserve is used to increase the paid-in capital.

(25) Unappropriated earnings

- A. In accordance with the Bank's Articles of Incorporation, if there is any earnings in the annual final accounts, it shall be first used to pay taxes and make up for accumulative losses, then be subject to provisioning of 30% for legal reserve and any special reserve according to actual business needs. The remaining balance, if any, plus undistributed accumulated earnings carried from prior years can be distributed to shareholders as dividends. The Board of Directors will consider the Bank's need for business development and its capital adequacy ratio before submitting a distribution proposal for approval at shareholders' meeting. Unless and until the legal reserve equals paid-in capital or the ratio of equity capital to risk assets is no less than the requirement of Banking Act, the maximum cash earnings distributable shall be determined in accordance with the Banking Act and the regulations of central competent authorities.

B. Dividend policy for the coming three years

The Bank, with stable earnings and sound financial structure, is in a mature industry. The principle applied to distribute dividends to shareholders is all cash payout. However, in order to increase the Bank's competitiveness with higher ratio of paid-in capital to risk assets, stock dividends are to be disturbed as a supplement.

C. The appropriation of earnings for the fiscal years 2024 and 2023 was resolved by the Board of Directors on behalf of the stockholders' meeting dated May 13, 2025 and June 14, 2024, respectively. Relevant information was as follows:

	2024 (Note)		2023 (Note)	
	Earnings distribution	Dividend per share (NT dollar)	Earnings distribution	Dividend per share (NT dollar)
Legal reserve	\$ 7,261,367	\$ -	\$ 6,396,397	\$ -
Special reserve	(6,256)	-	(67,118)	-
Cash dividends on				
common stock	4,500,000	0.4076	6,750,000	0.6607
Stock dividends	12,445,000	1.1273	8,236,000	0.8061
	<u>\$ 24,200,111</u>	<u>\$ 1.5349</u>	<u>\$ 21,315,279</u>	<u>\$ 1.4668</u>

Note: The special reserve includes the reversal of \$6,256 and \$6,592 special reserve arising from the disposal of land in 2024 and 2023, respectively and such special reserve was originally provided due to first-time adopting IFRS.

The information related to earnings distribution mentioned above was available on Market Observation Post System of TWSE.

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(26) Other equity interest

	Exchange differences on translation of foreign entity's financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Change in fair value of financial liability designated as at FVTPL attributable to change in its credit risk	Total
Balance, January 1, 2025	\$ 2,541,693	\$ 18,192,682	\$ 8,475	\$ 20,742,850
Financial assets at fair value through other comprehensive income				
- Valuation adjustment	-	12,951,182	-	12,951,182
- Change of accumulated impairment	-	(4,618)	-	(4,618)
- Realised	-	(126,613)	-	(126,613)
Exchange difference on translation of foreign entity's financial statements	(1,591,198)	-	-	(1,591,198)
Share of the profit or loss of associates accounted for using the equity method	124,447	-	-	124,447
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	(21,289)	-	(21,289)
Change in fair value of financial liability designated as at FVTPL attributable to change in its credit risk	-	-	(14,517)	(14,517)
Balance, December 31, 2025	<u>\$ 1,074,942</u>	<u>\$ 30,991,344</u>	<u>(\$ 6,042)</u>	<u>\$ 32,060,244</u>

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	Exchange differences on translation of foreign entity's financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Change in fair value of financial liability designated as at FVTPL attributable to change in its credit risk	Total
Balance, January 1, 2024	(\$ 1,385,506)	\$ 17,184,463	\$ -	\$ 15,798,957
Financial assets at fair value through other comprehensive income				
- Valuation adjustment	-	591,548	-	591,548
- Change of accumulated impairment	-	11,485	-	11,485
- Realised	-	488,986	-	488,986
Exchange difference on translation of foreign entity's financial statements	4,024,617	-	-	4,024,617
Share of the profit or loss of associates accounted for using the equity method	(97,418)	-	-	(97,418)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	(83,800)	-	(83,800)
Change in fair value of financial liability designated as at FVTPL attributable to change in its credit risk	-	-	8,475	8,475
Balance, December 31, 2024	<u>\$ 2,541,693</u>	<u>\$ 18,192,682</u>	<u>\$ 8,475</u>	<u>\$ 20,742,850</u>

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(27) Net interest revenue

	For the years ended December 31,	
	2025	2024
<u>Interest income</u>		
Interest income on discounts and loans	\$ 78,478,823	\$ 77,370,452
Interest income on securities investment	29,323,510	27,808,732
Interest income on due from banks and call loans to banks	6,247,777	8,566,433
Other interest income	1,069,491	762,227
Subtotal	<u>115,119,601</u>	<u>114,507,844</u>
<u>Interest expense</u>		
Interest expense-deposits	(65,452,929)	(66,859,891)
Interest expense-deposits from and due to central banks and banks	(14,823,068)	(15,435,790)
Interest expense-bank debentures	(957,648)	(932,421)
Other interest expense	(1,341,021)	(2,166,177)
Subtotal	<u>(82,574,666)</u>	<u>(85,394,279)</u>
Total	<u>\$ 32,544,935</u>	<u>\$ 29,113,565</u>

(28) Net service fee revenue

	For the years ended December 31,	
	2025	2024
<u>Service fee income</u>		
Trust business and affiliated business	\$ 4,669,845	\$ 3,969,242
Insurance agency	5,352,661	4,347,459
Foreign exchange	780,919	766,389
Credit extension	2,538,835	2,948,051
Credit card	2,115,297	2,338,417
Deposits and remittances and others	1,497,078	1,541,768
Subtotal	<u>16,954,635</u>	<u>15,911,326</u>
<u>Service fee expense</u>		
Trust business and affiliated business	(380,633)	(360,261)
Insurance agency	(790,959)	(674,638)
Credit card	(1,666,987)	(1,941,060)
Deposits and remittances and others	(1,019,975)	(945,089)
Subtotal	<u>(3,858,554)</u>	<u>(3,921,048)</u>
Total	<u>\$ 13,096,081</u>	<u>\$ 11,990,278</u>

(29) Gain on financial assets or liabilities measured at fair value through profit or loss

	For the years ended December 31,	
	2025	2024
<u>Gain or loss from disposal of financial assets and</u>		
<u>financial liabilities at fair value through</u>		
<u>profit or loss</u>		
Short-term bills	(\$ 140,925)	(\$ 94,358)
Bonds	59,775	(78,564)
Stocks	(69,725)	89,011
Interest rate (Note 1)	(1,036,901)	(1,225,791)
Exchange rate (Note 2)	17,168,235	14,481,254
Options	186,939	215,896
Futures	(17,355)	7,285
Others	-	(95)
Subtotal	<u>16,150,043</u>	<u>13,394,638</u>
<u>Gain or loss from valuation of financial assets and</u>		
<u>financial liabilities at fair value through</u>		
<u>profit or loss</u>		
Short-term bills	(6,015)	587
Bonds	61,301	133,796
Stocks	29,878	(19,815)
Interest rate (Note 1)	43,212	54,562
Exchange rate (Note 2)	(2,956,688)	1,650,902
Options	16,675	(16,823)
Futures	(1,735)	1,038
Others	(21,026)	(17,856)
Credit risk valuation adjustment	(4,295)	7,136
Subtotal	<u>(2,838,693)</u>	<u>1,793,527</u>
Coupon and dividend income on financial assets at fair value through profit or loss	3,704	11,219
Interest income on financial assets at fair value through profit or loss	4,613,477	4,111,466
Interest expense on financial liabilities at fair value through profit or loss	(81,009)	(123,569)
Total	<u>\$ 17,847,522</u>	<u>\$ 19,187,281</u>

Note 1: Interest-linked instruments include interest rate swaps, money market instruments and other interest related instruments.

Note 2: Net income on exchange rate instruments includes realised and unrealised gain and loss on spot and forward exchange contracts, and FX futures.

(30) Realized gains on financial assets at fair value through other comprehensive income

	For the years ended December 31,	
	2025	2024
Dividends income	\$ 2,158,013	\$ 1,835,346
Gain or loss on disposal of bonds	100,064	(539,445)
Total	<u>\$ 2,258,077</u>	<u>\$ 1,295,901</u>

(31) Impairment loss on assets

	For the years ended December 31,	
	2025	2024
Impairment gain (loss) on debt instruments at fair value through other comprehensive income	\$ 3,491	(\$ 10,711)
Impairment loss of debt instruments amortised at cost	(11,578)	(9,268)
Impairment gain (loss) on foreclosed assets	132,213	(135,567)
Total	<u>\$ 124,126</u>	<u>(\$ 155,546)</u>

(32) Net other revenue other than interest income

	For the years ended December 31,	
	2025	2024
Net income and losses from rent	\$ 335,892	\$ 334,480
Gain on sale of investment property	-	306,992
Gain on overdue account and others	192,539	288,665
Total	<u>\$ 528,431</u>	<u>\$ 930,137</u>

(33) Employee benefits expenses

	For the years ended December 31,	
	2025	2024
Wages and salaries	\$ 15,619,549	\$ 15,034,709
Labor and health insurance fees	868,544	812,048
Pension costs	1,238,928	1,219,809
Board of Directors' compensation	19,058	17,194
Other employee benefits	481,682	467,789
Total	<u>\$ 18,227,761</u>	<u>\$ 17,551,549</u>

- A. The number of employees are 8,837 and 8,834 for the years of 2025 and 2024, respectively.
- B. According to the Bank's Articles of Incorporation, if the Bank has profits before tax, 1% to 6% of income before tax prior to deductions of employees' compensation shall be provisioned as employees' compensation. However, if the Bank has accumulated losses, it shall reserve the amount to cover such losses in advance before the above provision of employees' compensation.
- C. As of December 31, 2025 and 2024, the Bank's and its subsidiaries' estimated employees' compensation were \$1,900,000 and \$1,823,000, respectively. The aforementioned amounts are accounted for under wages and salaries.

After considering earnings, employees' compensation for 2025 and 2024 were estimated on a 1% to 6% basis. Employees' compensation for 2024 as resolved by the Board of Directors in 2025 was \$1,646,496. This was a decrease of \$176,504, compared to employees' compensation recorded in the consolidated financial statements amounting to \$1,823,000 in 2024. The difference in amounts was due to an estimation difference. The changes in estimates in 2024 is treated as a change in accounting estimates, where the difference was recognised as profit or loss in 2025.

- D. Information about employees' compensation of the Bank as resolved by the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. In addition, the Bank has not distributed any directors' and supervisors' remuneration.

(34) Depreciation and amortization expense

	For the years ended December 31,	
	2025	2024
Depreciation expense	\$ 1,711,910	\$ 1,730,076
Amortization expense	488,229	447,081
Total	<u>\$ 2,200,139</u>	<u>\$ 2,177,157</u>

(35) Other general and administrative expenses

	For the years ended December 31,	
	2025	2024
Taxes and fees	\$ 4,177,455	\$ 3,960,073
Rental	35,668	105,187
Insurance premium	822,614	806,805
Printing, binding and advertising	475,079	521,724
Professional service charge	401,396	313,025
Computer software service charge	892,900	812,209
Post and cable	349,641	370,175
Others	1,922,938	1,908,176
Total	<u>\$ 9,077,691</u>	<u>\$ 8,797,374</u>

(36) Income tax expense

A. Income tax expense

	For the years ended December 31,	
	2025	2024
Current tax		
Current tax on profits for the year	\$ 6,587,166	\$ 5,786,912
Adjustments for under provisions of prior years' income tax expense and others	(136,936)	181,301
Total current tax	<u>6,450,230</u>	<u>5,968,213</u>
Deferred tax		
Origination and reversal of temporary differences	(466,268)	(322,222)
Total deferred tax	<u>(466,268)</u>	<u>(322,222)</u>
Income tax expense	<u>\$ 5,983,962</u>	<u>\$ 5,645,991</u>

B. Details of reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2025	2024
Income tax from pretax income calculated at regulated tax rate	\$ 6,783,040	\$ 5,864,205
Adjustments for under provisions of prior years' income tax expense and others	(136,936)	181,301
Adjusted effects on income tax exemption and other income tax	(662,142)	(399,515)
Income tax expense	<u>\$ 5,983,962</u>	<u>\$ 5,645,991</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2025				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Other	December 31
Deferred tax assets:					
Allowance for bad debt in excess of tax limits	\$ 3,050,381	\$ 84,730	\$ -	\$ -	\$ 3,135,111
Impairment loss of foreclosed assets	6,405	-	-	-	6,405
Unappropriated employee benefits liability reserve	560,743	115,605	(64,897)	-	611,451
Tax loss deduction	902,954	(313,107)	-	-	589,847
Others	371,116	(7,603)	(7,841)	-	355,672
Deferred tax assets, net	<u>\$ 4,891,599</u>	<u>(\$ 120,375)</u>	<u>(\$ 72,738)</u>	<u>\$ -</u>	<u>\$ 4,698,486</u>
Deferred income tax liabilities:					
Increment tax on land value	\$ 5,678,672	\$ -	\$ -	\$ -	\$ 5,678,672
Unrealised gain on financial asset	1,827,383	(629,082)	13,448	-	1,211,749
Others	841,270	42,439	-	-	883,709
Deferred income tax liabilities, net	<u>\$ 8,347,325</u>	<u>(\$ 586,643)</u>	<u>\$ 13,448</u>	<u>\$ -</u>	<u>\$ 7,774,130</u>

	2024				December 31
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Other	
Deferred tax assets:					
Allowance for bad debt in excess of tax limits	\$ 2,282,642	\$ 767,739	\$ -	\$ -	\$ 3,050,381
Impairment loss of foreclosed assets	6,405	-	-	-	6,405
Unappropriated employee benefits liability reserve	595,794	50,288	(85,339)	-	560,743
Tax loss deduction	1,117,370	(214,416)	-	-	902,954
Others	301,761	92,748	(23,393)	-	371,116
Deferred tax assets, net	<u>\$ 4,303,972</u>	<u>\$ 696,359</u>	<u>(\$ 108,732)</u>	<u>\$ -</u>	<u>\$ 4,891,599</u>
Deferred income tax liabilities:					
Increment tax on land value	\$ 5,686,109	\$ -	\$ -	(\$ 7,437)	\$ 5,678,672
Unrealised gain on financial asset	1,467,893	299,083	60,407	-	1,827,383
Others	<u>766,216</u>	<u>75,054</u>	<u>-</u>	<u>-</u>	<u>841,270</u>
Deferred income tax liabilities, net	<u>\$ 7,920,218</u>	<u>\$ 374,137</u>	<u>\$ 60,407</u>	<u>(\$ 7,437)</u>	<u>\$ 8,347,325</u>

- D. The Bank's filed income tax returns through 2019 have been assessed and approved by the Tax Authority.
FCBL's filed income tax returns through 2022 have been assessed and approved by the Tax Authority.
- E. The Bank and its subsidiaries have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.
- F. The Bank and its subsidiaries fall within the scope of the Pillar Two model by the Organization for Economic Co-operation and Development (OECD). Pillar Two legislation has been enacted in the UK, Germany, Vietnam, Japan, Canada, and Australia, as well as in Hong Kong, Singapore, and Thailand, where some overseas branches are registered, becoming effective in 2024 and 2025, respectively. Therefore, as of December 31, 2025, the assessment was conducted that there was no significant impact on the Bank and its subsidiaries.

(37) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

	For the years ended December 31,	
	2025	2024
Profit or loss attributable to ordinary shareholders of the Bank (after tax)	\$ 25,662,918	\$ 23,806,485
Weighted average number of ordinary shares outstanding (in thousand shares)	12,284,600	12,284,600
Basic earnings per share attributable to ordinary shareholders of the Bank (in dollars) (after tax)	2.09	1.94

Note: The share was retrospectively adjusted due to the effect of share dividend appropriation on July 14, 2025 and recalculated the basic earnings per share in 2024. For the years ended December 31, 2025 and 2024, basic earnings per share and diluted earnings per share were the same.

(38) Hyperinflationary economies

According to the information announced by the Center for Audit Quality (CAQ) in December 2024, Laos has been identified as a hyperinflationary economy. Therefore, the Bank uses the latest index published by the Bank of the LAO P.D.R as the basis for restating the financial statements of its branch in Laos. This index is based on the Consumer Price Index published by the Lao Statistics Bureau. Due to the impact of International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies," the Bank's branch in Laos adjusted the beginning retained earnings, which decreased by \$260,988 and the restatement using the current measurement unit resulted in a net monetary position loss of \$95,121 in 2025 (recorded in other revenue other than interest income). Based on the IMF World Economic Outlook (WEO) released in October 2025 and data from the Bank of the Lao P.D.R, inflation in Lao P.D.R has shown a downward trend. Furthermore, the cumulative inflation rate over the nearly three-year period ending December 2025 has not reached 100%. Therefore, International Accounting Standard (IAS) 29 is no longer applicable.

7. Related party transactions

(1) Parent and ultimate controlling company

The Bank is controlled by First Financial Holding Co., Ltd., which holds 100% of the Bank's shareholding, and the Bank's ultimate controlling company is First Financial Holding Co., Ltd.

(2) Details of the related parties

<u>Names of related parties</u>	<u>Relationship with the Bank</u>
Bank of Taiwan Co., Ltd. (Bank of Taiwan)	Substantive related parties
East Asia Real Estate Management Co., Ltd.(EAREM)	Investee accounted for under the equity method
The First Education Foundation	Over one third of total fund is donated by the Bank
First Financial Holding Co., Ltd. (FFHC)	Parent company of the Bank
First Securities Inc. (FS)	Affiliated company in the same Group and its subsidiaries
First Securities Asia, Ltd (FSA)	Affiliated company in the same Group and its subsidiaries
First Capital Management Co., Ltd. (FCM)	Affiliated company in the same Group and its subsidiaries
First Securities Investment Trust Co., Ltd. (FSIT)	Affiliated company in the same Group and its subsidiaries
First Private Capital Co., Ltd. (FPC)	Affiliated company in the same Group and its subsidiaries
First Financial Asset Management Co., Ltd. (FFAM)	Affiliated company in the same Group and its subsidiaries
First Venture Capital Co., Ltd. (FVC)	Affiliated company in the same Group and its subsidiaries
First Consulting Co., Ltd. (FFMC)	Affiliated company in the same Group and its subsidiaries
First Life Insurance Co., Ltd. (FLI)	Affiliated company in the same Group and its subsidiaries
Mutual funds managed by FSIT	Mutual funds managed by the subsidiary of FFHC
Others	Related parties, Spouses of representatives of the Bank's directors and supervisors, chairman and president, and relatives within second degree of kinship of the Bank's chairman and president

Note: In accordance with the Q&A issued by the Competent Authority in June and July 2025 regarding the retrospective application of the "Clarification on the Identification of Related Parties" published by the Accounting Research and Development Foundation, the Bank and its subsidiaries have adopted the guidance starting from the second quarter of 2025 consolidated financial statements. The Bank and its subsidiaries reassessed the relationships and transactions, prior to the issuance of the Q&A, involving funds managed by First Securities Investment Trust Co., Ltd., and determined that such funds are not considered related parties. Therefore, there are no retrospective adjustments to identified and disclosed related party relationships and transactions in previous financial statements.

(3) Major balances and transactions with related parties:

A. Due from the central bank and call loans to banks - Call loans to banks

	December 31, 2025		
	<u>Highest balance</u>	<u>Ending balance</u>	<u>Annual interest rate (%)</u>
Other related parties			
Bank of Taiwan	\$ 1,000,000	\$ <u>-</u>	1.050

	December 31, 2024		
	<u>Highest balance</u>	<u>Ending balance</u>	<u>Annual interest rate (%)</u>
Other related parties			
Bank of Taiwan	\$ 7,000,000	\$ <u>-</u>	0.690

For the years ended December 31, 2025 and 2024, the interest income on above related parties were \$58 and \$132, respectively.

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

B. Deposits from the central bank and banks - Call loans from banks

	December 31, 2025		
	<u>Highest balance</u>	<u>Ending balance</u>	<u>Annual interest rate (%)</u>
Other related parties			
Bank of Taiwan	\$ -	\$ <u>-</u>	-

	December 31, 2024		
	<u>Highest balance</u>	<u>Ending balance</u>	<u>Annual interest rate (%)</u>
Other related parties			
Bank of Taiwan	\$ 3,000,000	\$ <u>-</u>	0.700~1.360

For the years ended December 31, 2025 and 2024, the interest expense on above related parties were \$0 and \$743, respectively.

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

C. Due from the central bank and call loans to banks - Due from other banks

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Other related parties		
Bank of Taiwan	\$ <u>491,987</u>	\$ <u>592,061</u>

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

D. Discounts and loans, net

December 31, 2025

Items	Category of related party (Note 1)	Number or name of related party (Note 2)	Maximum balance for current period	Ending balance	Status of performance		Collateral	Terms Differences Compared to Non-Related Parties
					Performing loans	Non-performing loans		
Consumer loans	Other related parties	109	\$ 73,566	\$ 69,167	\$ 69,167	\$ -	None	None
Residential mortgage loans	Other related parties	213	1,433,258	1,371,256	1,371,256	-	Real estate	None
Other loans	Fellow subsidiary	FS	263,041	-	-	-	Certificates of deposits of the Bank	None
Other loans	Fellow subsidiary	FFAM	830,000	-	-	-	Real estate	None
Other loans	Other related parties	9	27,500	22,500	22,500	-	Beneficiary certificates, Land	None

December 31, 2024

Items	Category of related party (Note 1)	Number or name of related party (Note 2)	Maximum balance for current period	Ending balance	Status of performance		Collateral	Terms Differences Compared to Non-Related Parties
					Performing loans	Non-performing loans		
Consumer loans	Other related parties	68	\$ 26,541	\$ 24,906	\$ 24,906	\$ -	None	None
Residential mortgage loans	Other related parties	220	1,233,874	1,212,244	1,212,244	-	Real estate	None
Other loans	Fellow subsidiary	FFAM	830,000	830,000	830,000	-	Real estate	None
Other loans	Other related parties	3	14,556	-	-	-	Certificates of deposits of the Bank, Land	None

For the years ended December 31, 2025 and 2024, the interest income received from the above related parties were \$30,907 and \$30,411, respectively.

Note 1: None of the ending balances of individual borrowers reached 1% of the total ending balance. Hence, the transactions are not listed individually in detail.

Note 2: Account numbers are calculated based on the statistics at the end of the year.

E. Deposits and remittances

	December 31, 2025	December 31, 2024
	Ending balance	Ending balance
Parent company		
FFHC	\$ 823,047	\$ 582,565
Fellow subsidiary		
FLI	906,502	629,223
FS	4,018,461	3,103,942
Others	548,158	459,758
Other related parties		
Others (Note)	2,008,339	1,962,387
Total	<u>\$ 8,304,507</u>	<u>\$ 6,737,875</u>

The interest expenses paid to the above related parties for years ended December 31, 2025 and 2024 were \$100,372 and \$106,821, respectively.

Note: Staff savings accounts of FCB are provided to the above related parties with interest rate of 13% p.a. and limited to a balance of \$480. Deposits exceeding \$480 are calculated at demand savings deposit rate. Interest rates for others are the same as those offered to other customers.

(Blank)

F. Derivative instrument

December 31, 2025

Category of related party	Name of related party	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Period-end balance	
						Item	Balance
Other related parties	Bank of Taiwan	Foreign exchange contracts	2025/05/12~2026/08/24	\$ 10,376,850	\$ 174,676	Valuation adjustment for financial assets mandatorily measured at fair value through profit or loss – currency exchange rate	\$ 174,676

December 31, 2024

Category of related party	Name of related party	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Period-end balance	
						Item	Balance
Other related parties	A mutual fund managed by FSIT	Foreign exchange contracts	2024/10/11~2025/03/13	\$ 798,315	(\$ 13,660)	Valuation adjustment for trading liabilities– currency exchange rate	\$ 13,660
Other related parties	Bank of Taiwan	Foreign exchange contracts	2024/02/06~2025/05/16	5,245,600	128,140	Valuation adjustment for financial assets mandatorily measured at fair value through profit or loss – currency exchange rate	128,140

Note 1: Gain (loss) on valuation for the current period refers to gains or losses resulting from year-end fair value valuation on derivative instruments as of the balance sheet date.

Note 2: Period-end balance is the year-end balance of those accounted as financial asset or liabilities measured at fair value through profit or loss.

G. Current tax liabilities

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Parent company		
FFHC (Note)	\$ 1,632,000	\$ 1,139,125

Note: Payable as a result of consolidated income tax return filing of parent company.

H. The Bank leases buildings and structures from FFAM for lease periods from December 1, 2022 to November 30, 2027. The rent expense will be paid at the beginning of each year. As of December 31, 2025 and 2024, lease liabilities were \$7,914 and \$15,548, respectively. For the years ended December 31, 2025 and 2024, interest expenses recognised were \$223 and \$332, respectively.

I. Net service fee revenue and net revenue other than interest

	<u>For the years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Parent company		
FFHC	\$ 30,594	\$ 30,469
Fellow subsidiary		
FS	90,770	91,004
FSIT	110,200	109,286
FLI	1,326,042	1,333,767
FFAM	6,406	6,457
Others	2,733	2,920
Other related parties		
Others	4,885	4,843
Total	\$ 1,571,630	\$ 1,578,746

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

J. Other general and administrative expense

	<u>For the years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Parent company		
FFHC	1,282	1,861
Fellow subsidiary		
FFAM	101,537	63,612
FS	86,077	95,724
Other related parties		
Others	-	15,106
Total	\$ 188,896	\$ 176,303

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

(4) Key management compensation

	For the years ended December 31,	
	2025	2024
Salaries and other short-term employee benefits	\$ 134,971	\$ 126,910
Post-employment benefits	3,070	2,318
Other long-term employee benefits	268	191
Total	<u>\$ 138,309</u>	<u>\$ 129,419</u>

8. Pledged assets

Pledged assets provided by the Bank and its subsidiaries as of December 31, 2025 and 2024 were as follows:

<u>Items</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>Purpose of Pledge</u>
Financial assets at fair value through other comprehensive income	\$ 8,032,606	\$ 7,327,632	Guarantees deposited with the court for the provisional seizure, guarantees for trust business reserves, foreign subsidiary's and branch's guarantees deposited with Federal Reserve Bank and Federal Home Loan Bank operating guarantee deposits, etc.
Investments in debt instruments at amortised cost	40,486,001	40,795,183	Foreign subsidiary's and branch's guarantees deposited with Federal Reserve Bank and Federal Home Loan Bank, foreign currency settlement overdraft guarantee, Central Bank foreign currency fund lending guarantee, etc.
Refundable deposits	3,079,490	2,545,269	Derivative transaction guarantee deposits, Guarantees deposited with the court for provisional seizure and deposits for the building lease, etc.
	<u>\$ 51,598,097</u>	<u>\$ 50,668,084</u>	

9. Significant contingent liabilities and unrecognised contractual commitments

The Bank and its subsidiaries have the following commitments as of December 31, 2025 and 2024:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Unused loan commitments	\$ 209,469,623	\$ 210,063,281
Unused credit commitments for credit cards	124,302,047	119,670,633
Unused letters of credit issued	32,552,073	33,265,204
Guarantees	112,196,684	110,349,792
Collections receivable for customers	74,679,697	78,912,688
Collections payable for customers	1,050,741,361	911,483,479
Guaranteed notes payable	46,815,914	45,994,407
Trust assets	1,444,672,959	1,270,353,957
Customers' securities under custody	696,313,472	703,942,569
Book-entry for government bonds under management	234,033,200	207,675,000
Depository for short-term marketable securities under management	260,870,530	246,778,542

10. Significant losses from disasters: None.

11. Significant subsequent events: None.

12. Others:

(1) Fair value and hierarchy information on financial instruments

A. Scope

Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are initially recognised by fair value, which is transaction price in most cases. Subsequent recognitions are measured by fair value except that certain financial instruments are measured at amortised cost. The best evidence of fair value is the quoted market price in an active market. If the market in which financial instruments traded is not active, the Bank then adopts valuation technique or takes reference to Bloomberg, Reuters or the fair value of financial instrument from counterparties.

B. Fair value information of financial instruments

The fair value information of financial instruments measured at fair value is provided in Note 12(1) C and E.

Except for those listed in the table below, the carrying amount of some of the Bank and its subsidiaries' financial instruments (e.g. cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, discounts and loans, refundable guarantee deposits, deposits from the central bank and banks, due to the central bank and banks, notes and bonds issued under repurchase agreement, payables, deposits and remittances, other financial liabilities and guarantee deposits received) is approximate to their fair value (Please refer to Note 12 (1) D).

Assets and Liabilities	December 31, 2025			
	Carrying value	Fair value		
		Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 953,488,131	\$ 11,171,404	\$ 929,160,524	\$ -
<u>Financial liabilities</u>				
Bank Debentures Issued	55,800,000	-	54,165,310	-

Assets and Liabilities	December 31, 2024			
	Carrying value	Fair value		
		Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 891,643,999	\$ 10,594,288	\$ 861,305,242	\$ -
<u>Financial liabilities</u>				
Bank Debentures Issued	60,650,000	-	55,086,945	-

C. Financial instruments measured at fair value

(A) Determination of the fair value

The quoted market price is used as the fair value when the financial instruments have an active market, such as market prices provided by the Stock Exchange Corporation, Bloomberg and Reuters are all foundation of fair value for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently obtained on time, and the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market quotation. If the above condition is not met, the market is deemed inactive. In general, significant price variance between the purchase price and selling price, significantly increasing price variance, rare trading volume are indicators of an inactive market.

In addition to above financial instruments with an active market, other financial instruments at fair value are assessed by valuation technique with reference to other financial instruments at fair value with similar conditions and characteristics in actual practice, cash flow discounting method and other valuation technique, including using a model to calculate fair value based on market information available at balance sheet date (such as OTC reference yield curve and the Taipei Interbank Offered Rate (Taibor) price curve).

When evaluating non-standardized and less complex financial instruments, such as interest rate swaps, FX swaps and options, the Bank and its subsidiaries use valuation methods widely used by market participants. The parameters used in the valuation models for such financial instruments are usually observable market information. When a financial instrument has no standardised evaluation and with less complexity involved, such as interest rate swap, currency swap and options. The Bank and its subsidiaries usually adopt the valuation generally accepted by market users. The inputs used in these financial instruments valuation usually are observable information in the market.

For the more complex financial instruments, the Bank develops the model to measure fair value according to general valuation methods and techniques generally accepted by financial peers. These kinds of valuation models are usually applicable for derivative instruments, debt instruments with no quoted market price (including debt instrument of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Bank and its subsidiaries need to make appropriate estimates based on some assumptions.

The valuation of derivatives is based on valuation models that are widely accepted by market users, such as discount method and option pricing model. FX forward contracts are usually valued based on the current forward exchange rate. Structured interest rate derivatives are valued based on appropriate option pricing models. The output of the valuation model is always an estimated approximation, and the valuation technique may not reflect all the relevant factors of the financial instruments held by the Bank and its subsidiaries. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk, liquidity risk or credit risk of counterparties. According to the Bank and its subsidiaries valuation model management regulations and other related controlling procedures, the adjustment made is adequate and necessary in order to present fairly, in all material aspects, the fair value of financial instruments at the balance sheet. The pricing information and input are prudently evaluated in the valuation process, and shall be timely adjusted according to market condition.

- (B) Valuation methods of financial instruments of the Bank and its subsidiaries are shown by types and nature as follows:
- a. NTD Central Government Bond: the latest transaction price announced by Electronic Bond Trading System of Taipei Exchange or the yield rates across different contract lengths bulletined by Taipei Exchange are used.
 - b. NTD corporate bonds & bank debentures: fair value of different maturities announced by Taipei Exchange is adopted. If the fair value is not available, yield rate curve of the corresponding credit rating provided by Taipei Exchange is used to compute the theory price.
 - c. Securitization instruments: prices quoted from Bloomberg.
 - d. Convertible corporate bond: closing prices bulletined by the Taipei Exchange or the latest closing prices is adopted as valuation standard.
 - e. NTD short-term bills: the present value of valuation is determined by discounting future cash flows using the TAIBOR curve published by The Bankers Association of the Republic of China.
 - f. Foreign securities: prices quoted from Bloomberg, Reuters and the Bank's system valuation, if there is no relevant quotation or valuation, the counterparties' quotation is adopted.
 - g. Listed stocks: the closing price listed in TSE or Taipei Exchange is adopted.
 - h. Beneficiary certificates: closed-end funds use the closing price in an active market as the fair value and open-ended funds use the net asset value of the funds as the fair value.
 - i. Bank debentures designated at fair value issued by the Bank: the present value of valuation is determined by discounting future cash flows using the TAIBOR curve published by The Bankers Association of the Republic of China.

- j. Derivatives:
 - (a) Call (put) warrant, stock index futures, and stock index futures options: prices quoted from an active market are deemed the fair value.
 - (b) FX Forward, currency swap, interest rate swap and cross currency swap: discounted future cash flows are adopted.
 - (c) Options: Black-Scholes model is mainly adopted for valuation.
 - (d) Certain derivatives use the quoted price from counterparties.
- k. Unlisted stock: Equity instruments that are not accounted for using the equity method are valued using the market approach, income approach, or net asset approach. The market approach includes the price-to-earnings ratio method and the price-to-book ratio method. The valuation is based on the comparison of the above ratios of similar characteristic target companies in the market. The income approach includes the discounted cash flow method. The net asset approach includes the net worth method.

(C) Valuation adjustments for credit risks

Adjustments for credit risks are mainly credit valuation adjustments and debit valuation adjustments. Definition is as follows:

- a. Credit valuation adjustment (CVA) is an adjustment to the valuation of derivatives which are not transacted through the Stock Exchange Market, that is, over the counter (OTC). CVA reflects in fair value possibility that the counterparty may default on its payments and the Bank may not be able to receive the full market value of the transaction.
- b. Debit valuation adjustment (DVA) is an adjustment to the valuation of derivatives which are not transacted through the Stock Exchange Market, that is, OTC. DVA reflects fair value possibility that the Bank may default on payments and be unable to pay the full market value of the transaction.

CVA is calculated by multiplying loss given default (LGD) by exposure at default (EAD), along with the consideration of counterparty's probability of default (PD) (under the condition of the Bank does not default). On the other hand, DVA is calculated by multiplying the Bank's estimated loss by the risk exposure amount, along with the consideration of the Bank's PD (under the condition of the counterparty does not default).

D. Financial instruments not measured at fair value

The methods and assumption used by financial instruments not measured at fair value of the Bank and its subsidiaries are as follows:

- (A) If the maturity date of a financial instrument is very near or the future payment price is close to the carrying value, the fair value is estimated based on the carrying value at the balance sheet date. Such financial instruments include cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, purchases in remittances, refundable guarantee deposits, deposits from the central bank and banks, due to the central bank and banks, notes and bonds issued under repurchase agreement, payables, guarantee deposits received and other financial liabilities.
- (B) Discounts and loans (including overdue receivables and transferred receivables of leasing subsidiary): Considering the nature of the financial industry, the fair value is determined by the market rate (market price). The effective interest rates of loans are generally based on the benchmark interest rate plus or minus certain adjustment (equivalent to floating rate) to reflect the market interest rate. As a result, it is reasonable to assume that the carrying amount, after adjustments of estimated recoverability, approximates the fair value. Fair values for medium-

term or long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, carrying value was used to estimate the fair value.

(C) Investments in debt instruments at amortised cost: When there is a quoted market price available in an active market, the fair value is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offered by the counterparties will be adopted to measure the fair value.

a. NTD Central Government Bond: fair value of bonds of different maturities bulletined by Taipei Exchange (hereinafter "TPEX").

b. NTD corporate bonds, bank debentures, government bonds and beneficiary bond certificates: future cash flow discounted by the yield curve of TPEX is used to measure present valuation.

(D) Deposits and remittances: Considering the nature of the financial industry, the fair value is determined by the market rate (market price) while the deposit transactions usually mature within one year. As a result, the carrying amount is a reasonable basis to estimate the fair value. Fair values of the long-term fixed rate deposits shall be estimated using discounted expected future cash flows. Additionally, as such deposits account for only a small portion of all deposits and the maturities are less than three years, it is reasonable to use the carrying amount to estimate the fair value.

(E) Bank debentures payable: Since the coupon rates of the bank debentures issued by the Bank approximate the market rates, the fair value based on the discounted value of expected future cash flow approximates the fair value.

E. Hierarchy of fair value measurement of financial instruments

(A) Definition for the hierarchy category of financial instruments measured at fair value

a. Level 1

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. An active market refers to a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Bank's and its subsidiaries' investment in listed stocks, beneficiary certificates, popular Taiwan central government bonds and derivative instruments with quoted market prices is included in Level 1.

b. Level 2

Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of the Bank and its subsidiaries' investment in unpopular government bonds, corporate bonds, bank debentures, convertible bonds and most derivative instruments, equity instruments with no active market, and bank debentures issued by the First Bank and its subsidiaries is included in Level 2.

c. Level 3

Level 3 inputs for the asset or liability are unobservable market data. The fair value of the Bank and its subsidiaries' equity instruments with no active market is included in Level 3.

(B) Fair value hierarchy category information of financial instruments

Assets and Liabilities	December 31, 2025			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurements</u>				
<u>Non-derivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Short-term bills	\$ 80,436,718	\$ -	\$ 80,436,718	\$ -
Stock investments	228,694	228,694	-	-
Bond investments	78,510,002	2,135,287	76,374,715	-
Others	6,391,595	-	6,065,938	325,657
Financial assets designated as at fair value through profit or loss	11,060,809	-	11,060,809	-
Financial assets at fair value through other comprehensive income				
Stock investments	59,686,174	46,488,412	-	13,197,762
Bond investments	356,401,644	45,655,450	310,746,194	-
Others	825,807	825,807	-	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	1,231,417	-	1,231,417	-
<u>Derivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss	23,883,761	67,492	23,816,269	-
Liabilities				
Financial liabilities at fair value through profit or loss	9,410,670	-	9,410,670	-

Assets and Liabilities	December 31, 2024			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurements</u>				
<u>Non-derivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Short-term bills	\$ 65,258,537	\$ -	\$ 65,258,537	\$ -
Stock investments	179,699	179,699	-	-
Bond investments	57,252,540	1,981	57,250,559	-
Others	7,307,525	-	6,960,307	347,218
Financial assets designated as at fair value through profit or loss	13,125,086	-	13,125,086	-
Financial assets at fair value through other comprehensive income				
Short-term bills	653,261	-	653,261	-
Stock investments	50,888,622	40,657,769	-	10,230,853
Bond investments	342,814,379	44,145,920	298,668,459	-
Others	610,258	610,258	-	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	1,809,088	-	1,809,088	-
<u>Derivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss	27,703,234	66,000	27,637,234	-
Liabilities				
Financial liabilities at fair value through profit or loss	9,789,353	-	9,789,353	-

(C) Movement of financial assets and liabilities at fair value classified as Level 3

a. Movement of financial assets at fair value classified as Level 3

For the year ended December 31, 2025

Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Amount recognised in profit and loss	Amount recognised in other comprehensive income	Purchased or issued	Transferred into Level 3	Sold, disposed or settled	Transferred out of Level 3	
<u>Non-derivative instruments</u>								
Financial assets mandatorily measured at fair value through profit or loss	\$ 347,218	(\$ 26,841)	\$ -	\$ 20,580	\$ -	(\$ 15,300)	\$ -	\$ 325,657
Equity instruments measured at fair value through other comprehensive income	10,230,853	-	915,611	2,058,448	-	(7,150)	-	13,197,762

For the year ended December 31, 2024

Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Amount recognised in profit and loss	Amount recognised in other comprehensive income	Purchased or issued	Transferred into Level 3	Sold, disposed or settled	Transferred out of Level 3	
<u>Non-derivative instruments</u>								
Financial assets mandatorily measured at fair value through profit or loss	\$ 352,381	(\$ 21,150)	\$ -	\$ 15,987	\$ -	\$ -	\$ -	\$ 347,218
Equity instruments measured at fair value through other comprehensive income	9,117,948	-	1,112,905	-	-	-	-	10,230,853

For the year ended December 31, 2025 and 2024, the profit and loss amount of the assets held by the Bank and its subsidiaries which are included in the above profit and loss on valuation recognised in gain or loss were (\$25,767) and (\$21,150), respectively.

For the year ended December 31, 2025 and 2024, the other comprehensive amount of the assets held by the Bank and its subsidiaries which are included in the above profit and loss on valuation recognised in other comprehensive income were \$915,611 and \$1,112,905, respectively.

b. Movement of financial liabilities at fair value classified as Level 3

For the years ended December 31, 2025 and 2024, the Bank and its subsidiaries did not hold any Level 3 financial liabilities.

(D) Material transfers between Level 1 and Level 2

There were no material transfers of the Bank's and its subsidiaries' held financial instruments between Level 1 and Level 2 for the years ended December 31, 2025 and 2024.

(E) Sensitivity analysis of fair value to reasonable possible alternative assumptions for Level 3 fair value measurements

The fair value measurement that the Bank and its subsidiaries made for the financial instruments is deemed reasonable; however, different valuation models or inputs could result in different valuation results. Specifically, if the valuation input of financial instruments categorized in the valuation moves to 10%, the effects on profit and loss in the period or the effects on other comprehensive income are as follows:

December 31 ,2025	Change in fair value recognised in profit and loss		Change in fair value recognised in other comprehensive income	
	favorable	unfavorable	favorable	unfavorable
Assets				
Financial assets mandatorily measured at fair value through profit or loss	\$ 32,566	(\$ 32,566)	\$ -	\$ -
Equity instruments measured at fair value through other comprehensive income	-	-	1,319,776	(1,319,776)
December 31 ,2024	Change in fair value recognised in profit and loss		Change in fair value recognised in other comprehensive income	
	favorable	unfavorable	favorable	unfavorable
Assets				
Financial assets mandatorily measured at fair value through profit or loss	\$ 34,722	(\$ 34,722)	\$ -	\$ -
Equity instruments measured at fair value through other comprehensive income	-	-	1,023,085	(1,023,085)

Favorable and unfavorable movements of the Bank and its subsidiaries refer to the fluctuation of fair value, and the fair value is calculated through the valuation technique according to the non-observable inputs to different extent.

If the fair value of a financial instrument is affected by more than one input, the above table only illustrates the effect as a result of one single input, and the correlation and variance among multiple inputs are not listed here.

(F) Quantitative information of fair value measurement for significant unobservable inputs (Level 3)

The Bank's and its subsidiaries' Level 3 fair value measurement are mainly financial assets at fair value through other comprehensive income – equity instruments with no active market.

The multiple significant unobservable inputs of equity instruments with no active market are independent from each other, thus, they are not correlative.

Table below summarises quantitative information of significant unobservable inputs:

	Fair value as of December 31, 2025	Valuation technique	Significant unobservable inputs	Range (weighted-average)	Relationship between inputs and fair value
Items measured at fair value on a recurring basis					
Non-derivative financial assets					
Financial assets mandatorily measured at fair value through profit or loss					
Other	325,657	Asset approach – Net asset value	Discount for marketability	15%	The higher discount for marketability is, the lower the fair value is.
Financial assets at fair value through other comprehensive income					
Stock investment	13,197,762	Market approach – Market comparable companies	Price-to-earnings ratio multiple	10.27~27.62	The higher the multiple is, the higher the fair value is.
			Price-to-book ratio multiple	0.47~3.88	The higher the multiple is, the higher the fair value is.
			Enterprise value to EBITA multiple	3.91~11.11	The higher the multiple is, the higher the fair value is.
			Discount for marketability	30%	The higher discount for marketability is, the lower the fair value is.
		Asset approach – Net asset value	Discount for marketability	15%、30%	The higher discount for marketability is, the lower the fair value is.
		Recent transaction price	Not applicable	Not applicable	Not applicable

	Fair value as of December 31, 2024	Valuation technique	Significant unobservable inputs	Range (weighted-average)	Relationship between inputs and fair value
Items measured at fair value on a recurring basis					
Non-derivative financial assets					
Financial assets mandatorily measured at fair value through profit or loss					
Other	347,218	Asset approach – Net asset value	Discount for marketability	15%	The higher discount for marketability is, the lower the fair value is.
Financial assets at fair value through other comprehensive income					
Stock investment	10,230,853	Market approach – Market comparable companies	Price-to-earnings ratio multiple	10.77~29.63	The higher the multiple is, the higher the fair value is.
			Price-to-book ratio multiple	0.60~3.47	The higher the multiple is, the higher the fair value is.
			Enterprise value to EBITA multiple	2.38~13.94	The higher the multiple is, the higher the fair value is.
			Discount for marketability	30%	The higher discount for marketability is, the lower the fair value is.
		Income approach– Discounted cash flow	Revenue growth rate	2%	The higher the revenue growth rate is, the higher the fair value is.
			Discount Rate	7.90%	The higher discount rate is, the lower the fair value is.
			Discount for marketability	10%	The higher discount for marketability is, the lower the fair value is.
		Asset approach – Net asset value	Discount for marketability	15%、30%	The higher discount for marketability is, the lower the fair value is.

(G) Fair value measurement process for instruments categorised in Level 3

The Bank and its subsidiaries' financial instruments within Level 3 are primarily equity investments in unlisted stocks.

In accordance with “First Financial Holding’s Regulations for Equity Investment Valuation”, the Bank’s equity instruments with no active market are valued using the market approach, income approach, or asset approach. By using publicly available information, valuation results are close to market situation, and sources for information are independent, reliable, in agreement with other sources and represent exercisable prices. Inputs, information and other necessary fair value adjustments for the valuation model are updated periodically to ensure

that the valuation results are reasonable. Relevant valuation results are recorded after the Bank's internal review and approval.

(2) Management objective and policy for financial risk

A. Scope

The Bank's and its subsidiaries' financial risk management objective incorporates the general operating strategy and financial targets. It considers risk appetite and external regulations along with other elements, through effective risk management mechanism, including but not limited to risk identification, evaluation, monitoring and reporting, and takes appropriate measures to control business risks and potential financial losses within an endurable range in order to ensure a sound business development for the Bank and its subsidiaries and accomplish the objective of maintaining a reasonable risk and return, to further increase shareholders' value.

The primary risks arising from operations of the Bank and its subsidiaries includes but are not limited to credit risks incident upon on-balance-sheet and off-balance-sheet transactions, market risks, operating risks and liquidity risks. In order to put into effect, the risk management culture and strategy, the Bank and its subsidiaries has established a risk management policy, system, process and method. The bank and its subsidiaries abides by relevant regulations and evaluates and adjusts in a timely manner. Through managing risks, prescribing limits on each risk, monitoring and reporting periodically, as well as through the internal control and internal audit mechanisms and monitoring of high level committees, the primary risks are effectively identified, evaluated, monitored, and controlled, in order to abide regulations, accomplish strategic objectives and provide reliable financial reporting information.

For climate risk, the Board of Directors of First Financial Holding Co., Ltd., as the highest supervisory unit of First Financial Group, is responsible for approving, guiding, and ensuring the effective operation of risk policies. The Board of Directors of First Financial Holding Co., Ltd, has set up a "Sustainable Development Committee" and a "Risk Management Committee" to oversee important strategies related to the First Financial Group climate risks. In addition, the legally compliant unit should ensure that all operations of each unit comply with laws and regulations.

B. Organization structure for risk management

Bank

The Bank's Board of Directors is the highest level of risk management approval. Major management risk items which include overall risk management policy, risk tolerance limit, and authority must be approved by the Board of Directors.

Under the Board of Directors, there is a Risk Management Committee (RMC), which is headed by the Bank's President and comprised of several committee members including Executive Vice President. If necessary, the RMC may appoint risk management professional as a member after the RMC acquire approval from the Board of Director. Besides, Risk Management Division, Credit Approval Division, Credit Analysis Division, Special Asset Management Division, and Compliance Division are required to participate in the committee. Risk Management Division is an administrative line under Risk Management Committee. It is responsible for handling of overall affairs for the committee. RMC is responsible for integration of review, supervision, reporting and coordinating interaction between each division for firm-wide risk management. In addition, the committee needs to resolve affairs related to risk management policies, system and procedures, risk tolerance limits and authorities, risk measurement methods, assessment procedures and monitoring system, reporting implementation of risk management, and then to deliver orders to each business segment in accordance with their responsibilities and approval procedures. RMC also submits regular reports about the risk evaluation of the Bank to the Board of Directors.

The Auditing Division regularly reviews the execution of risk management based on relevant internal control system to ensure the effective operation for risk management and assessment control, which should be reported to the Board of Directors regularly.

The Subsidiary, FCB Leasing

FCB Leasing's Board of Directors is the highest level of risk management approval. Major risk control items which include risk management policy, risk tolerance limit, and authority must be approved by the Board of Directors. FCB Leasing also set up Department of Management I and II to take charge of implementation and management of overall risk management strategies.

C. Credit risk

(A) Source and definition of credit risk

Financial instruments held by the Bank and its subsidiaries may incur losses if counterparties are not able to fulfill their obligations at the maturity date. Credit risk may happen due to items in or off the balance sheet. For items in the balance sheet, credit risk exposure of the Bank and its subsidiaries mainly comprises of bill discounts and loans and credit card business, leases business, due from banks and call loans to banks, investment in debt instruments and derivatives, etc. Off balance sheet items include finance guarantee, letter of credit, and loan commitment.

(B) Policy for credit risk management

Risk management mechanism and procedures are as follows:

- a. Assessing the credit condition of the counterparty before each transaction; referring to information from domestic and foreign credit rating institutions or establishing its own rating system to set up different credit risk limitation according to rating and manage it by different category;
- b. Avoiding the risk concentration, that is, limiting the amount of financing to or investing in a single customer, single industry, single conglomerate, single stock, or related parties;
- c. Monitoring credit risk by industry, counterparty (individual and affiliated group) and country through the limits;
- d. Setting up loan approval and review procedure for credit extension business as well as specific review policy for complicated credit extension cases;
- e. Establishing policy of loan to collateral value ratio, collateral appraisal, management and disposal in relation to credit extension;
- f. Periodically reporting to the senior management with regard to the summary of credit risk information.

In addition, each foreign operating entity of the Bank and its subsidiaries sets aside the loss reserve and appraises the assets quality, unless otherwise indicated by competent authorities of the local countries in which the foreign operating entity and subsidiaries reside, in conformity with risk management policy of each foreign operating entity and subsidiaries.

The Bank and its subsidiaries classify debt instruments and credit assets into 5 categories by referring to internal ratings and external rating institutions. Comparisons between the internal rating and external long-term rating scales are as follows:

No direct correlation between the internal rating of credit assets and external rating of debt investments has been shown in the following table, but merely shows two different rating scales of the same category.

Credit quality category	Internal rating of credit assets	The Debt investments	
		External rating	Taiwan rating
Low risk	Level 1 to level 7	Above level BB	Above level twBBB+
Medium risk	Level 8 to level 9	Level BB- to level B+	twBBB~twBB+
Medium-high risk	Level 10	Level B (including the debt investments of non-rating)	twBB~twBB-
High risk	Level 11 to level 12	Level B- to level C	twB+~twCC
Default	Level 13	Level D	

Procedures and methods used in credit risk management for the core businesses of the Bank and its subsidiaries are as follows:

a. Credit business (including transferred receivables of lease business of the lease subsidiaries, loan commitments and guarantees)

Classification for credit assets and internal risk ratings are as follows:

(a) Credit asset classification

Credit assets are classified into five types. Other than normal credit assets shall be classified as Category One, the remaining unsound assets are assessed based on the collateral provided and the time period of overdue payment as follows: Category Two for assets requiring special mention. Category Three for assets that are substandard (deemed recoverable). Category Four for assets that are doubtful. Category Five for assets that are not recoverable. In order to manage non-performing credit extension, the Bank and its subsidiaries established Operation Guidelines for Credit Assets Assessment, Regulations Governing the Setting Aside Allowance for Asset Losses Valuation and Non-Performing and Non-accrual Loans to be Written off Treatment, Guidelines for Claims Receivables, Standard Procedures for Collection of Non-performing and Non-accrual Loans as the principles for managing non-performing assets and overdue payments.

(b) Internal risk rating

In response to the characteristics and scale of business, the Bank and its subsidiaries implement a credit risk internal evaluation module or set up a credit rating table in order to execute risk management.

The Bank and its subsidiaries, mainly by the statistic and professional judgement of expertise and consideration of client information, developed an objective indicator for evaluating client's credit risk to measure credit risk of corporate clients. That is the "Borrower's risk rating" of the Bank and its subsidiaries, among which 13 levels are set up based on the default possibility, and then divided into 5 categories as follows:

- I. Low risk: Level 1 to level 7 have a default rate lower than 2%. Clients in this category usually have ability to sustain the payment of interest and principal even under the adverse impact of economic environment, and the default rate is low.
- II. Medium risk: Level 8 to level 9 have a default rate ranging around 2-5%. Clients in this category usually have potential issues and adverse economic environment could damage the borrower's willingness and capacity to make the payment of interest and principal.
- III. Medium-high risk: Level 10 has a default rate ranging around 5-10%. Clients'

ability to make the payment of interest and principal are relatively lower and easily affected by the economic fluctuation.

- IV. High risk: Level 11 to level 12 have a default rate ranging from 10% and above to less than 100%. Clients' ability to make the payment of interest and principal are extremely weak with a high possibility of default.
- V. Default: Level 13 has a default rate of 100%. Definition of default includes interest or principal payments that have been overdue for more than 60 days, transferred into non-accrual loans, written off, recorded into suspended interest, transferred into C Chart, included in debt negotiation records and others.

The Bank should perform credit rating to the corporations at least once a year and to those who sign a mid-long-term credit contract at least once a year during the contract term. It also applies to syndicated loans. Credit rating mainly processed by Credit Analysis Division and Regional Center that are independent from operating units and only cases with below a certain amount may be processed by operating units.

Petty loans and residential loans are assessed through internal credit rating module, and the rest of retail banking are assessed by experts. Methods used in rating credit for petty loans and residential loans are as follows:

I. Credit rating for petty loans:

Expected Loss (EL) is calculated by the borrower's Possibility of Default (PD) and Loss Given Default (LGD) which are assessed by credit evaluation module. Based on the expected default frequency within the next year, the credit rating results are classified into 3 levels, which are 'low risk', 'medium-high risk' and 'high risk'.

II. Credit rating for residential loans:

Possibility of default (PD), loss given default (LGD) and exposure at default (EAD) of the borrowers assessed by credit evaluation module are used to calculate the expected loss (EL). The expected loss (EL) together with cost of capital, operation cost, and service fee are integrated into information on cost aspect. In addition, information on income aspect such as interest income and service fee income are assessed based on the credit line and interest rate at the time the borrowers applied for loans to produce 'expected profit' (revenue minus cost). Based on the expected default frequency within the next year, the credit rating results are classified into four levels, which are 'low risk', 'medium risk', 'medium-high risk' and 'high risk', respectively.

b. Due from banks and call loans to banks

The Bank regularly reviews the credit limit (including credit limit of call loan) set up for every counterparty in the financial peers. The credit approval unit, with reference to credit risk limit granted based on long-term credit rating of external rating institutions and the business capacity of counterparty, is responsible for individual assessment and implementation.

c. Debt investment and derivatives

The credit risk management of the Bank's and its subsidiaries' debt instruments is based on credit rating of external institutions, credit quality of bonds, condition by geographical location and counterparty risk to identify the credit risk.

The counterparties of the derivative instruments are mostly financial institutions being rated at investment grade or above, and the credit limit (including the limit of call loan) granted to each financial institution counterparty is regularly reviewed and controlled by the credit approval unit. Those counterparties without credit rating or being rated below

investment grade should apply risk limit to the credit approval unit by case which is then managed and controlled individually. If the counterparties are general clients, controlling is implemented through risk limits and conditions of derivatives as approved by general credit extension procedures to manage credit exposure of counterparties.

(C) Recognition and measurement of expected credit losses

In the assessment of impairment and calculation of expected credit losses, the Bank considers reasonable and supportable information (including forward-looking information) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Bank determines at the balance sheet date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognises expected credit loss according to which stage the asset belongs to: no significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3). 12-month expected credit losses are recognised for assets in Stage 1, and lifetime expected credit losses are recognised for assets in Stage 2 and Stage 3.

The definition of and expected credit losses recognised for each stage are as follows:

	Stage 1	Stage 2	Stage 3
Definition	There has been no significant deterioration of the credit quality of the financial asset since initial recognition, or the financial asset is considered low-risk at the balance sheet date.	There has been significant deterioration of the credit quality of the financial asset since initial recognition, but the asset is not yet credit impaired.	The financial asset has been credit impaired at the financial reporting date.
Expected credit losses recognition	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(a) Credit business

The Bank considers reasonable and supportable information (including forward-looking information) when determining whether there has been significant increase in credit risk. The main indicators that are taken into account are as follows:

- I. The borrower is over 30 days past due.
- II. Placed on the warning list of the Bank.
- III. Both internal and external credit ratings have deteriorated:
 - i. Internal rating: The rating on the rating date has dropped more than 3 scales compared to the rating on the initial recognition date.
 - ii. External rating: The external rating agency has lowered the rating by more than 2 scales to a non-investment grade.
- IV. It is determined that there is a bad credit event after assessment, including the following circumstances:
 - i. The borrower's financial situation has deteriorated or there is a risk of being unable to recover the loan, so the principal repayment has been approved to be postponed but the interest has to continue being paid according to the contract.
 - ii. The borrower's financial situation has deteriorated or there is a risk of being unable to recover the loan, so the contract had been modified before such loan

was reported as a non-performing loans, and the borrower is able to repay the principal and interest in installments as agreed according to the contract.

- iii. The interest payable by the borrower is handled in the form of "partial interest to be paid and partial interest to be kept on book", and the original outstanding interest has not yet been completely paid off.
- iv. The loan maturity date is continued to be extended.
- v. The debtor is on a "debarred customer" list.
- vi. The pledged collateral of the debtor is compulsorily enforced by another bank.
- vii. The debtor is no longer in business.
- viii. The auditor issues an doubtful opinion over the company's ability to continue as a going concern.
- ix. The borrower's check is dishonored to be informed by the Bank.
- x. The credit of the borrower has deteriorated or his affiliates have ceased operations.
- xi. The debtor has other records of bad credit.

If the internal and external credit ratings of a credits asset satisfies the following conditions of "low-risk at the balance sheet date" and it is assumed to have no significant increase in credit risk.

- I. According to internal credit ratings of the Bank, the asset meets the requirements of a "low-risk level" asset, which is estimated to have a default probability less than 2%, and is considered to be "low-risk at the financial reporting date".
- II. External credit ratings: investment grade or above.

The Bank will periodically review and assess the appropriateness of the criteria used to determine where there has been a significant increase in credit risk.

(b) Bond or bill investments

If there is a change in a credit risk indicator that crosses a threshold since initial recognition, it is considered to have a significant increase in credit risk. The thresholds for changes in the stage of credit risk indicators are as follows:

- I. Bill and bonds are over 30 days past due.
- II. The final external credit rating has lowered by 2 scales or more, and its rating is non-investment grade at the reporting date.
- III. The cost of the financial asset measured at amortised cost compared to its fair value: The market price of the instrument is lower than 50% of its original investment cost, and the decrease is not the result of changes in interest rate risk.
- IV. It is on the Bank's warning list.

Bond or bill investments of the Bank that are not considered to be in Stage 2 or Stage 3 of credit impairments are considered to have no significant increase in credit risk or an asset with low credit risk (Stage 1).

After the impairment assessment of bill and bond investments, the associated responsible unit will review and confirm the results of the assessment and report to senior management. Data on impairment parameters should be reviewed periodically and updated if necessary; parameters should be updated at least once every year.

a. Definitions of financial assets in default and credit-impaired financial assets

According to the definition stated in Appendix A of IFRS 9, a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset has occurred.

(a) Credit business

- I. Principal or interest payments over 3 months (90 days) past due, or the bank has begun collection procedures or disposal of collateral.
- II. A loan that its new payment schedule is negotiated and meets not being classified as non-performing.
- III. Non-performing loans in negotiation according to the rules of the Debt Negotiation Mechanism issued by the Bankers Association in 2006 (including pre-mediation).
- IV. Loans that have gone through pre-mediation and have entered into agreements in accordance with the Consumer Debt Clearance Act (excluding secured loans that are fulfilled according to the original terms of the loans).
- V. Cases where the court has initiated reorganization or liquidation proceedings.
- VI. Declaration of bankruptcy is decided by a court.
- VII. Loans are transferred into non-accrual loans.
- VIII. Special criterion for credit card products: credit card accounts are mandatorily closed by the issuer.
- IX. Debtor's loans from other banking institutions have been reported as non-performing loans, and transferred into non-accrual loans or written off.
- X. Debtor has petitioned for bankruptcy, reorganization, or other debt clearance proceedings.
- XI. Loan are renewed, extended maturity date, and negotiated new payment terms in accordance with applicable rules issued by the Bankers Association.
- XII. Non-performing loans with negotiated payment installment plan.
- XIII. Loans are classified as "in default" according to the Bank's internal credit rating model.

(b) Bond or bill investments

A bond or bill investment by the Bank is considered credit impaired if any of the following conditions is met:

- I. Principal or interest payments are over 3 months (90 days) past due.
- II. Falling into default grade of the S&P credit rating or the equivalent rating corresponding to another credit rating agency.
- III. Court has decided reorganization or liquidation proceedings.
- IV. Declaration of bankruptcy is decided by a court.
- V. Bond or bill issuer has petitioned for bankruptcy, reorganization, or other debt clearance proceedings.

b. Write-off policy

If any of the following situation occurs, the Bank will write off its non-performing and non-accrual loans, after deducting the estimated recoverable amount:

- (a) The loan cannot be fully or partially recovered due to the dissolution of, disappearance of, settlement with, or declaration of bankruptcy by the debtor.
- (b) The collateral and assets of the primary and secondary debtors cannot be used to recover the loan due to low appraisal value, deducting prior mortgage, or high execution expenses associated with seizure and liquidation.
- (c) The collateral and assets of the primary and secondary debtors could not be auctioned off after multiple reducing auction prices, and it also brings no financial benefit for the Bank to acquire such collateral.
- (d) The non-performing and non-accrual loans are two years past due, and could not have been recovered yet after collection procedures.

c. Measurement of expected credit losses

Expected credit losses (ECL) are calculated from the following three parameters: probability of default (PD), loss given default (LGD), and exposure at default (EAD).

(a) Credit business

I. Probability of default (PD)

For the estimation of the PD of domestic credit assets, PD parameters categorization is based on the product type and internal credit ratings, and the estimation of one-year PD and multi-year PD are conducted separately.

- i. One-year PD: Calculate the actual one-year PD from historical data and use it to estimate the one-year PD parameter.
- ii. Multi-year PD: The multi-year PD is estimated using a Markov Chain with a transition matrix constructed from historical one-year credit ratings, assuming the credit rating transition probability remains constant in each period. Applying the multi-year PD to each loan requires to consider the corresponding lifetime. The lifetime of the loan is estimated based on the length of the remaining contract.

II. Loss given default (LGD)

Loans are grouped according to conditions, such as corporate loans vs. consumer loans and collateral vs. non-collateral, and the LGD of each group is estimated based on historical recovery experience.

III. Exposure at default (EAD)

- i. On balance sheet-Loans and receivables derived from loans: calculated based on credit balances.
- ii. Off balance sheet-Loan commitments and financial guarantees: off balance sheet figures multiplied by the credit conversion factor (CCF). The credit conversion factor is estimated according to the rules described in the “Calculation Method of Regulatory Capital to Risky Assets and Accompanying Forms-Credit Risk Standard Method” and the Bank’s and its subsidiaries’ internal historical information on actual drawn down amount of credit lines.

(b) Bond or bill investments

- I. PD calculated based on external credit ratings, and taking forward-looking information into account.
- II. LGD: Adopting average LGD published by external credit rating agencies.
- III. EAD:
 - i. Stage 1 and stage 3: Total carrying amount (including interest receivable).
 - ii. Stage 2: The cash flow of each period in lifetime is determined by the bond issuance agreement.

Total carrying amount is the amortised cost of the financial asset before any adjustment to the loss allowance.

d. Consideration of forward-looking information

(a) Credit business

The Bank will take the forward-looking information into account when determining whether there has been a significant increase in credit risk since initial recognition and measuring expected credit loss.

- I. Pertaining to significant increase in credit risk
 - i. The Bank's credit approval process includes evaluation of forward-looking information such as business potential, financial situation, industry outlook, loan collateral, and ability to repay.
 - ii. Identify customers with potential risk through the Bank's early warning system.
- II. Pertaining to measuring expected credit loss

Reflected in the forward-looking adjustment of model parameters including PD and LGD. Historical data is used to identify the relevant economic factors that affect the credit risk and expected credit loss of each asset portfolio, including the economic growth rate, inflation rate, unemployment rate, and housing price index.

Subsequent predictions of the relevant economic factors are made, including the best estimates for the economy in the coming year. In addition to the basic economic scenario, the Bank also evaluates other possible economic scenarios and relevant information that is weighted accordingly.

By nature, the predicted values and estimated probabilities are highly uncertain, and the actual results may be very different from the predictions. However, the Bank believes the predictions provide the best estimates of the most probable outcomes.

(b) Bond or bill investments

The forward-looking estimate of PD takes into account changes in the business cycle, which can be measured based on economic growth rates. The overall process of the point-in-time (PIT) framework begins with constructing nation-specific models, and the nation-specific models link the PD and the GDP growth factor of each nation through regression model construction. The regression models are then adjusted using correction factors in order to obtain the conditional probability of default for each credit rating level and the term structure of conditional probability of default.

(D) Credit risk hedging and mitigation policy

(a) Collateral

The Bank and its subsidiaries adopt a series of policies and measures to mitigate credit risks in relation to credit business, and one of the most common methods is requesting the borrower for the collateral. Regarding the collateral assessment and the amount determination of collateral that can be loaned, the Bank sets up the scope of collateral that can be accepted and sets up the appraisal, as well as the management and disposing procedures to ensure the creditor's right. On the other hand, the preservation of creditor's right, terms of collateral, terms of offsetting are stipulated in the loan contract. The reduced facility, shortened repayment period and a debt which is deemed fully due are all well defined in the contract to mitigate credit risk in case that the credit event does incur.

(b) Credit risk limit and risk concentration control

The Bank complies with the Banking Act in relation to controlling the credit risk limit of the same individual, the same related parties, or the same affiliated companies as well as residential architecture, corporate architecture. In order to effectively control credit risk concentration, the Bank sets up risk tolerance limit by rating, industry types, enterprise group, nations and listed securities based on risk management strategy, change in market environment, business complexity. Such risk tolerance limit is monitored and reported to senior management regularly. Assessment and modification shall be performed regularly (at least once a year) or irregularly to various credit risk tolerance limit based on overall economic cycle, finance environment and business development strategy.

(c) Master netting agreements

The transactions of the Bank and its subsidiaries are usually carried out by gross settlement. Despite that, a net settlement agreement with some trading counterparties is entered into. Or when a default occurs, all transactions are terminated and a net settlement is executed in order to further mitigate credit risk.

(d) Other credit enhancements

Primarily refers to guarantees by a third-party or credit enhancement provider.

(E) Maximum credit risk exposure and credit risk concentration of the Bank and its subsidiaries

Maximum credit risk exposure

The maximum risk exposure of assets in the consolidated balance sheet, without consideration of the collateral or other credit enhancements, is equivalent to the carrying amount. The maximum credit risk exposure relating to accounts off the balance sheet (without consideration of collaterals or the maximum exposure of other credit enhancements) is the undrawn loan commitments, undrawn credit commitments for credit cards, undrawn letters of credit and other guaranteed commitments. As of December 31, 2025 and 2024, please see Note 9 for details.

The management of the Bank and its subsidiaries believes that through a series of stringent evaluation procedures and periodically follow-up reviews afterwards, credit risk exposure off the balance sheet of the Bank and its subsidiaries can be minimized and continuously controlled.

The total carrying amount of discounts and loans - The Bank's and First Commercial Bank (USA)'s largest credit risk exposure is as follows:

December 31 ,2025	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
Level of risk					
Low risk	\$ 2,568,754,826	\$ 90,729,772	\$ -	\$ -	\$ 2,659,484,598
Medium risk	66,534,637	28,828,372	-	-	95,363,009
Medium-high risk	7,036,447	34,852,185	-	-	41,888,632
High risk	914,025	24,519,184	1,825,459	-	27,258,668
Default	-	-	9,879,837	-	9,879,837
Gross carrying amount of financial assets	2,643,239,935	178,929,513	11,705,296	-	2,833,874,744
Allowance for bad debts (total impairment recognised under IFRS 9)	(7,194,495)	(3,947,228)	(2,458,399)	-	(13,600,122)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(27,554,962)	(27,554,962)
Net	\$ 2,636,045,440	\$ 174,982,285	\$ 9,246,897	(\$ 27,554,962)	\$ 2,792,719,660

December 31 ,2024	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
Level of risk					
Low risk	\$ 2,442,182,234	\$ 64,990,006	\$ -	\$ -	\$ 2,507,172,240
Medium risk	57,666,860	24,900,559	-	-	82,567,419
Medium-high risk	8,918,600	31,686,277	-	-	40,604,877
High risk	904,501	26,769,752	1,761,498	-	29,435,751
Default	-	-	7,794,603	-	7,794,603
Gross carrying amount of financial assets	2,509,672,195	148,346,594	9,556,101	-	2,667,574,890
Allowance for bad debts (total impairment recognised under IFRS 9)	(7,038,530)	(4,174,380)	(2,227,889)	-	(13,440,799)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(23,617,291)	(23,617,291)
Net	\$ 2,502,633,665	\$ 144,172,214	\$ 7,328,212	(\$ 23,617,291)	\$ 2,630,516,800

Credit risk concentration of the credit assets on balance sheet

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics. It makes the effects on their abilities of fulfilling the contractual obligation due to similar impact of economy or other forces.

The credit risks of the Bank and its subsidiaries concentrate on accounts on and off balance sheet that occur through obligation fulfilling or implementation of transactions (either products or services), or through cross-class exposure portfolio, including loans, due from and call loan to banks, securities investment, receivables and derivatives. Characteristics of resulting a credit risk concentration include the nature that the debtors engage in business activities. The Bank and its subsidiaries do not significantly carry out transactions with a single client or single counterparty, nor do any of total trading volume to a single client or a single counterparty account for more than 5% of the balance of discounts and loans and non-accrual loans. The credit risk concentration of the bills discounted and loans, non-accrual

loans and lease business of the Bank and its subsidiaries by industry, region and collateral is shown as follows:

Discounts and loans, and non-accrual loans of the Bank and its subsidiaries by sector are shown as follows:

Industry	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Private enterprises	\$ 1,386,149,505	48.91	\$ 1,291,927,691	48.43
Private individual	1,017,531,753	35.91	949,609,019	35.60
Overseas and others	382,255,607	13.49	353,260,322	13.24
Government institutions	23,054,014	0.81	19,541,491	0.73
State-owned enterprises	20,300,000	0.72	48,800,000	1.83
Non-profit organizations	4,601,648	0.16	4,455,075	0.17
Total	<u>\$ 2,833,892,527</u>	<u>100.00</u>	<u>\$ 2,667,593,598</u>	<u>100.00</u>

Discounts and loans, and non-accrual loans of the Bank and its subsidiaries by region (Note) are shown as follows:

Geographical location	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Asia	\$ 2,620,448,236	92.47	\$ 2,473,930,857	92.74
North America	126,685,414	4.47	110,277,515	4.13
Oceania	54,892,185	1.94	54,387,644	2.04
Europe	31,866,692	1.12	28,997,582	1.09
Total	<u>\$ 2,833,892,527</u>	<u>100.00</u>	<u>\$ 2,667,593,598</u>	<u>100.00</u>

Note: the above geographical region is made on the basis of the branch that a debtor is dealing with.

(Blank)

The financial impact information from collateral, master netting arrangements and other credit enhancement for the Bank's and its subsidiaries' assets exposed to credit risk is as follows:

Expressed: In thousands of New Taiwan Dollars

December 31, 2025	Collateral	Master netting arrangements	Other credit enhancement	Total
<u>On balance sheet items</u>				
Financial assets measured at fair value through profit or loss				
Debt instruments	\$ -	\$ -	\$ 15,653,936	\$ 15,653,936
Derivative instruments	8,094,225	5,966,726	-	14,060,951
Receivables				
Credit card business	18,988	-	-	18,988
Others	7,409,025	-	194,553	7,603,578
Discounts and loans	1,846,866,768	-	165,287,873	2,012,154,641
Financial assets at fair value through other comprehensive income				
Bond investments	-	-	10,660,733	10,660,733
Investments in debt instruments at amortised cost				
Bond investments	-	-	69,429,122	69,429,122
Other financial assets				
Others	76	-	-	76
<u>Off-balance sheet items</u>				
Irrevocable loan commitments	2,069,161	-	293,250	2,362,411
Unused letters of credit issued	5,790,815	-	2,265,352	8,056,167
All types of guarantees	23,636,291	-	8,166,363	31,802,654

Expressed: In thousands of New Taiwan Dollars

December 31, 2024	Collateral	Master netting arrangements	Other credit enhancement	Total
<u>On balance sheet items</u>				
Financial assets measured at fair value through profit or loss				
Debt instruments	\$ -	\$ -	\$ 17,853,768	\$ 17,853,768
Derivative instruments	10,948,100	5,638,072	-	16,586,172
Receivables				
Credit card business	16,751	-	-	16,751
Others	4,811,407	-	230,873	5,042,280
Discounts and loans	1,753,265,191	-	162,876,691	1,916,141,882
Financial assets at fair value through other comprehensive income				
Bond investments	-	-	11,851,185	11,851,185
Investments in debt instruments at amortised cost				
Bond investments	-	-	58,247,816	58,247,816
Other financial assets				
Others	142	-	-	142
<u>Off-balance sheet items</u>				
Irrevocable loan commitments	4,089,050	-	303,454	4,392,504
Unused letters of credit issued	6,633,629	-	2,149,325	8,782,954
All types of guarantees	25,987,154	-	9,270,125	35,257,279

Note 1: "Collateral" refers to real estate and moveable property that are mortgaged, as well as moveable property or right that is pledged; Collateral value for credit assets is the lower of appraisal value and maximum exposure amount.

Note 2: Please refer to Note 12(2) C.(d) for details of master netting arrangements and other credit enhancement.

The Bank and subsidiaries closely monitor the collateral value of financial instruments, and take into account credit-impaired financial assets for which impairment loss should be recognised. Information on credit-impaired financial assets and the value of collateral that can offset potential losses were as follows:

	December 31, 2025		December 31, 2024	
	Book amount	Collateral fair value	Book amount	Collateral fair value
Impaired financial assets				
<u>On balance sheet items</u>				
Receivables				
Credit card business	\$ 161,908	\$ 100	\$ 180,470	\$ 100
Discounts and loans	11,705,296	7,108,195	9,556,101	5,324,152
<u>Off-balance sheet items</u>				
Irrevocable loan commitment	3,812	-	2,915	-
All types of guarantees	-	-	491	-

(F) The changes in the Bank's and its subsidiaries' allowance for bad debts, accumulative impairment and provisions regarding the expected credit losses are as follows:

a. Credit business

(a) For the years ended December 31, 2025 and 2024, the reconciliation of the balance of allowance for bad debts regarding expected credit losses was as follows:

I. Discounts and loans

For the year ended December 31, 2025	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	\$ 7,038,530	\$ 4,174,380	\$ 2,227,889	\$ 13,440,799	\$ 23,617,291	\$ 37,058,090
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	93,138	(92,700)	(438)	-	-	-
-Transferred to lifetime expected credit losses	(1,424,455)	1,427,008	(2,553)	-	-	-
-Transferred to credit-impaired financial assets	(315,341)	(445,519)	760,860	-	-	-
-Additional provision and reversal of the period	1,846,086	328,739	1,806,231	3,981,056	-	3,981,056
Originated or purchased	3,305,363	981,356	129,654	4,416,373	-	4,416,373
Derecognised	(2,696,313)	(822,896)	(278,651)	(3,797,860)	-	(3,797,860)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	3,937,671	3,937,671
Write-off of uncollectible amount	(608,809)	(1,587,472)	(2,166,555)	(4,362,836)	-	(4,362,836)
Foreign exchange and other changes	(43,704)	(15,668)	(18,038)	(77,410)	-	(77,410)
Balance at the end of the period	\$ 7,194,495	\$ 3,947,228	\$ 2,458,399	\$ 13,600,122	\$ 27,554,962	\$ 41,155,084

For the year ended December 31, 2024	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	\$ 6,917,683	\$ 3,519,689	\$ 2,429,619	\$ 12,866,991	\$ 21,356,815	\$ 34,223,806
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	110,708	(100,409)	(10,299)	-	-	-
-Transferred to lifetime expected credit losses	(1,728,709)	1,735,720	(7,011)	-	-	-
-Transferred to credit-impaired financial assets	(455,560)	(434,881)	890,441	-	-	-
-Additional provision and reversal of the period	2,414,613	425,466	3,748,133	6,588,212	-	6,588,212
Originated or purchased	3,233,266	694,162	62,197	3,989,625	-	3,989,625
Derecognised	(2,904,248)	(598,814)	(136,798)	(3,639,860)	-	(3,639,860)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	2,260,476	2,260,476
Write-off of uncollectible amount	(611,082)	(1,083,916)	(4,789,945)	(6,484,943)	-	(6,484,943)
Foreign exchange and other changes	61,859	17,363	41,552	120,774	-	120,774
Balance at the end of the period	\$ 7,038,530	\$ 4,174,380	\$ 2,227,889	\$ 13,440,799	\$ 23,617,291	\$ 37,058,090

II. Receivables

For the year ended December 31, 2025	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit- impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	\$ 57,306	\$ 37,715	\$ 202,205	\$ 297,226	\$ 571,897	\$ 869,123
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	1,324	(1,319)	(5)	-	-	-
-Transferred to lifetime expected credit losses	(6,426)	6,536	(110)	-	-	-
-Transferred to credit-impaired financial assets	(12,125)	(22,929)	35,054	-	-	-
-Additional provision and reversal of the period	15,258	18,165	(4,364)	29,059	-	29,059
Originated or purchased	31,424	8,294	5,434	45,152	-	45,152
Derecognised	(39,894)	(12,261)	5,682	(46,473)	-	(46,473)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	848	848
Write-off of uncollectible amount	(82)	(1,147)	(34,210)	(35,439)	-	(35,439)
Foreign exchange and other changes	(134)	2,455	(190)	2,131	-	2,131
Balance at the end of the period	\$ 46,651	\$ 35,509	\$ 209,496	\$ 291,656	\$ 572,745	\$ 864,401

For the year ended December 31, 2024	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	\$ 61,488	\$ 54,319	\$ 199,969	\$ 315,776	\$ 563,791	\$ 879,567
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	1,205	(1,133)	(72)	-	-	-
-Transferred to lifetime expected credit losses	(9,389)	9,511	(122)	-	-	-
-Transferred to credit-impaired financial assets	(14,451)	(30,805)	45,256	-	-	-
-Additional provision and reversal of the period	20,329	30,038	(5,394)	44,973	-	44,973
Originated or purchased	41,928	2,791	7,157	51,876	-	51,876
Derecognised	(43,918)	(37,447)	(20,775)	(102,140)	-	(102,140)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	8,106	8,106
Write-off of uncollectible amount	(51)	(293)	(24,006)	(24,350)	-	(24,350)
Foreign exchange and other changes	165	10,734	192	11,091	-	11,091
Balance at the end of the period	\$ 57,306	\$ 37,715	\$ 202,205	\$ 297,226	\$ 571,897	\$ 869,123

III. Provision for loan commitments, provision for guarantee liabilities, and other provisions

For the year ended December 31, 2025	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit- impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	\$ 687,251	\$ 72,034	\$ 1,398	\$ 760,683	\$ 1,641,060	\$ 2,401,743
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	5,808	(5,807)	(1)	-	-	-
-Transferred to lifetime expected credit losses	(37,728)	37,729	(1)	-	-	-
-Transferred to credit-impaired financial assets	(884)	(963)	1,847	-	-	-
-Additional provision and reversal of the period	(51,100)	(38,107)	(368)	(89,575)	-	(89,575)
Originated or purchased	365,010	14,785	150	379,945	-	379,945
Derecognised	(364,046)	(7,560)	(970)	(372,576)	-	(372,576)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	565,167	565,167
Foreign exchange and other changes	(962)	(36)	-	(998)	-	(998)
Balance at the end of the period	\$ 603,349	\$ 72,075	\$ 2,055	\$ 677,479	\$ 2,206,227	\$ 2,883,706

For the year ended December 31, 2024	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	\$ 731,537	\$ 96,464	\$ 723	\$ 828,724	\$ 1,333,401	\$ 2,162,125
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	6,373	(6,373)	-	-	-	-
-Transferred to lifetime expected credit losses	(5,648)	5,649	(1)	-	-	-
-Transferred to credit-impaired financial assets	(761)	(461)	1,222	-	-	-
-Additional provision and reversal of the period	(108,188)	(65,796)	(245)	(174,229)	-	(174,229)
Originated or purchased	429,977	54,800	92	484,869	-	484,869
Derecognised	(367,833)	(12,361)	(393)	(380,587)	-	(380,587)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	307,659	307,659
Foreign exchange and other changes	1,794	112	-	1,906	-	1,906
Balance at the end of the period	\$ 687,251	\$ 72,034	\$ 1,398	\$ 760,683	\$ 1,641,060	\$ 2,401,743

(b) Material changes to the total carrying amount for the years ended December 31, 2025 and 2024.

Changes to the gross amount of discounts and loans is as follows:

For the year ended December 31, 2025	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total
Balance at the beginning of the period	\$ 2,509,672,195	\$ 148,346,594	\$ 9,556,101	\$ 2,667,574,890
Changes from financial instruments recognised at the beginning of the period:				
-Transferred to 12-month expected credit losses	28,129,794	(28,100,115)	(29,679)	-
-Transferred to lifetime expected credit losses	(67,323,800)	67,366,846	(43,046)	-
-Transferred to credit-impaired financial assets	(2,458,467)	(3,541,402)	5,999,869	-
-Reversal of the period	(87,960,997)	(5,906,446)	(506,251)	(94,373,694)
Originated or purchased	1,098,907,294	48,844,794	643,897	1,148,395,985
Derecognised discounts and loans	(830,014,186)	(45,733,525)	(1,615,822)	(877,363,533)
Write-off of uncollectible amount	(608,809)	(1,587,472)	(2,166,555)	(4,362,836)
Foreign exchange and other changes	(5,103,089)	(759,761)	(133,218)	(5,996,068)
Balance at the end of the period	\$ 2,643,239,935	\$ 178,929,513	\$ 11,705,296	\$ 2,833,874,744

For the year ended December 31, 2024	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total
Balance at the beginning of the period	\$ 2,286,233,168	\$ 137,991,053	\$ 12,577,643	\$ 2,436,801,864
Changes from financial instruments recognised at the beginning of the period:				
-Transferred to 12-month expected credit losses	30,903,912	(29,662,132)	(1,241,780)	-
-Transferred to lifetime expected credit losses	(50,218,011)	50,363,720	(145,709)	-
-Transferred to credit-impaired financial assets	(2,140,282)	(2,079,699)	4,219,981	-
-Reversal of the period	(74,799,267)	(5,805,679)	(1,117,854)	(81,722,800)
Originated or purchased	1,125,445,524	38,148,157	446,623	1,164,040,304
Derecognised discounts and loans	(814,029,509)	(40,259,032)	(721,937)	(855,010,478)
Write-off of uncollectible amount	(611,082)	(1,083,916)	(4,789,945)	(6,484,943)
Foreign exchange and other changes	8,887,742	734,122	329,079	9,950,943
Balance at the end of the period	\$ 2,509,672,195	\$ 148,346,594	\$ 9,556,101	\$ 2,667,574,890

- (c) The simplification method to evaluate expected credit losses of loans, accounts receivable, contract assets and lease receivables
The Bank's subsidiary FCBL included loans and accounts receivable in the impairment assessment, and the results were as follows:

	For the year ended December 31, 2025					
	Overdue day of Loans and receivables					
	Not overdue	Overdue for 1 –90 days	Overdue for 91–180 days	Overdue for 181–360 days	Overdue for more than 361 days	Total
Percentage of expected credit losses	1%	3%	10%	50%	100%	
Gross amount	\$ 9,125,919	\$ 76,900	\$ 24,155	\$ 8,661	\$ 14,185	\$ 9,249,820
Amount of expected credit losses	(97,559)	(2,307)	(2,415)	(4,330)	(14,185)	(120,796)
Net amount of loans and receivables	<u>\$ 9,028,360</u>	<u>\$ 74,593</u>	<u>\$ 21,740</u>	<u>\$ 4,331</u>	<u>\$ -</u>	<u>\$ 9,129,024</u>

	For the year ended December 31, 2024					
	Overdue day of Loans and receivables					
	Not overdue	Overdue for 1 –90 days	Overdue for 91–180 days	Overdue for 181–360 days	Overdue for more than 361 days	Total
Percentage of expected credit losses	1%	3%	10%	50%	100%	
Gross amount	\$ 5,857,350	\$ 6,593	\$ 11,168	\$ 505	\$ 27,722	\$ 5,903,338
Amount of expected credit losses	(92,879)	(198)	(1,117)	(253)	(27,722)	(122,169)
Net amount of loans and receivables	<u>\$ 5,764,471</u>	<u>\$ 6,395</u>	<u>\$ 10,051</u>	<u>\$ 252</u>	<u>\$ -</u>	<u>\$ 5,781,169</u>

b. Bond or bill investments

(a) The reconciliation of the balance of the cumulative impairment for the years ended December 31, 2025 and 2024 was as follows:

I. Financial assets at fair value through other comprehensive income

For the year ended December 31, 2025	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Other equity
Balance at the beginning of the period	79,323	\$ -	\$ -	\$ 79,323	\$ 79,323
Changes from financial instruments recognised at the beginning of the period:					
-Additional provision and reversal of the period	(6,463)	-	-	(6,463)	(6,463)
Originated or purchased	7,124	-	-	7,124	7,124
Derecognised	(2,028)	-	-	(2,028)	(2,028)
Foreign exchange and other changes	(3,251)	-	-	(3,251)	(3,251)
Balance at the end of the period	\$ 74,705	\$ -	\$ -	\$ 74,705	\$ 74,705

For the year ended December 31, 2024	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Other equity
Balance at the beginning of the period	67,838	\$ -	\$ -	\$ 67,838	\$ 67,838
Changes from financial instruments recognised at the beginning of the period:					
-Additional provision and reversal of the period	1,051	-	-	1,051	1,051
Originated or purchased	15,953	-	-	15,953	15,953
Derecognised	(5,211)	-	-	(5,211)	(5,211)
Foreign exchange and other changes	(308)	-	-	(308)	(308)
Balance at the end of the period	\$ 79,323	\$ -	\$ -	\$ 79,323	\$ 79,323

II. Investments in debt instruments carried at amortised cost

For the year ended December 31, 2025	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Accumulated impairment
Balance at the beginning of the period	\$ 72,162	\$ -	\$ -	\$ 72,162	\$ 72,162
Changes from financial instruments recognised at the beginning of the period:					
-Additional provision and reversal of the period	(4,222)	-	-	(4,222)	(4,222)
Originated or purchased	22,339	-	-	22,339	22,339
Derecognised	(6,410)	-	-	(6,410)	(6,410)
Foreign exchange and other changes	(825)	-	-	(825)	(825)
Balance at the end of the period	\$ 83,044	\$ -	\$ -	\$ 83,044	\$ 83,044
For the year ended December 31, 2024	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Accumulated impairment
Balance at the beginning of the period	61,079	\$ -	\$ -	\$ 61,079	\$ 61,079
Changes from financial instruments recognised at the beginning of the period:					
-Additional provision and reversal of the period	1,454	-	-	1,454	1,454
Originated or purchased	9,467	-	-	9,467	9,467
Derecognised	(1,478)	-	-	(1,478)	(1,478)
Foreign exchange and other changes	1,640	-	-	1,640	1,640
Balance at the end of the period	\$ 72,162	\$ -	\$ -	\$ 72,162	\$ 72,162

- (b) There have been no material changes to the cumulative impairment of bond or bill investments for the years ended December 31, 2025 and 2024.

(G) Policy for foreclosed assets's management

The foreclosed assets of the Bank and its subsidiaries as of December 31, 2025 and 2024 were land, buildings and stocks, and the carrying amounts were \$446,467 and \$548,510, respectively.

The foreclosed assets shall be disposed once it are disposable and the proceeds of disposal shall be used to offset the remaining unpaid arrears. Foreclosed assets are classified under other assets in the consolidated balance sheet.

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(H) Disclosures made in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a. Asset quality

Date & year		December 31, 2025				
Business lines/ Items		Non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for bad debts	Coverage ratio (Note 3)
Corporate Banking	Secured loans	\$ 2,919,416	\$ 855,114,093	0.34%	\$ 11,477,857	393.16%
	Unsecured loans	699,222	1,070,597,882	0.07%	14,654,478	2095.83%
Consumer Banking	Residential mortgage loans (Note 4)	809,516	761,381,920	0.11%	13,094,952	1617.63%
	Cash cards	-	32	-	10	-
	Micro credit loans (Note 5)	27,632	36,861,282	0.07%	473,231	1712.62%
	Others (Note 6)	Secured	278,599	89,380,342	0.31%	1,110,539
Unsecured		-	112,053	-	1,359	-
Gross loans business		\$ 4,734,385	\$ 2,813,447,604	0.17%	\$ 40,812,426	862.04%
		Non-performing loans	Balance of receivables	Non-performing loan ratio (%)	Allowance for bad debts	Coverage ratio
Credit card services		\$ 14,217	\$ 9,567,652	0.15%	\$ 98,329	691.63%
Without recourse factoring (Note 7)		-	1,607,259	-	16,075	-
Date & year		December 31, 2024				
Business lines/ Items		Non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for bad debts	Coverage ratio (Note 3)
Corporate Banking	Secured loans	\$ 3,206,747	\$ 819,102,241	0.39%	\$ 10,763,942	335.67%
	Unsecured loans	482,152	1,005,735,858	0.05%	12,794,866	2653.70%
Consumer Banking	Residential mortgage loans (Note 4)	567,348	721,122,711	0.08%	11,938,347	2104.24%
	Cash cards	-	93	-	13	-
	Micro credit loans (Note 5)	38,777	29,787,325	0.13%	374,534	965.87%
	Others (Note 6)	Secured	185,144	71,238,806	0.26%	854,018
Unsecured		-	99,927	-	1,174	-
Gross loans business		\$ 4,480,168	\$ 2,647,086,961	0.17%	\$ 36,726,894	819.77%
		Non-performing loans	Balance of receivables	Non-performing loan ratio (%)	Allowance for bad debts	Coverage ratio
Credit card services		\$ 25,009	\$ 10,340,969	0.24%	\$ 114,290	457.00%
Without recourse factoring (Note 7)		-	1,991,188	-	19,914	-

Note:

1. The amount recognised as non-performing loans is in compliance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The amount included in overdue accounts for credit cards is in compliance with the Jin-Guan-Yin (4) Letter No. 0944000378 dated July 6, 2005.
2. Non-performing loan ratio=non-performing loans/gross loans. Non-performing loan ratio of credit cards =Overdue accounts of credit cards /balance of accounts receivable.
3. Coverage ratio for allowance for bad debts of loans=allowance for bad debts of loans/non-performing loans. Coverage ratio for allowance for bad debts of accounts receivable of credit cards= allowance for bad debts for accounts receivable of credit cards/ Overdue accounts of credit cards.
4. For residential mortgage loans, the borrower provides the residential house that himself/herself (or spouse or minor child) purchased or owned as full security and mortgages the house to the financial institution for the purpose of obtaining funds to purchase the house or to renovate own house.
5. Micro credit loans excluding credit card and cash card services must apply to the regulation of the Jin-Guan-Yin (4) Letter No. 09440010950 dated December 19, 2005.
6. Others of consumer banking exclude credit card services and are specified as other secured or unsecured consumer loans other than residential mortgage loans, cash card services and micro credit loans.
7. Pursuant to the Jin-Guan-Yin-Wai Letter No. 09850003180 dated August 24, 2009 amount of without recourse factoring will be recognised as non-performing loans within three months after the factor or insurance company resolves not to compensate the loss.

b. Non-performing loans and overdue receivables exempted from reporting to the competent authority

	December 31, 2025	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation and fulfillment in accordance with the contract (Note 1)	\$ 3,929	\$ 1,308
Debt liquidation program and restructuring program are fulfilled in accordance with the contract (Note 2)	10,695	106,481
Total	\$ 14,624	\$ 107,789

	December 31, 2024	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation and fulfillment in accordance with the contract (Note 1)	\$ 4,766	\$ 2,144
Debt liquidation program and restructuring program are fulfilled in accordance with the contract (Note 2)	10,203	115,603
Total	\$ 14,969	\$ 117,747

Note:

1. It is required to supplement disclosure items for the credit reporting and information disclosure regulations for cases approved by the "Unsecured Debt Negotiation Mechanism for Consumer Banking Cases of the Banker Association of the Republic of China" pursuant to the Jin-Guan-Yin (1) Letter No. 09510001270 of the FSC dated April 25, 2006.
2. It is required to supplement disclosure items for credit reporting and information disclosure regulations for banks in handling preliminary negotiation, preliminary mediation, rehabilitation, and liquidation cases under the "Customer Debt Clearance Act" pursuant to the Jin-Guan-Yin-(1) Letter No. 09700318940 on September 15, 2008 and Jin-Guan-Yin-Fa Letter No. 10500134790 on September 20, 2016.

c. Profile of credit risk concentration of the Bank

December 31, 2025			
Ranking (Note 1)	Type of industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount/FCB net worth of the current year (%)
1	Group A–Activities of Other Holding Companies	\$ 45,251,434	14.67%
2	Group B–Real Estate Development	20,929,565	6.79%
3	Group C–Real Estate Development	19,458,585	6.31%
4	Group D–Manufacture of Liquid Crystal Panel and Components	17,708,192	5.74%
5	Group E–Real Estate Rental and Sales	15,893,681	5.15%
6	Group F–Iron and Steel Rolling and Extrusion	14,074,388	4.56%
7	Group G–Computers Manufacturing	12,084,923	3.92%
8	Group H–Real Estate Development	11,762,916	3.81%
9	Group I–Cement Manufacturing	11,241,559	3.65%
10	Group J–Manufacture of Integrated Circuits	11,195,230	3.63%

December 31, 2024			
Ranking (Note 1)	Type of industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount/FCB net worth of the current year (%)
1	Group A–Activities of Other Holding Companies	\$ 49,681,154	18.01%
2	Group B–Manufacture of Liquid Crystal Panel and Components	20,018,718	7.26%
3	Group C–Real Estate Development	18,042,143	6.54%
4	Group D–Real Estate Development	17,926,378	6.50%
5	Group E–Other Financial Services	15,682,884	5.68%
6	Group F–Real Estate Rental and Sales	12,790,155	4.64%
7	Group G–Iron and Steel Rolling and Extrusion	12,274,672	4.45%
8	Group H–Real Estate Development	12,064,578	4.37%
9	Group I–Manufacture of Integrated Circuits	11,068,438	4.01%
10	Group J–Financial Leasing	10,910,602	3.96%

Note:

- Ranking the top 10 enterprise groups other than government and government enterprise according to their total outstanding loan amount.
- Definition of enterprise groups is based on the Article 6 of Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listing.
- Total outstanding loan amount is the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term unsecured loan, short-term secured loan, accounts receivable financing, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and non-accrual loan), purchases in remittances, without recourse factoring, acceptance receivable and guarantees.

D. Liquidity risk

(A) Definition and resource of liquidity risk

The liquidity risk of the Bank and its subsidiaries refers to a financial loss when assets are not convertible into cash or not enough financing aid can be obtained to inject fund for the financial liabilities soon to be matured. For instance, the client terminates the deposit contract in advance, or financing channels and conditions for call loan from banks become difficult due to market influence, or the loan clients' deterioration on the credit default rate giving rise to unusual fund collection, difficulty in converting the financial instrument into cash, and policyholders of interest sensitive insurance exercising the right to terminate contract in advance. Above events may mitigate the cash inflows for engaging in loan business for the Bank and its subsidiaries, transactions and investing activities for the lease subsidiaries.

Liquidity risk exists in the Bank's operation, which may be given rise by specific event of various industries or overall market movement, such as liquidation protocol of deposit or call loan payment, source of financing or asset liquidation speed are affected by various industries or certain overall market events, including but not limited to insufficient depth of market, market disorder, tight liquidity on funds, credit event, merging or acquisition activities, systematic impact and natural disasters, etc.

Working capital of FCBL is sufficient, therefore there is no liquidity risk regarding inability to raise fund for fulfilling contractual obligations.

(B) Procedures and measurement method used for liquidity risk management

In order to prevent liquid risk that gives rise to operating risk, crisis reaction procedures have been set up in relation to liquidity risk and fund liquidity gap shall be monitored on a regular basis.

Management procedure and measurement method for the liquidity risk of the Bank and its subsidiaries are as follows:

Procedure

In consideration of the operating demand, the sources of fund need to be diverse and stable. The use of fund should avoid high concentration, and the liquid assets held should take precedence of high-quality liquid interest-earning assets.

In accordance with the "Management policy of assets and liabilities" and "Management principle of liquidity and interest risk", risk management division is the monitoring unit for liquidity risk indicator. Finance division is the execution unit for fund procurement and utilities. Also, attention needs to be paid on the movement of market condition and day-to-day capital liquidity to ensure appropriate liquidity and long-term profitability. Unless otherwise specified, overseas branches shall maintain sufficient liquidity in accordance with the local competent authorities.

Risk Management Division sets up liquid position or indicator limit by the duration and implements after obtaining the approval from assets and liabilities management committee and Board of Directors. Each liquidity risk monitoring indicator are assessed and reviewed regularly in the meeting of assets and liabilities management committee.

Risk Management Division is responsible for reporting the liquidity risk and other monitoring result regularly to the asset and liability management committee, risk management committee and Board of Directors.

Measurement method

The content of the liquidity risk report mainly includes estimating future cash flows from various business lines and the effects on fund procuring and utilizing so that cash gap and relevant indicator are set up early warning areas and target goals in order to control under the tolerable risk limit.

Risk Management Division regularly prepares “Analysis table for cash flow gap” and “Adjustment analysis table for cash flow gap” to ensure that the cash flow gap is within the granted limit and reports to the management in relation to fund liquidity matters. Given that the limit has been reached or internal and external warning signals have significantly worsened, it should be reported immediately to the assets and liabilities management committee for taking further response action and reported to the Board of Directors. In the event of a liquidity risk crisis, relevant action shall be taken in accordance with “Contingent plan for liquidity risk”.

(C) Duration analysis for the financial assets and financial liabilities held for liquidity risk management are as follows:

a. Financial assets held for the management of liquidity risk

The Bank and its subsidiaries hold cash and high-quality liquid, interest-earning assets to support repayment obligations and potential emergency fund demands in the market circumstance. Assets held for the management of liquidity risk include: cash and cash equivalents, due from the central bank and call loans to banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investments in debt instruments at amortised cost, securities purchased under resell agreements, receivables and discounts and loans etc.

b. Duration analysis for the financial assets and financial liabilities held for liquidity risk management

The following table illustrates the cash inflow and outflow of financial assets and financial liabilities of the Bank and its subsidiaries held for liquidity risk management based on the remaining maturity from the balance sheet date to the contract expiration date. While the amounts disclosed in the table are the contract cash flows that are not discounted, certain accounts may differ from the corresponding amounts of relative accounts on the balance sheet.

December 31, 2025	<u>0 - 30 days</u>	<u>31 - 90 days</u>	<u>91 - 180 days</u>	<u>181 days – 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
1.Primary fund inflow upon maturity						
Non-derivative instruments						
Cash and due from other banks	\$ 144,261,260	\$ 10,293,204	\$ 7,796,076	\$ 13,537,433	\$ 60,999,462	\$ 236,887,435
Call loans and overdrafts to banks	90,184,130	17,343,357	1,693,202	523,443	-	109,744,132
Securities investment	723,278,596	41,878,682	28,460,463	62,237,733	695,183,917	1,551,039,391
Discounts and loans	285,702,774	300,245,776	268,041,008	320,394,394	1,659,509,342	2,833,893,294
Other fund inflow upon maturity	114,741,160	8,422,577	3,625,735	3,585,993	6,603,400	136,978,865
Derivative instruments	<u>2,845,023</u>	<u>3,389,999</u>	<u>5,253,207</u>	<u>7,441,190</u>	<u>4,954,342</u>	<u>23,883,761</u>
Total	<u>1,361,012,943</u>	<u>381,573,595</u>	<u>314,869,691</u>	<u>407,720,186</u>	<u>2,427,250,463</u>	<u>4,892,426,878</u>
2.Primary fund outflow upon maturity						
Non-derivative instruments						
Call loans and overdrafts from banks and due to other banks	240,938,459	119,416,705	24,302,423	5,823,519	-	390,481,106
Demand deposits	69,660,353	50,084,047	40,342,497	80,905,616	1,822,066,201	2,063,058,714
Time deposits	363,004,437	486,990,075	352,816,154	600,837,634	91,275,213	1,894,923,513
Financial liability at fair value through profit or loss-non-derivative instruments	-	1,231,417	-	-	-	1,231,417
Bank debentures payable	-	-	-	1,000,000	54,800,000	55,800,000
Lease liabilities	77,409	125,207	155,607	343,979	2,012,835	2,715,037
Other fund outflow upon maturity	92,021,093	12,403,358	10,388,408	5,164,254	69,583,325	189,560,438
Derivative instruments	<u>1,985,497</u>	<u>1,807,017</u>	<u>500,018</u>	<u>311,370</u>	<u>4,806,768</u>	<u>9,410,670</u>
Total	<u>767,687,248</u>	<u>672,057,826</u>	<u>428,505,107</u>	<u>694,386,372</u>	<u>2,044,544,342</u>	<u>4,607,180,895</u>
3.Gap upon maturity	<u>\$ 593,325,695</u>	<u>(\$ 290,484,231)</u>	<u>(\$ 113,635,416)</u>	<u>(\$ 286,666,186)</u>	<u>\$ 382,706,121</u>	<u>\$ 285,245,983</u>

December 31, 2024	<u>0 - 30 days</u>	<u>31 - 90 days</u>	<u>91 - 180 days</u>	<u>181 days – 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
1.Primary fund inflow upon maturity						
Non-derivative instruments						
Cash and due from other banks	\$ 103,356,248	\$ 9,358,136	\$ 6,664,980	\$ 12,681,125	\$ 58,754,799	\$ 190,815,288
Call loans and overdrafts to banks	82,613,735	24,376,140	2,274,624	358,044	-	109,622,543
Securities investment	648,899,498	39,065,765	47,244,093	80,756,184	617,829,680	1,433,795,220
Discounts and loans	241,622,608	318,390,904	260,296,450	280,034,164	1,567,249,967	2,667,594,093
Other fund inflow upon maturity	101,199,632	8,310,944	3,372,370	2,742,599	5,080,991	120,706,536
Derivative instruments	<u>6,157,468</u>	<u>7,735,494</u>	<u>4,069,304</u>	<u>4,377,135</u>	<u>5,363,833</u>	<u>27,703,234</u>
Total	<u>1,183,849,189</u>	<u>407,237,383</u>	<u>323,921,821</u>	<u>380,949,251</u>	<u>2,254,279,270</u>	<u>4,550,236,914</u>
2.Primary fund outflow upon maturity						
Non-derivative instruments						
Call loans and overdrafts from banks and due to other banks	213,173,836	85,654,170	2,788,531	14,708,955	-	316,325,492
Demand deposits	66,634,475	47,805,430	38,603,101	76,980,117	1,718,648,797	1,948,671,920
Time deposits	363,788,668	520,281,043	343,561,083	451,118,297	86,838,504	1,765,587,595
Financial liability at fair value through profit or loss-non-derivative instruments	-	1,809,088	-	-	-	1,809,088
Bank debentures payable	-	6,350,000	-	-	54,300,000	60,650,000
Lease liabilities	78,969	124,361	163,951	319,451	1,855,098	2,541,830
Other fund outflow upon maturity	75,904,905	26,812,499	9,470,137	4,251,933	78,499,843	194,939,317
Derivative instruments	<u>1,889,370</u>	<u>2,174,297</u>	<u>361,031</u>	<u>281,099</u>	<u>5,083,556</u>	<u>9,789,353</u>
Total	<u>721,470,223</u>	<u>691,010,888</u>	<u>394,947,834</u>	<u>547,659,852</u>	<u>1,945,225,798</u>	<u>4,300,314,595</u>
3.Gap upon maturity	<u>\$ 462,378,966</u>	<u>(\$ 283,773,505)</u>	<u>(\$ 71,026,013)</u>	<u>(\$ 166,710,601)</u>	<u>\$ 309,053,472</u>	<u>\$ 249,922,319</u>

Note: Financial assets and financial liabilities of derivative instruments are disclosed at present value.

Maturity analysis for above demand deposits is amortised to each period based on historical experience of the Bank and its subsidiaries. Given that all the demand deposits have to be paid in the shortest period, as of December 31, 2025 and 2024, the payment on period of 0-30 days will be increased by \$1,993,398,361 and \$1,882,037,445, respectively.

(D) Maturity analysis for items off the balance sheet

The loans, loan commitment and letters of credit include undrawn loan commitments and undrawn letters of credit issued. Financial guarantee contract refers that the Bank and its subsidiaries are the guarantor or the issuer of the stand-by letter of credit.

Please refer to the below table for maturity analysis for items off the balance sheet of the Bank and its subsidiaries:

Financial instruments contracts	December 31, 2025		
	Within one year	More than one year	Total
Undrawn loan commitments (Note)	\$ 7,325,105	\$ 202,144,518	\$ 209,469,623
Undrawn credit commitments for credit cards	124,302,047	-	124,302,047
Undrawn letters of credit issued	29,782,891	2,769,182	32,552,073
Guarantees	54,599,127	57,597,557	112,196,684
Total	\$ 216,009,170	\$ 262,511,257	\$ 478,520,427

Financial instruments contracts	December 31, 2024		
	Within one year	More than one year	Total
Undrawn loan commitments (Note)	\$ 14,782,607	\$ 195,280,674	\$ 210,063,281
Undrawn credit commitments for credit cards	119,670,633	-	119,670,633
Undrawn letters of credit issued	32,766,664	498,540	33,265,204
Guarantees	53,168,258	57,181,534	110,349,792
Total	\$ 220,388,162	\$ 252,960,748	\$ 473,348,910

Note: Above undrawn loan commitments are irrevocable loan commitment.

(E) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a. Structure analysis of NTD time to maturity of the Bank

Expressed in Thousands of New Taiwan Dollars

December 31, 2025							
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary fund inflow upon maturity	\$ 3,886,345,608	\$ 568,956,370	\$ 561,198,098	\$ 411,481,621	\$ 264,474,798	\$ 338,713,093	\$ 1,741,521,628
Primary fund outflow upon maturity	5,294,391,903	210,792,642	322,997,327	710,195,906	861,130,145	1,045,914,199	2,143,361,684
Gap	(\$ 1,408,046,295)	\$ 358,163,728	\$ 238,200,771	(\$ 298,714,285)	(\$ 596,655,347)	(\$ 707,201,106)	(\$ 401,840,056)

December 31, 2024							
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary fund inflow upon maturity	\$ 3,694,843,347	\$ 595,894,163	\$ 409,749,567	\$ 453,649,896	\$ 274,306,353	\$ 317,611,790	\$ 1,643,631,578
Primary fund outflow upon maturity	4,968,920,116	201,160,784	267,309,362	781,164,776	749,694,530	952,010,301	2,017,580,363
Gap	(\$ 1,274,076,769)	\$ 394,733,379	\$ 142,440,205	(\$ 327,514,880)	(\$ 475,388,177)	(\$ 634,398,511)	(\$ 373,948,785)

b. Structure analysis of USD time to maturity of the Bank

Expressed in Thousands of US Dollars

December 31, 2025						
	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary fund inflow upon maturity	\$ 49,524,960	\$ 12,332,533	\$ 7,311,746	\$ 6,269,556	\$ 8,178,106	\$ 15,433,019
Primary fund outflow upon maturity	56,286,203	15,598,005	15,842,064	6,977,184	11,629,339	6,239,611
Gap	(\$ 6,761,243)	(\$ 3,265,472)	(\$ 8,530,318)	(\$ 707,628)	(\$ 3,451,233)	\$ 9,193,408

December 31, 2024						
	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary fund inflow upon maturity	\$ 47,303,439	\$ 11,983,411	\$ 10,209,760	\$ 5,835,332	\$ 6,440,638	\$ 12,834,298
Primary fund outflow upon maturity	53,939,402	17,718,096	16,160,140	7,459,202	7,026,339	5,575,625
Gap	(\$ 6,635,963)	(\$ 5,734,685)	(\$ 5,950,380)	(\$ 1,623,870)	(\$ 585,701)	\$ 7,258,673

E. Market risk

(A) Market risk definition

Market risk occurs when the market price fluctuates leading to movement in fair value or the future cash flow of financial instrument held by the Bank and its subsidiaries on or off the balance sheet. The risk factors that could give rise to market price movement usually include interest rate, exchange rate, equity securities and instrument price. Any movement in above risk factors could result in risk of fluctuation on net profit or value of investment portfolio held by the Bank and its subsidiaries.

The market risks that the Bank and First Commercial Bank (USA) faces mainly are equity securities, interest rate and exchange rate risk. Market risk position of equity securities mainly include domestic listed stocks, over-the-counter stocks, domestic stock index options and stock index futures and call and put warrants, etc. Positions with interest rate risk mainly include: bonds and interest-derivative instruments, such as fixed and floating interest swaps and bond options, etc. Positions with exchange rate risk mainly include: the combined positions invested by the Bank, such as various derivatives denominated in foreign currency, credit-linked bonds, US government bonds, and other foreign currency denominated bonds, etc.

(B) Goal of market risk management

The Bank and First Commercial Bank (USA) conduct various market risk management policies, standards, key points and the regulations from competent authorities and the Bank to comply.

The Bank sets up “Management policy for market risk”, “Management standards for market risk”, “Management standards for liquidity and interest rate risk” and “Management guidelines for market risk” and relative procedures to effectively regulate market risk and ensure that the market risk is under the Bank and the First Commercial Bank (USA)’s bearable capacity.

The Bank divided market risk management into trading book and banking book. Interest rate risk management in relation to trading book and banking book please refer to Note 12(2)E(F), (G) and (H). ‘Trading book’ refers to:

- a. positions held with an intention to earn profit from interest rate movement or price variance between the purchase price and selling price,
- b. positions held for hedging purpose, and
- c. interest rate related instruments positions and equity securities positions held for brokerage or proprietary trading on which regular market value assessment and loss provision against market risk shall be made. Financial instrument positions that are not classified as trading book are classified into the scope of ‘banking book’.

(C) Policy and procedure for market risk management

In order to identify, evaluate, control and monitor market risks that the Bank faces and strengthen managing mechanism for market risks, management policies and procedures have been set up to effectively manage market risk and ensure that market risk is controlled under a bearable capacity.

Policy

The Board of the Bank is the highest management and supervisory unit in charge of the granting of risk management policy, major risk bearing limit and relevant authorization. The Risk Management Committee under the Board of Directors executes various risk

management implementations as resolved and granted by the Board and performs risk supervision. In addition, Risk Management Division is independent from the business unit and is responsible for establishing market risk management framework to manage market risk.

Procedures

The Risk Management Division of the Bank assesses various risk indicators regularly and monitors various risk indicators to be within the limits authorised by the Board of Directors. Any excess over the limits and the usage level of risk limits are summarised and reported to the Board of Directors, risk management committee, president, executive vice president and other related segments.

Business unit, before the engagement in new transaction or developing new market, should identify and evaluate risk in compliance with related procedures. The valuation model before adoption should be verified through model testing technicians in order to effectively identify various market risks. For financial instruments that cannot be valued by adopting market price or model valuation, the risks should be transferred by back-to-back method to avoid that the Bank may undertake uncertain market risk.

(D) Management procedure for market risk

The Bank's management procedure for market risk of interest rate risk, exchange risk and equity securities are as follows:

a. Identification and measurement

Risk identification: When there is any new product, market or currency of a financial instrument, market risk factors and market risk source should first be identified before the underwriting is permitted.

Risk measurement: Establish appropriate risk indicators and prescribe risk limits for management. The significant risk indicators of the subsidiaries include, but are not limited to positions, gains and losses, stress test for losses, and sensitivity measures (PV01, Delta, Vega, and Gamma). The measurement of investment portfolios are affected by interest risk, exchange rate risk and equity securities.

b. Monitor and report

For financial instrument valued by the market price, the information of independent source should be assessed at least once a day. For those valued by models, the assumption and input used in the valuation model as provided by the market data of Reuters and Bloomberg, after the model experience is verified and granted, the calculation on valuation and sensitivity may be carried on, which is used to control investment portfolio risk incurred.

The Bank establishes risk reporting mechanism and procedures. The Risk Management Division should regularly present the daily report, monthly report and other risk management report to the Board of Directors and senior management based on the needs of segment heads, president, chairperson or the Board of Directors to report interest risk, exchange risk and equity securities exposure, including gain and loss, trading position, various risk indicators, risk limit usage, all limit excess or violation and so on. In addition, a regularly follow-up is made and warning reminders are sent out to ensure that a corrective action has been taken in a timely manner and in compliance with regulations.

(E) Risk measurement method (market risk valuation technique)

In order to effectively measure the market risks, the Bank establishes appropriate risk indicators and measurement instruments based on each investment portfolio and business characteristics of trading book and banking book. Meanwhile, by setting up risk limits and controlling mechanism, risk limit control is regularly reported to each responsible segment and reported to the Board of Directors. Above risk indicators include positions, gains and losses, sensitivity indexes (PV01, Delta, Gamma, Vega), stress losses and others.

Definitions of various indicators:

PV01: It is the relative change in the value of interest rate instrument when the interest rate moves by 1 basis point (1bp = 0.01%).

Delta: When the price of underlying asset moves by 1 unit that leads to related movement in Delta ratio of the derivative, by which is multiplied the nominal amount to measure to Delta position.

Vega: It is the relative change in the value of derivative instrument when the value of underlying asset moves by 100 basis point.

Gamma: It is the relative change in Delta when the underlying asset value moves by 1 unit.

Interest rate-sensitive instruments are the relative change in the amount of PV01 that incurred to the interest rate instrument when interest rate moves by 1 basis point.

Exchange rate-sensitive instruments are the relative change in the amount of Delta that incurred to the exchange rate instrument when exchange rate moves by 1% of the unit.

Stress loss: Provided that all other conditions remain constant, it is the effects from ± 150 bp interest rate movement, $\pm 15\%$ overall market movement of equity securities, $\pm 5\%$ exchange rate fluctuation on New Taiwan Dollars versus major currencies and other currencies.

(F) Policy and procedures of trading book risk management

Trading book includes financial instruments held for trading or financial instruments and physical commodity positions held for hedging purposes against trading book positions. Positions of financial instruments held for trading refers to positions held for a short-term period with the intention of selling or with the intention of profiting or fixing arbitrage profits from actual or expected short-term price fluctuations. For example, proprietary positions, agency positions (such as transaction match-making brokerage) or positions generated through market making transaction, or positions held to offset all or the majority of risks of asset or portfolio positions on the trading book. Positions not included in the above trading book positions are banking book position.

The Bank establishes specific policies and procedures for their trading strategy of trading book position in order to manage the potential market risk of trading positions and control the risk within limits.

a. Strategy

In order to effectively control market risk and ensure the flexibility and adaptability of the trading strategy implemented by business units, market risk limits for the trading book are set at the level of "investment portfolio" to facilitate various assessments and controls. In addition, risk limits of each portfolio are set up according to the trading strategy, types of trading instruments and annual profit objective for better management.

b. Policy and procedure of risk management

In principle, management policy is carried out based on annually revised risk limits of each investment portfolio.

c. Valuation policy and procedure

Generally, financial instruments are valued through Mark-to-Market, however, Mark-to-Model may be adopted if there is no fair value in the market. Nonetheless, the model should be independently verified before adoption and relevant model management guideline needs to be set up and implemented accordingly.

Evaluation procedure: The risk management unit confirms that the risk measurement is consistent with the position information posted on the valuation system at day-end and the market data adopted. In addition, the risk management unit monitors daily valuation and risk limit and regularly report risk limit usage and limit exceeding event.

d. Measurement method

The Bank executes stress testing on ± 150 bps interest rate movement, $\pm 15\%$ equity securities price movement, $\pm 5\%$ exchange rate fluctuation on a monthly basis and reports to the risk management committee regularly.

(G) Interest risk management for trading book

Risk management on the interest rate of trading book for the Bank is as follows:

a. Interest risk definition

Interest risk occurs when there is an adverse movement of interest rate resulting in change in fair value of trading book position held.

b. Management objective

The management objective of interest risk lies in effective identification, measurement, controlling and monitoring of interest rate to enhance managing mechanism of market risk.

c. Management policy and procedure

In principle, annual risk limits are controlled based on annually revised year risk limit of investment portfolio of interest rate positions.

d. Measurement method

Measurement is based on a verified system to calculate the risk-sensitive index. In addition, stress testing is performed based on ± 150 bps annual interest rate movement and reported to the risk management committee regularly.

(H) Interest risk management for banking book

Interest risk is the risk that an adverse movement of interest rate impacts on financial condition of the Bank. Interest movement might change the Bank's net interest revenue and other interest-sensitive incomes which further affects the Bank's earnings. Meanwhile, interest movement could also affect the value of positions on and off the Bank's balance sheet.

The banking book risk management of the Bank is as follows:

a. Strategy

The objective of interest rate management is to enhance the Banks' adaptability so that the earnings and economic value on the balance sheet can be measured, managed and avoided the impact from interest rate movement.

b. Policy and procedure of risk management

According to "Management policy of asset and liability" and "Management guideline for liquidity and interest risk" of the Bank, Risk Management Division is the monitoring unit that is responsible for interest risk indicators, analysis and monitoring

interest-sensitive position, and regular reporting the monitoring result of interest risk to the asset and liability management committee, risk management committee and Board of Directors.

If various interest risk indicators and stress testing results fall in the warning threshold, Risk Management Division should issue warning notice to the asset and liability management committee. However, if interest risk indicators exceed the target range, it should be reported to the asset and liability management committee for discussing the responding actions, and then is executed by relevant business management unit and reported to the Board of Directors.

c. Measurement method

The interest rate risk of the Bank is mainly the repricing gap risk resulting from the difference between maturities and repricing date of banking book assets and liabilities and off balance sheet items. In order to stabilize long-term profit and balance business development at the same time, Risk Management Division sets up various monitoring indicators for interest rate sensitivity of major periods and executes stress testing, and calculates the effects on net interest revenue and equity economic value within one year based on the scenarios of “Interest Rate Risk in Banking Book Standard”(IRRBB) and the program in public version both issued by competent authority. Every interest rate risk indicator and stress testing result should be reported to management for review.

(I) Risk management for foreign exchange

a. Definition of foreign exchange risk

Foreign exchange risk occurs when the net foreign exchange position held fluctuates with the currency exchange rate and gives rise to a foreign exchange gain or loss. The foreign exchange risks of financial instruments held by the Bank and its subsidiaries mainly include foreign investment position, spot exchange and forward contract, FX option and other derivative or non-derivative instruments. Major currencies involving foreign exchange risks include: USD, EUR, JPY, HKD, AUD, CAD, CNY, etc.

b. Management objective

The objective of risk management for foreign exchange lies in effective identification, measurement, controlling and monitoring foreign exchange risk of the Bank to enhance the management mechanism for market risk.

c. Management policy and procedure

Management policy for market risk is based on the annually revised year risk limit of foreign exchange trading investment portfolio.

d. Measurement method

Through risk sensitive indicators calculated by the verified system as a measurement benchmark, the Bank regularly carries out stress testing under the scenarios of the major currency and other currency movement at +/-5% and reports the results to the risk management committee.

(J) Risk management for equity securities

a. Definition of equity securities risk

The market risk of the equity securities held by the Bank includes the individual risk resulting from market price movement of each equity securities and general market risk resulting from overall market price movement.

b. Risk management objective

The objective for equity securities risk management lies in effective identification, measurement, controlling and monitoring for the equity securities risk of the Bank and its subsidiaries to enhance the managing mechanism for market risk.

c. Management policy

Management policy for market risk is based on the annually revised year risk limit of stock trading investment portfolio.

d. Measurement method

The Bank executes stress testing on +/-15% weighted average index of Taiwan stock movement on a monthly basis and reports to the risk management committee regularly.

(K) Market risk valuation techniques

Vale at Risk (VaR)

The VaR model is utilised to measure the maximum potential loss of investment portfolios due to changes in market risk factors under a specific time frame and confidence level. For transaction positions, the Bank utilises the VaR model as an instrument to control market risk. Currently, the Bank's standard of measuring market risk is using the historical simulation method to estimate VaR and setting the maximum potential loss of one day under a 99% confidence interval. The VaR of the Bank continually undertakes backtesting in order to assess the accuracy of the model. The Board of Directors of the Bank resets the limit for the VaR every year, which is controlled daily by the Bank's Risk Management Division.

Expressed in Thousands of New Taiwan Dollars

	2025		
	Average	Maximum	Minimum
Foreign exchange product VaR	\$ 46,175	\$ 90,487	\$ 28,626
Interest product VaR	39,708	67,290	21,822
Equity product VaR	9,515	17,973	4,443

Expressed in Thousands of New Taiwan Dollars

	2024		
	Average	Maximum	Minimum
Foreign exchange product VaR	\$ 106,153	\$ 157,353	\$ 49,374
Interest product VaR	39,295	60,459	27,233
Equity product VaR	7,940	17,808	2,715

(L) Foreign exchange risk gap

As of December 31, 2025 and 2024, the following table summarises financial instruments of USD denominated assets and liabilities of which the foreign exchange exposure is presented by the carrying amount:

	Expressed in Thousands of New Taiwan Dollars	
	December 31, 2025	December 31, 2024
	USD	USD
<u>Foreign dominated financial assets</u>		
Cash and cash equivalents	\$ 19,967,395	\$ 12,948,764
Due from the central bank and call loans to other banks	157,956,965	79,626,422
Financial assets at fair value through profit or loss	58,638,832	55,747,989
Financial assets at fair value through other comprehensive income	139,720,068	125,749,606
Discounts and loans	321,670,801	286,026,931
Receivables	24,353,324	26,454,308
Investments in debt instruments at amortised cost	150,630,389	129,549,694
Other financial assets	750	498
Subtotal- foreign dominated financial assets	<u>872,938,524</u>	<u>\$ 716,104,212</u>
<u>Foreign dominated financial liabilities</u>		
Deposits from the central bank and banks	\$ 297,485,291	\$ 162,362,847
Deposits and remittances	966,586,291	918,107,832
Financial liabilities at fair value through profit or loss	1,463,371	2,190,181
Other financial liabilities	9,166,029	24,591,592
Payables	48,456,053	30,723,030
Subtotal- foreign dominated financial liabilities	<u>\$ 1,323,157,035</u>	<u>\$ 1,137,975,482</u>

Note: As of December 31, 2025 and 2024, the exchange rate of USD to NTD were 31.445 and 32.785, respectively.

(M) Sensitivity analysis

a. Interest rate risk

If the market yield curve shifts upwards or downwards by 20 bps, it could affect the assessed fair value and interest income. Items being assessed include all assets of the trading book position and banking book position, of which the interest income of banking book assets that could be affected is one year.

The Bank and its subsidiaries assume that yield curve is the only variable when all the other interest curves remain constant and sums up the gain and loss resulting from changes in each yield curve. According to the above assumption, sensitivity analysis of estimated net interest revenue and valuation gain and loss on fair value is as follows.

b. Foreign exchange risk

Assuming that all the other variables remain constant, for the year ended December 31, 2025 and 2024, if NTD to USD depreciates/appreciates by 4%; AUD depreciates/appreciates by 4%; CNY and other currencies depreciates/appreciates by

3%; then the gain or loss sensitivity analysis for the Bank holding the above foreign exchange net positions is as the table below.

c. Equity securities risk

Assuming that all the other variables remain constant, if equity prices rise/fall by 5% (the average rate of rises or falls in the Taiwan Stock Exchange Market Index in the most recent three years); then fair value valuation gains or losses of investment positions in listed and over-the-counter stocks in the trading book and the banking book (excluding reinvestment) held by the Bank are as the table below.

d. Sensitivity analysis is summarised as follows:

December 31, 2025 (Expressed in Thousands of New Taiwan Dollars)

Main risk	Movements	Effect on gain or loss	Effect on equity
Foreign exchange risk	NTD to USD depreciate by 4%, NTD to AUD depreciate by 4%, NTD to CNY and other currencies depreciate by 3%. (Note 1)	\$ 132,500	\$ -
Foreign exchange risk	NTD to USD appreciate by 4%, NTD to AUD appreciate by 4%, NTD to CNY and other currencies appreciate by 3%. (Note 2)	(132,500)	-
Interest rate risk	Main interest rate curve increases by 20 bps	(658,430)	(3,525,958)
Interest rate risk	Main interest rate curve decreases by 20 bps	702,920	3,680,373
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market rises by 5%.	15,326	1,021,589
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market falls by 5%.	(15,326)	(1,021,589)

December 31, 2024 (Expressed in Thousands of New Taiwan Dollars)

Main risk	Movements	Effect on gain or loss	Effect on equity
Foreign exchange risk	NTD to USD depreciate by 4%, NTD to AUD depreciate by 4%, NTD to CNY and other currencies depreciate by 3%. (Note 3)	\$ 81,756	\$ -
Foreign exchange risk	NTD to USD appreciate by 4%, NTD to AUD appreciate by 4%, NTD to CNY and other currencies appreciate by 3%. (Note 4)	(81,756)	-
Interest rate risk	Main interest rate curve increases by 20 bps	(634,114)	(3,499,194)
Interest rate risk	Main interest rate curve decreases by 20 bps	615,849	3,709,242
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market rises by 5%.	7,715	836,895
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market falls by 5%.	(7,715)	(836,895)

Note 1: NTD to USD depreciate by 4%, NTD to AUD depreciate by 4%, NTD to CNY and other currencies respectively depreciate by 3%, the effects on profit (loss) will be \$159,124, \$12,398, (\$96,292) and \$57,270, respectively.

Note 2: NTD to USD appreciate by 4%, NTD to AUD appreciate by 4%, NTD to CNY and other currencies respectively appreciate by 3%, the effects on profit (loss) will be (\$159,124), (\$12,398), \$96,292 and (\$57,270), respectively.

Note 3: NTD to USD depreciate by 4%, NTD to EUR depreciate by 4%, NTD to CNY and other currencies respectively depreciate by 3%, the effects on profit (loss) will be \$89,395, \$3,049, (\$93,907) and \$83,219, respectively.

Note 4: NTD to USD appreciate by 4%, NTD to EUR appreciate by 4%, NTD to CNY and other currencies respectively appreciate by 3%, the effects on profit (loss) will be (\$89,395), (\$3,049), \$93,907 and (\$83,219), respectively.

(N) Disclosure made in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks

Sensitivity analysis of interest rate for assets and liabilities (NTD)

December 31, 2025

(Expressed in Thousands of New Taiwan Dollars, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 3,016,590,522	\$ 46,423,587	\$ 75,547,751	\$ 339,558,935	\$ 3,478,120,795
Interest-rate-sensitive liabilities	828,191,671	1,828,174,641	225,140,511	76,194,138	2,957,700,961
Interest-rate-sensitive gap	2,188,398,851	(1,781,751,054)	(149,592,760)	263,364,797	520,419,834
Net					308,371,530
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					117.60%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					168.76%

Sensitivity analysis of interest rate for assets and liabilities (NTD)

December 31, 2024

(Expressed in Thousands of New Taiwan Dollars, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 2,809,112,336	\$ 57,444,960	\$ 93,785,872	\$ 311,181,736	\$ 3,271,524,904
Interest-rate-sensitive liabilities	782,801,609	1,697,380,945	188,632,799	74,338,426	2,743,153,779
Interest-rate-sensitive gap	2,026,310,727	(1,639,935,985)	(94,846,927)	236,843,310	528,371,125
Net					275,866,066
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					119.26%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					191.53%

The amounts listed above represent the items denominated in NTD for the Bank, excluding contingent assets and contingent liabilities.

Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2025

(Expressed In Thousands of USD, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 18,729,860	\$ 1,747,654	\$ 617,418	\$ 5,895,863	\$ 26,990,795
Interest-rate-sensitive liabilities	22,593,351	10,232,371	6,929,147	2,077	39,756,946
Interest-rate-sensitive gap	(3,863,491)	(8,484,717)	(6,311,729)	5,893,786	(12,766,151)
Net					9,806,695
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					67.89%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					(130.18%)

Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2024

(Expressed In Thousands of USD, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	\$ 18,098,532	\$ 1,385,429	\$ 828,184	\$ 4,621,562	\$ 24,933,707
Interest-rate-sensitive liabilities	24,552,648	9,745,418	2,938,387	2,780	37,239,233
Interest-rate-sensitive gap	(6,454,116)	(8,359,989)	(2,110,203)	4,618,782	(12,305,526)
Net					8,414,399
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					66.96%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					(146.24%)

The amounts listed above represent the items denominated in USD for the Bank, excluding contingent assets and contingent liabilities.

Note :

- A. Interest-rate-sensitive assets and liabilities are those interest-earning assets and interest-bearing liabilities, of which revenues and costs are sensitive to changes in interest rates.
- B. Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities = Interest-rate-sensitive assets / interest-rate-sensitive liabilities.
- C. Interest-rate-sensitive gap = Interest-rate-sensitive assets - interest-rate-sensitive liabilities.

F. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety.

During the Bank's and its subsidiaries' activities, the transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements. The contractual cash flow received has been transferred and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected. The Bank and its subsidiaries shall not use, sell or pledge the transferred financial assets during the valid period of the transaction. The financial assets are not derecognised as the Bank and its subsidiaries are still exposed to interest rate risk.

December 31, 2025	Expressed in Thousands of New Taiwan Dollars	
Category of financial asset	Carrying amount of transferred financial	Carrying amount of related financial liabilities
Financial assets at fair value through other comprehensive income		
Repurchase agreement	\$ 6,261,451	\$ 6,015,225
Debt instruments at amortised cost		
Repurchase agreement	1,262,094	1,211,614

December 31, 2024	Expressed in Thousands of New Taiwan Dollars	
Category of financial asset	Carrying amount of transferred financial	Carrying amount of related financial liabilities
Financial assets at fair value through profit or loss		
Repurchase agreement	\$ 633,346	\$ 499,609
Financial assets at fair value through other comprehensive income		
Repurchase agreement	18,498,079	17,707,943
Debt instruments at amortised cost		
Repurchase agreement	6,116,315	5,406,093

G. Offsetting financial assets and financial liabilities

The Bank and its subsidiaries have financial instruments that meet the offsetting criteria in paragraph 42 of IAS 32, and the financial assets and financial liabilities are offset and the net amount presented on the balance sheet.

The Bank and its subsidiaries have transactions that do not meet the IAS 32 offsetting criteria but follow the net settled master netting arrangements or other similar arrangements, i.e. global master repurchase agreement, global securities lending agreement or similar agreement with repurchase agreements or reverse repurchase agreement. The above transactions are settled on a net basis by financial assets and financial liabilities offset if both parties of the transaction choose to use net settlement. If not, the above transactions are settled on a gross basis. However, if one party defaults, the counterparty can choose to use net settlement.

The offsetting of financial assets and financial liabilities are presented as below:

December 31, 2025

Expressed in Thousands of New Taiwan Dollars

Financial assets that are offset, or can be settled under master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities offset on the balance sheet (b)	Net amounts of financial assets presented on the balance sheet (c)=(a)-(b)	Not offset on the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note1)	Cash collateral received (Note2)	
Derivative instruments	\$ 23,816,269	\$ -	\$ 23,816,269	\$ 5,966,726	\$ 8,094,225	\$ 9,755,318
Resell agreements	3,444,800	-	3,444,800	3,444,800	-	-

(Note1) Including net settled master netting arrangements and non-cash financial collaterals.

(Note2) Including bank time deposits.

Financial liabilities that are offset, or can be settled under master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial liabilities (a)	Gross amounts of recognised financial assets offset on the balance sheet (b)	Net amounts of financial liabilities presented on the balance sheet (c)=(a)-(b)	Not offset on the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative instruments	\$ 9,410,670	\$ -	\$ 9,410,670	\$ 5,966,726	\$ 1,645,619	\$ 1,798,325
Repurchase agreements	7,226,839	-	7,226,839	7,226,839	-	-

(Note) Including net settled master netting arrangements and non-cash financial collaterals.

December 31, 2024

Expressed in Thousands of New Taiwan Dollars

Financial assets that are offset, or can be settled under master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities offset on the balance sheet (b)	Net amounts of financial assets presented on the balance sheet (c)=(a)-(b)	Not set off on the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note1)	Cash collateral received (Note2)	
Derivative instruments	\$ 27,637,234	\$ -	\$ 27,637,234	\$ 5,638,072	\$ 10,948,100	\$ 11,051,062
Resell agreements	2,622,080	-	2,622,080	2,622,080	-	-

(Note1) Including net settled master netting arrangements and non-cash financial collaterals.

(Note2) Including bank time deposits.

Financial liabilities that are offset, or can be settled under master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial liabilities (a)	Gross amounts of recognised financial assets offset on the balance sheet (b)	Net amounts of financial liabilities presented on the balance sheet (c)=(a)-(b)	Not set off on the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative instruments	\$ 9,789,353	\$ -	\$ 9,789,353	\$ 5,638,072	\$ 1,827,024	\$ 2,324,257
Repurchase agreements	23,613,645	-	23,613,645	23,613,645	-	-

(Note) Including net settled master netting arrangements and non-cash financial collaterals.

(3) Capital management

In order to establish an evaluation procedure for capital adequacy and maintain proper self-owned capital structure, also to develop business and control risk on both sides to enhance capital utilization, the Bank has established “Capital Management Policies of First Commercial Bank” to implement the strategies of senior management and the related information shall be disclosed or reported accordingly.

The management objectives and procedures for capital management of the Bank are as follows:

A. Objective of capital management

- (A) To comply with statutory minimum requirement of eligible capital, and statutory minimum self-owned capital to risk assets ratio as shown in “Regulations Governing the Capital Adequacy and Capital Category of Banks” of the competent authority.
- (B) To attain capital requirement for the business plan, to have sufficient capital for undertaking various risks including credit risk, market risk, and operating risk, and to manage risk through capital allocation to realise risk-adjusted performance management and optimal capital allocation.
- (C) To have sufficient capital and provisions in response to possible losses in a stress scenario while performing regular stress testing in accordance with relevant regulations by the competent authority.

B. Capital management procedures

The Board of Directors of the Bank is the highest decision-making unit of capital management of the Bank, and the Risk Management Committee supervises the implementation result of capital management policies under the authority of the Board of Directors. The president supervises all units of the head office to ensure the implementation of the Board of Directors’ capital strategy. Each responsible unit shall effectively identify, measure, monitor and control various risks according to regulations of the competent authorities and the Bank’s management guideline or key points of market risk, credit risk, and operating risk, banking book interest rate risk, liquidity risk, legal and compliance risk, and shall disclose and prepare relevant information according to the requirements of the competent authorities with an attempt to reflect evaluation and management situation on the capital requirement. The Bank also sets up a capital planning team to hold a meeting to ensure the implementation of the Board of Director’s capital strategies every month in respect of taking action on capital adequacy managing objectives, fund gap, other factors affecting risk assets or qualifying self-owned capital and so on.

Major procedures of evaluation on capital included:

- (A) Before the start of each fiscal year, the Bank follows up the business plan to set up capital adequacy ratio target in compliance with relevant laws and regulations. The target will be implemented upon approval of the Board of Directors.
- (B) To assess capital requirements for various key risks according to the capital adequacy ratio target on a monthly basis.
- (C) To perform regular stress testing in order to assess whether current capital and provisions that have been made are sufficient to cope with possible losses in stress scenario.
- (D) Besides, to estimate impact on self-owned capital, risk-weighted assets, and capital adequacy ratio target based on significant fund utilization, changes in market and business, and plans such as capital increase/reduction or bonds issuance in order to take action timely.

C. Capital adequacy ratio

Combined capital adequacy ratio

Expressed in Thousands of New Taiwan Dollars

Items		December 31, 2025	December 31, 2024	
Self-owned capital	Tier 1 Capital of common equity	\$ 285,396,832	\$ 257,340,848	
	Other Tier 1 Capital	37,000,000	37,000,000	
	Tier 2 Capital	54,659,210	51,487,629	
	Self-owned capital	377,056,042	345,828,477	
Total risk - weighted assets	Credit risk	Standardised Approach	2,334,967,812	2,220,218,470
		Internal Ratings Based Approach	-	-
		Asset securitization	-	4,142,988
	Operation risk	Basic Indicator Approach	-	-
		Standardised Approach/Alternative Standardised Approach	62,859,449	113,985,805
		Advanced Measurement Approaches	-	-
	Market risk	Standardised Approach	47,132,696	57,054,743
		Internal Models Approach	-	-
Total risk-weighted assets		2,444,959,957	2,395,402,006	
Capital adequacy ratio		15.42%	14.44%	
Common equity Tier 1 ratio		11.67%	10.74%	
Tier 1 Capital ratio		13.19%	12.29%	
Leverage ratio		6.36%	6.07%	

Note 1: The self-owned capital, risk-weighted assets and total exposure amount in the above table should be filled in accordance with “Regulations Governing the Capital Adequacy and Capital Category of Banks” and “the method for calculating Bank’s regulatory capital and risk weighted assets”.

Note 2: The relevant formulas are as follows:

- (1) Self-owned capital = Tier 1 Capital of Common equity + Other Tier 1 Capital + Tier 2 Capital
- (2) Total risk-weighted assets = credit risk-weighted assets + capital requirement of (operation risk + market risk) * 12.5
- (3) Capital adequacy ratio = Self-owned capital / Total risk-weighted assets
- (4) Common equity Tier 1 ratio = Tier 1 Capital of Common equity / Total risk-weighted assets
- (5) Tier 1 Capital ratio = (Tier 1 Capital of Common equity + Other Tier 1 Capital) / Total risk-weighted assets
- (6) Leverage ratio = Tier 1 capital / Total exposure amount

(4) Profitability

Units : %

Items	For the years ended December 31,		
	2025	2024	
Return on total assets (%)	Before tax	0.67	0.67
	After tax	0.54	0.54
Return on stockholders' equity (%)	Before tax	10.83	11.13
	After tax	8.79	8.99
Net profit margin ratio (%)		38.06	37.35

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

Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Note 3: Net profit margin ratio = Income after income tax / net revenue.

Note 4: The term "Income before (after) income tax" represents net income from January 1 to the balance sheet date of the reporting period.

(5) Content and amount of trust business in accordance with Trust Enterprise Act

Expressed in Thousands of New Taiwan Dollars

Balance Sheet of Trust Accounts

<u>Trust assets</u>	December 31, 2025	December 31, 2024
Bank deposits	\$ 43,280,777	\$ 52,956,342
Bonds	5,639,586	3,947,122
Stocks	12,980,727	10,312,709
Mutual funds	315,853,620	290,513,165
Receivable	5,962	-
Structured notes	18,140,817	11,542,700
Real estate (Net)		
Land	138,905,927	121,667,413
Buildings and structures	15,291	15,291
Construction in progress	19,496,066	12,910,907
Customers' securities under custody	890,354,186	766,488,308
Total	<u>\$ 1,444,672,959</u>	<u>\$ 1,270,353,957</u>
<u>Trust liabilities</u>		
Customers' securities payable under custody	\$ 890,354,186	\$ 766,488,308
Payables	412	328
Trust capital	552,860,066	502,571,126
Various reserves and accumulated profit or loss		
Net income	701,129	548,874
Accumulated profit or loss	1,223,130	828,137
Deferred carryforward amount	(465,964)	(82,816)
Total	<u>\$ 1,444,672,959</u>	<u>\$ 1,270,353,957</u>

As of December 31, 2025 and 2024, the Bank's book balance of foreign currency designated money trust funds investing in foreign securities business, which included the Offshore Banking Unit were \$6,448,655 and \$6,139,546, respectively. And the Bank's book balance of foreign currency designated money trust funds investing in local securities business, which included Offshore Banking Unit were \$443,859 and \$351,416, respectively.

Expressed in Thousands of New Taiwan Dollars

Property List of Trust Accounts

<u>Investment items</u>	December 31, 2025	December 31, 2024
Bank deposits	\$ 43,280,777	\$ 52,956,342
Bonds	5,639,586	3,947,122
Stocks	12,980,727	10,312,709
Mutual funds	315,853,620	290,513,165
Receivable	5,962	-
Structured notes	18,140,817	11,542,700
Real estate (Net)		
Land	138,905,927	121,667,413
Buildings and structures	15,291	15,291
Construction in progress	19,496,066	12,910,907
Customers' securities under custody	890,354,186	766,488,308
Total	<u>\$ 1,444,672,959</u>	<u>\$ 1,270,353,957</u>

Expressed in Thousands of New Taiwan Dollars

Income Statement of Trust Accounts

	For the years ended December 31,	
	2025	2024
<u>Trust revenues</u>		
Interest income	\$ 482,074	\$ 438,698
Cash dividend income	190,287	122,048
Realised investment gain on bonds	351	11,010
Realised investment gain on stocks	70,520	36,966
Realised investment gain on mutual funds	45,004	32,258
Total trust revenues	<u>788,236</u>	<u>640,980</u>
<u>Trust expenses</u>		
Management fee	(9,418)	(8,951)
Other expense	(1,947)	(2,315)
Tax fee	(2,811)	(2,500)
Service fee	(2,280)	(2,348)
Realised investment loss on bonds	(2,705)	(6,668)
Realised investment loss on stocks	(9,224)	(14,768)
Realised investment loss on mutual funds	(39,193)	(29,295)
Total trust expenses	<u>(67,578)</u>	<u>(66,845)</u>
Profit before tax	720,658	574,135
Income tax expense	(19,529)	(25,261)
Profit after tax	<u>\$ 701,129</u>	<u>\$ 548,874</u>

(6) Information with respect to the transferring of financial assets and extinguishing of liabilities:

Please refer to Note 12(2) F for the transfer of financial assets.

(7) Adjustment of key organization and significant change in regulatory system:

None.

(8) Significant impact arising from changes in government laws and regulations:

None

(9) Information with respect to the subsidiary holding the capital stock of parent company:

None.

(10) Information for private placement securities:

None.

(11) Information for discontinued operations:

None.

(12) Major operating business, assets and liabilities transferred from (or to) other financial institutions:

None.

(13) Information of the Bank's and its subsidiaries' engagement in co-marketing:

The Bank has entered into co-marketing contracts with First Life Insurance Co., Ltd., First Securities Inc., First Venture Capital Co., Ltd., First Consulting Co., Ltd., First Financial Asset Management Co., Ltd., and FCB Leasing Co., Ltd. The contracts are effective from the respective contract dates but are not allowed to be terminated except with the written consent of FFHC. The contracts cover joint usage of operation sites and facilities as well as the arrangement of personnel for co-marketing affairs. Expenses arising from joint usage of operation sites or facilities are allocated in accordance with another separate agreements of the contracting parties. Remuneration apportionment and expenses allocation for co-marketing personnel follow the regulation under the "First Financial Holding Group and its subsidiaries Integrated Selling Business regarding Scope and Remuneration Rules".

The Bank has entered into cooperative contracts with First Financial Holding Co., Ltd., First Life Insurance Co., Ltd., and First Financial Asset Management Co., Ltd. for the joint usage of information equipment and the planning, development, construction, operation, maintenance and management of information systems. Calculation methodologies for remuneration apportionment and expenses allocation have also been established.

13. Supplementary disclosures

(1) Significant transaction information

- A. Cumulative purchases or sales of the same investee's capital stock over the amount of NT \$300 million dollars or 10% of the Bank's issued capital stock as of December 31, 2025:
None.
- B. Acquisition of real estate over the amount of NT \$300 million dollars or 10% of the Bank's issued share capital as of December 31, 2025:
None.
- C. Disposal of real estate over the amount of NT \$300 million dollars or 10% of the Bank's issued share capital as of December 31, 2025:
None.
- D. Service fee discounts for transactions with related parties over the amount of NT \$5 million dollars as of December 31, 2025:
None.
- E. Receivables from related parties over the amount of NT \$300 million dollars or 10% of the Bank's issued share capital as of December 31, 2025:
None.
- F. Information regarding the sale of non-performing loans:
None.
- G. Information and categories of securitized assets which are approved by the competent authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act:
None.

H. Significant transactions between parent company and subsidiaries and among subsidiaries for the year ended December 31, 2025:

(Expressed in Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage (%) of consolidated net revenues or total assets (Note 3)
				Account	Amount	Conditions	
0	FCB	First Commercial Bank(USA)	1	Nostro account	\$ 13,529	No significant difference from general customers	0.00%
0	FCB	First Commercial Bank(USA)	1	Vostro account	247	No significant difference from general customers	0.00%
1	First Commercial Bank(USA)	FCB	2	Nostro account	247	No significant difference from general customers	0.00%
1	First Commercial Bank(USA)	FCB	2	Vostro account	13,529	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Deposits and remittances	226,689	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Payables	61	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Interest income	592	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Interest expense	2,491	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Net service fee revenue	234	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Net other revenue other than interest income	7,799	No significant difference from general customers	0.01%
2	FCBL	FCB	2	Cash and cash equivalents	226,689	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Receivables	61	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Interest income	2,491	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Interest expense	592	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Net service fee revenue	40	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Other general and administrative expenses	7,993	No significant difference from general customers	0.01%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following two categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.

Note 3: Regarding percentage of transaction amount to consolidated net revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated net revenues for income statement accounts.

I. Other significant transactions that may affect the decisions made by financial statement users as of December 31, 2025:

None.

(2) Information on investees

A. Loans to others:

The Bank's subsidiary, First Commercial Bank (USA), engages in banking businesses stipulated in The Banking Act of The Republic of China, and belongs to financial industry, so it is not applicable to this form. In addition, aside from those of the following table, other subsidiaries of the Bank have no loans provided for others.

(Expressed in Thousands Of New Taiwan Dollars)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2025	Balance at December 31, 2025	Actual amount drawn down	Interest Rate (%)	Nature of Loan (Note)	Amount of business transactions with the borrower	Reason for short-term financing	Allowance for doubtful debts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
1	FCB Leasing Co., Ltd.	Shang Cheng Industrial Co., Ltd	Other receivables	N	\$ 150,000	\$ 150,000	\$ 150,000	4.13~5.13	Short-term financing	\$ -	Operation turnover	\$ -	Real estate	\$ 160,732	\$ 430,347	\$ 2,582,084
2	FCB Leasing Co., Ltd.	Hoover Theatre Enterprises Co., Ltd	Other receivables	N	420,000	420,000	420,000	3.94~4.94	Short-term financing	-	Operation turnover	-	Real estate	1,019,797	430,347	2,582,084
3	FCB Leasing Co., Ltd.	Feng Shin Development and Investment Co., Ltd	Other receivables	N	76,700	46,773	46,773	4.45~5.45	Short-term financing	-	Operation turnover	-	Stock	105,175	430,347	2,582,084
4	FCB Leasing Co., Ltd.	Dakko Advertising, Ltd	Other receivables	N	140,000	131,000	131,000	5.35~6.35	Short-term financing	-	Operation turnover	-	Real estate	186,695	430,347	2,582,084
5	FCB Leasing Co., Ltd.	Qiao ding Investment, Ltd	Other receivables	N	200,000	178,000	178,000	3.65~4.65	Short-term financing	-	Operation turnover	-	Stock	205,570	430,347	2,582,084
6	FCB Leasing Co., Ltd.	Da He Yi Construction, Ltd	Other receivables	N	50,000	50,000	50,000	4.36~5.36	Short-term financing	-	Operation turnover	-	Real estate	165,839	430,347	2,582,084

Note:

1. The amount of loans granted to individual companies or firms due to business transactions shall not exceed 10% of the Bank's subsidiaries' net asset value of its latest financial statements. The total amount of loans granted due to business transactions shall not exceed 40% of the Bank's subsidiaries' net worth of its latest financial statements.

2.The amount of necessary short-term financing to individual companies or firms which do not have business transactions with the Bank's subsidiaries shall not exceed 10% of the Bank's subsidiaries' net worth of its latest financial statements. The total amount of necessary short-term financing to individual companies or firms with the Bank's subsidiaries shall not exceed 40% of the Bank's subsidiaries' net worth of its latest financial statements. If the borrower of the loan is a subsidiary, the amount of loans shall not exceed 40% of the Bank's subsidiaries' net worth of its latest financial statements.

3.The total amount of loans of the above two items shall not exceed 60% of the Bank's subsidiaries' net worth of its latest financial statements.

B. Endorsements and guarantees provided for others:

The Bank's subsidiary, First Commercial Bank (USA), engages in banking businesses stipulated in The Banking Act of The Republic of China, and belongs to financial industry, so it is not applicable to this form. In addition, aside from those of the following table, other subsidiaries of the Bank have no endorsements and guarantees provided for others.

(Expressed in Thousands Of New Taiwan Dollars)

No.	Endorsing and guarantee company	Endorsed and guaranteed company		Limit for endorsement and guarantee for single enterprise	Maximum balance accumulated as of the month	Ending balance of endorsement and guarantee	Actual draw down amount	Property-backed endorsement and guarantee amount	The ratio of accumulated endorsement and guarantee amount accounted for the net worth of the latest financial statements	Maximum limit of endorsements and guarantees	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China
		Name of company	Relationship										
1	FCB Leasing Co., Ltd.	FCBL Capital International (B.V.I) Ltd.	Subsidiary	\$ 12,910,419	\$ 2,324,350	\$ 2,201,150	\$ 53,457	None	51.15%	\$ 43,034,730	Y	N	N
2	FCB Leasing Co., Ltd.	FCB International Leasing Ltd.	Sub-Subsidiary	12,910,419	1,291,950	989,450	144,927	None	22.99%	43,034,730	N	N	Y
3	FCB Leasing Co., Ltd.	FCB Financing Lease (Xiamen) Ltd.	Sub-Subsidiary	12,910,419	205,740	202,500	-	None	4.71%	43,034,730	N	N	Y
4	FCB Leasing Co., Ltd.	FCB Leasing (Chengdu) Ltd.	Sub-Subsidiary	12,910,419	1,017,850	989,450	229,950	None	22.99%	43,034,730	N	N	Y

Note: Subsidiaries of the Bank have business needs and are able to provide guarantees for external parties after the approval of their Board of Directors.

C. Securities held at the end of period:

The Bank's subsidiary, First Commercial Bank (USA), belongs to financial industry. Thus, it is not applicable to this form. Other subsidiaries of the Bank held securities at the end of the period are as follows:

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

Investor	Name Of Investee And Type Of Securities		Relationship	Account	Shares / Units (in thousands)	Carrying value	Percentage (%)	Market Value (Note 1)	Note
FCBL	FCBL Capital International (B.V.I) Ltd.	Stocks	An investee of FCBL under the equity method	Equity investments accounted for under the equity method	60,050	\$ 2,283,335	100	\$ 2,283,335	Note 2
FCBL	First Financial Assets Management (B.V.I) Ltd.	Stocks	An investee of FCBL under the equity method	Equity investments accounted for under the equity method	30,000	713,701	100	713,701	Note 2
FCBL Capital International (B.V.I) Ltd	FCB International Financial Leasing Ltd.	Stocks	An investee of FCBL Capital International (B.V.I.) Ltd. under the equity method	Equity investments accounted for under the equity method	USD30,000 (thousands)	846,818	100	846,818	Note 2
FCBL Capital International (B.V.I) Ltd	FCB Leasing (Xiamen) Ltd.	Stocks	An investee of FCBL Capital International (B.V.I.) Ltd. under the equity method	Equity investments accounted for under the equity method	USD30,000 (thousands)	926,588	100	926,588	Note 2
First Financial Assets Management (B.V.I.) Ltd	FCB Leasing (Chengdu) Ltd.	Stocks	An investee of First Financial Assets Management (B.V.I.) Ltd under the equity method	Equity investments accounted for under the equity method	USD30,000 (thousands)	713,666	100	713,666	Note 2

Note 1 : No transactions in active market, no clear market price.

Note 2 : Long-term investments in the above table remain free of pledge or guarantee.

D. Cumulative purchases or sales of the same marketable securities up to NT\$300 million or over 10% of the Bank's issued share capital:

The Bank's subsidiary, First Commercial Bank (USA), belongs to financial industry, so it is not applicable to this form. Other subsidiaries and indirect investment subsidiaries have no such situation.

E. Information of engaging in derivative instrument transactions:

None.

F. Information regarding investee business and total shares held:

Name of investee company (Note 1)	Address	Major operating activities	Percentage of ownership (%) at the end of current period	Carrying value of investment	Investment income (loss) recognised by the Bank for current period	The combined ownership of the investee company's common shares held by the Bank and its related parties (Note 1)			
						Number of owned shares (in thousands)/ issued share capital amount	Number of pro forma shares (Note 2)	Total	
						Number of owned shares (in thousands)/ issued share capital amount	Number of pro forma shares (Note 2)	Number of shares (in thousands)	Percentage of ownership (%)
FIRST COMMERCIAL BANK (USA)	200 East Main Street, Alhambra, CA 91801, USA	Note 3	100	\$ 6,007,666	\$ 264,092	7,000	-	7,000	100
FCBL	4F, No. 38, Yanping S. Rd., Taipei City 100001, Taiwan	Note 4	100	4,303,473	52,850	412,500	-	412,500	100
EAREM	9F, 94, Chung Hsiao E. Road., Sec.2, Taipei,	Note 5	30	19,128	10,931	1,500	-	1,500	30
FCBL Capital International (B.V.I.) Ltd.	Kingston Chambers, P.O.Box 173, Road Town, Tortola, Virgin Islands, British	Note 4	100	2,283,335	-	60,050	-	60,050	100
FFAM (B.V.I.) Ltd.	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	Note 4	100	713,701	-	30,000	-	30,000	100
FCB International Financial Leasing Ltd.	Rm. 1008, Jianwu Building, No.188, Wangdun Rd., Suzhou, China	Note 4	100	846,818	-	USD 30,000 (thousands)	-	USD 30,000 (thousands)	100
FCB Financing Lease (Xiamen) Ltd.	Unit 01-03, 29th Floor, No. 469 Gaolin Middle Road, Huli District, Xiamen City.	Note 4	100	926,588	-	USD 30,000 (thousands)	-	USD 30,000 (thousands)	100
FCB Leasing (Chengdu) Ltd.	No.04-05, 18F., No.7, Guang Hua St., Jin Jiang Dist., Chengdu City, Sihchuan, China	Note 4	100	713,666	-	USD 30,000 (thousands)	-	USD 30,000 (thousands)	100

Note 1: All the owned shares and pro forma shares of investee company held by the Bank, directors, supervisors, president, executive vice presidents, and its related parties defined under the R.O.C. Company Law shall be included.

Note 2:

- (1) "Pro forma shares" refers to purchasing marketable securities with characteristics of equity or entering into the derivative contracts which have not yet been converted into equity holders, and they are linked to the equity of the investee enterprise according to the agreed transaction terms and a bank's undertaking purpose and are used as the investment purpose stipulated in Article 74 of the Banking Act. Under the conversion assumption, the investee's shares will be acquired by the conversion.
- (2) The marketable securities with characteristics of equity mentioned above are referred to as those securities under the regulation of Article 11, Item 1 of the bylaws to the R.O.C. Securities and Exchange Law, for example, convertible bonds and warrants.
- (3) The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IFRS9, for example, stock option.

Note 3: Banking industry.

Note 4: Leasing, investment consulting, and business consulting.

Note 5: Examination and advisory on construction plans and certification of contracts.

(3) Information on investments in Mainland China

A. Information on the Bank's investment in Shanghai branch:

(Expressed in Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Amount in the period		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Profit of investee	Percentage of Ownership Directly or Indirectly Held by the Bank	Investment gains (losses) recognised by the Bank for the year ended December 31, 2025 (Note 2)
					Outward Remittance	Recovering				
First Commercial Bank Shanghai Branch	Banking businesses approved by local government	\$ 4,676,508 (CNY 1,000,000)	(1)	\$ 4,676,508 (USD 157,440)	\$ -	\$ -	\$ 4,676,508 (USD 157,440)	\$ 141,752	N/A	\$ 141,752 (2)A

Carrying value as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025	Accumulated Outward Remittances for Investments in Mainland China as of December 31, 2025	Investment Amounts Authorised by Department of Investment Review, MOEA	Ceiling Limit Regulated by Department of Investment Review, MOEA
\$ 7,064,637	\$ -	\$ 4,676,508 (USD 157,440)	\$ 4,676,508 (USD 157,440)	\$ 185,022,918

B. Information on the Bank's investment in Chengdu branch:

(Expressed in Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Amount in the period		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Profit of investee	Percentage of Ownership Directly or Indirectly Held by the Bank	Investment gains (losses) recognised by the Bank for the year ended December 31, 2025 (Note 2)
					Outward Remittance	Recovering				
First Commercial Bank Chengdu Branch	Banking businesses approved by local government	\$ 4,896,697 (CNY 1,000,000)	(1)	\$ 4,896,697 (USD 162,269)	\$ -	\$ -	\$ 4,896,697 (USD 162,269)	\$ 96,031	N/A	\$ 96,031 (2)A

Carrying value as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025	Accumulated Outward Remittances for Investments in Mainland China as of December 31, 2025	Investment Amounts Authorised by Department of Investment Review, MOEA	Ceiling Limit Regulated by Department of Investment Review, MOEA
\$ 6,248,393	\$ -	\$ 4,896,697 (USD 162,269)	\$ 4,896,697 (USD 162,269)	\$ 185,022,918

C. Information on the Bank's investment in Xiamen branch:

(Expressed in Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Amount in the period		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Profit of investee	Percentage of Ownership Directly or Indirectly Held by the Bank	Investment gains (losses) recognised by the Bank for the year ended December 31, 2025 (Note 2)
					Outward Remittance	Recovering				
First Commercial Bank Xiamen Branch	Banking businesses approved by local government	\$ 5,132,801 (CNY 1,000,000)	(1)	\$ 5,132,801 (USD 162,946)	\$ -	\$ -	\$ 5,132,801 (USD 162,946)	\$ 156,413	N/A	\$ 156,413 (2)A

Carrying value as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025	Accumulated Outward Remittances for Investments in Mainland China as of December 31, 2025	Investment Amounts Authorised by Department of Investment Review, MOEA	Ceiling Limit Regulated by Department of Investment Review, MOEA
\$ 6,377,807	\$ -	\$ 5,132,801 (USD 162,946)	\$ 5,132,801 (USD 162,946)	\$ 185,022,918

D. Information on the Bank's investment in FCB International Leasing Ltd. through the indirect subsidiary-FCBL Capital International (B.V.I.) Ltd.:

(Expressed in Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Amount in the period		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Profit of investee	Percentage of Ownership Directly or Indirectly Held by the Bank	Investment gains (losses) recognised by the Bank for the year ended December 31, 2025 (Note 2)
					Outward Remittance	Recovering				
FCB International Financial Leasing Ltd.	Financial Leasing	\$ 886,103 (USD 30,000)	(2)	\$ 886,103 (USD 30,000)	\$ -	\$ -	\$ 886,103 (USD 30,000)	\$ 15,411	100%	\$ 15,411 (2)A

Carrying value as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025	Accumulated Outward Remittances for Investments in Mainland China as of December 31, 2025	Investment Amounts Authorised by Department of Investment Review, MOEA	Ceiling Limit Regulated by Department of Investment Review, MOEA
\$ 846,818	\$ -	\$ 886,103 (USD 30,000)	\$ 886,103 (USD 30,000)	\$ 2,582,084

E. Information on the Bank's investment in FCB Leasing (Xiamen) Ltd. through the indirect subsidiary-FCBL Capital International (B.V.I) Ltd.:

(Expressed in Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Amount in the period		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Profit of investee	Percentage of Ownership Directly or Indirectly Held by the Bank	Investment gains (losses) recognised by the Bank for the year ended December 31, 2025 (Note 2)
					Outward Remittance	Recovering				
FCB Financial Leasing (Xiamen) Ltd.	Financial Leasing	\$ 903,495 (USD 30,000)	(2)	\$ 903,495 (USD 30,000)	\$ -	\$ -	\$ 903,495 (USD 30,000)	(\$ 127,995)	100%	(\$ 127,995) (2)A

Carrying value as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025	Accumulated Outward Remittances for Investments in Mainland China as of December 31, 2025	Investment Amounts Authorised by Department of Investment Review, MOEA	Ceiling Limit Regulated by Department of Investment Review, MOEA
\$ 926,588	\$ -	\$ 903,495 (USD 30,000)	\$ 903,495 (USD 30,000)	\$ 2,582,084

(Blank)

F. Information on the Bank's investment in FCB Leasing (Chengdu) Ltd. through the indirect subsidiary-FFAM (B.V.I.) Ltd.:

(Expressed in Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Amount in the period		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Profit of investee	Percentage of Ownership Directly or Indirectly Held by the Bank	Investment gains (losses) recognised by the Bank for the year ended December 31, 2025 (Note 2)
					Outward Remittance	Recovering				
FCB Leasing (Chengdu) Ltd.	Financial Leasing	\$ 908,634 (USD 30,000)	(2)	\$ 908,634 (USD 30,000)	\$ -	\$ -	\$ 908,634 (USD 30,000)	\$ 13,739	100%	\$ 13,739 (2)A

Carrying value as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025	Accumulated Outward Remittances for Investments in Mainland China as of December 31, 2025	Investment Amounts Authorised by Department of Investment Review, MOEA	Ceiling Limit Regulated by Department of Investment Review, MOEA
\$ 713,666	\$ -	\$ 908,634 (USD 30,000)	\$ 908,634 (USD 30,000)	\$ 2,582,084

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Reinvest in Mainland China through a third region company (Investment companies in the third region are FCBL Capital International (B.V.I.) Ltd. and FFAM (B.V.I.) Ltd.).
- (3) Others.

Note 2: In the 'Investment gains (losses) recognised by the Bank for the year ended December 31, 2025' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.(Applicable to semi-annual and annual financial reports. For quarterly financial reports, they are financial statements that are reviewed by international accounting firm which has cooperative relationship with accounting firm in R.O.C.)
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.(Applicable to semi-annual and annual financial reports. For quarterly financial reports, they are financial statements that are reviewed by R.O.C. parent company's CPA.)
 - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

(4) Major shareholders information

Not applicable.

14. Disclosure of financial information by segments

(1) General information

The Bank's and its subsidiaries' operation segment reports are consistent with the internal reports provided to the chief operating decision-maker ("CODM"). The CODM is a team that allocates resources to operating segments and evaluates their performance. The Bank's CODM is the Bank's Board of Directors.

Inter-segmental transactions are arm's length transactions, and gains or losses arising from such transactions are eliminated by the parent company upon the preparation of the consolidated financial statements. Gain or loss directly attributable to each segment has been considered when segment performance is being evaluated.

The operating segments of the Bank comprise of loan businesses, deposit businesses, wealth management businesses, treasury businesses, overseas business (excluding OBU), and other businesses. The operating results are reviewed by the Bank's Board of Directors (CODM) regularly and are referenced when allocating resources and evaluating operational performances.

The Bank and its subsidiaries have a global market, comprising six major business segments; there was no change in the reporting segments during the period.

The operating results of the Bank's operating segments are from interest income and the Bank's Board of Directors evaluates segment performance based on the net interest revenue. Therefore, performance of all reporting segments is presented by the net amount of interest income less interest expense. Income from external clients provided for the CODM to review is measured on the same basis of the statement of comprehensive income.

Adjustments of internal pricing and transfer pricing are reflected in segment performance evaluation. Income from external clients has been reasonably allocated based on the revenue allocation standard agreed between segments.

The internal management's operating reports are prepared based on net operating profit, including net interest revenue, net service fee revenue, recovered bad debts (provision), and loan impairment loss, net gain (loss) on financial instruments and other operating gain (loss). Measurement basis does not include non-recurring items, e.g. litigation expenses.

Segment information is mainly based on the internal management reports provided by each operating segment to the CODM, including segmental gains (losses), segmental assets, segmental liabilities and other related information.

(2) Information about segment gains (losses), assets and liabilities:

Financial information of the Bank and its subsidiaries by business for the years ended December 31, 2025 and 2024 was follows:

	For the year ended December 31, 2025						
			Wealth management		Overseas business		Consolidated
	Loan business	Deposit business	business	Treasury business	(excluding OBU)	Other businesses	
Net interest revenue	\$ 20,699,207	\$ 7,201,367	\$ -	(\$ 14,876,692)	\$ 9,381,337	\$ 10,139,716	\$ 32,544,935
Net service fee revenue	2,839,160	2,272	8,850,915	(94,096)	591,069	906,761	13,096,081
Net financial instruments income	36,418	472,119	47,174	19,354,395	98,282	1,246,365	21,254,753
Other net revenue	53	14,009	209	65,178	16,774	432,208	528,431
Bad debts expense, commitment and guarantee liability provision	(1,935,299)	-	-	-	(794,521)	(3,541,909)	(6,271,729)
Operating gross profit after provision	<u>\$ 21,639,539</u>	<u>\$ 7,689,767</u>	<u>\$ 8,898,298</u>	<u>\$ 4,448,785</u>	<u>\$ 9,292,941</u>	<u>\$ 9,183,141</u>	61,152,471
Operating expense							(29,505,591)
Net profit before tax after provision							<u>\$ 31,646,880</u>

	For the year ended December 31, 2024						
			Wealth management		Overseas business		Consolidated
	Loan business	Deposit business	business	Treasury business	(excluding OBU)	Other businesses	
Net interest revenue	\$ 21,617,629	\$ 9,174,353	\$ -	(\$ 19,079,968)	\$ 9,919,042	\$ 7,482,509	\$ 29,113,565
Net service fee revenue	3,261,594	2,430	7,281,803	(63,256)	626,118	881,589	11,990,278
Net financial instruments income	35,694	442,074	43,979	19,787,868	327,784	1,066,325	21,703,724
Other net revenue	-	8,532	82,382	19,372	(18,003)	837,854	930,137
Bad debts expense, commitment and guarantee liability provision	(1,780,763)	-	-	-	(1,098,981)	(2,879,404)	(5,759,148)
Operating gross profit after provision	<u>\$ 23,134,154</u>	<u>\$ 9,627,389</u>	<u>\$ 7,408,164</u>	<u>\$ 664,016</u>	<u>\$ 9,755,960</u>	<u>\$ 7,388,873</u>	57,978,556
Operating expense							(28,526,080)
Net profit before tax after provision							<u>\$ 29,452,476</u>

		December 31, 2025						
		Loan business	Deposit business	Treasury business	Overseas business (excluding OBU)	Other businesses	Reconciliation and elimination	Consolidated
Segment assets		\$ 2,471,267,477	\$ -	\$ 1,987,768,954	\$ 557,536,033	\$ 254,892,291	(\$ 392,363,736)	\$ 4,879,101,019
Segment liabilities		1,372,960	3,808,306,983	512,842,619	475,447,066	154,846,284	(382,086,423)	4,570,729,489

		December 31, 2024						
		Loan business	Deposit business	Treasury business	Overseas business (excluding OBU)	Other businesses	Reconciliation and elimination	Consolidated
Segment assets		\$ 2,329,567,532	\$ -	\$ 1,881,847,364	\$ 497,553,432	\$ 235,010,128	(\$ 387,602,683)	\$ 4,556,375,773
Segment liabilities		1,657,638	3,559,414,312	535,685,176	418,942,402	142,162,456	(377,352,277)	4,280,509,707

(3) Geographical information

The Bank and its subsidiaries' geographical information for the years ended December 31, 2025 and 2024 are as follows:

	For the year ended December 31, 2025	For the year ended December 31, 2024
Taiwan	\$ 56,630,040	\$ 52,435,835
Asia	6,047,800	6,831,886
North America	3,114,903	3,227,670
Others	1,631,457	1,242,313
Total	<u>\$ 67,424,200</u>	<u>\$ 63,737,704</u>

(4) Information on products

The Bank and its subsidiaries' information on products is consistent with their operating segment, please refer to Note 14(2).

(5) Major customer information

No single external customer is deemed significant by its transactions generating revenues which accounted for more than 10% of the net revenues of the Bank and its subsidiaries.