

BANK OF TAIWAN**Financial Statements**

**With Independent Auditors' Report
For the Years Ended December 31, 2025 and 2024**

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Independent Auditors' Report

To the Board of Directors of Bank of Taiwan:

Opinion

We have audited the financial statements of Bank of Taiwan (“the Bank”), which comprise the balance sheet as of December 31, 2025 and 2024, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2025 and 2024, and their financial performance and their cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China (“FSC”).

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants, Ruling No. 10802731571 issued by the FSC and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Norm of Professional Ethics for Certified Public Account of 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.

Emphasis of Matter

As described in note 1 to the financial statements, the Bank completed a short-form merger with Bank Insurance Brokerage Co., Ltd. on August 1, 2025. Accordance to (100) Letter No. 390 explanation issued by the Accounting Research and Development Foundation of the Republic of China, the above transaction is a business combination under common control and shall be treated as a combination from the beginning. Accordingly, when preparing the financial statements for the year 2025, the Bank retrospectively restated the financial statements for the year 2024. The effects of the restatement are presented in note 16(d). Our opinion is not modified in respect of this matter.

In accordance with the auditing regulations in Taiwan, the financial statements of the Bank is required to be audited by the Ministry of Audit (the “MoA”). The financial statement for the financial year ended December 31, 2024 has been audited and approved by the MoA. For further information, please see note 16(b). Our opinion is not modified in respect of this matter.

Other Matter

As stated in note 6(i) of the financial statements, we did not audit the financial statements of Hua Nan Financial Holdings Co., Ltd. of investments in associates accounted for using equity method of the Bank amounting to NT\$50,178,707 thousand and NT\$46,780,404 thousand as of December 31, 2025 and 2024, respectively, constituting 0.73% and 0.71% of the related assets; nor the related shares of investment profit in associates accounted for using equity method of NT\$5,610,050 thousand and NT\$4,911,254 thousand for the years then ended, respectively, constituting 9.13% and 8.03% of the related net revenue. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts includes above, is based solely on the report of the other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. The assessment of impairment of financial assets

Please refer to Note 4(k) “Impairment of assets” for related accounting policy, Note 5(c) “The evaluation of financial asset impairments” for the uncertainty of accounting assumptions and estimations, and Note 8 “Financial risk management ” for the details of the evaluation of financial asset impairments.

Description of key audit matters

When assessing whether there is any indication that the financial assets other than measured at fair value through profit or loss may be impaired based on IFRS 9, the Bank relies on management for considering all kinds of observable data and using the expected credit loss model to calculate the impairment loss. The calculation process is complicated and involves the exercise of judgment. Eventually, the assumptions used may also affect the estimated amount significantly. Furthermore, the amount of financial assets which required impairment tests is material to the Bank as of December 31, 2025. Therefore, the assessment of impairment of financial assets has been identified as a key audit matter in our audit.

How the matter was addressed in our audit

Our principal audit procedures included (i) inspecting the internal guidelines of impairment assessment of credit and investment business, understanding the Bank's procedures of the assessment of impairment of financial assets, and testing related internal control procedures; (ii) performing analytical procedures; (iii) verifying the accuracy of loan loss provision based on “Regulations Governing the Procedures for Enterprises Engaging in Insurance to Evaluate Assets and Deal with Non performing/Non accrual Loans”, and if necessary, acquiring assistance from internal experts; (iv) assessing whether the impairment of financial assets is presented and disclosed fairly.

2. The valuation of financial instruments

Please refer to Note 4(e) “Financial instrument” for related accounting policy, Note 5(b) “The fair value valuation of non-active market or non-quoted financial instruments” for major sources of uncertainty for assumptions and estimation, and Note 7 “The fair value and fair value hierarchy of the financial instruments” for the details of valuation of financial instruments.

Description of key audit matters

The fair value measurement of certain financial instruments held by the Bank is determined using valuation models, and the assumptions applied in these models often have a significant impact on the valuation results. Due to the relative complexity of the valuation process, the selection of models and the determination of parameters may involve management judgment. Furthermore, as the amounts of financial assets and liabilities classified within Levels other than Level 1 held by the Bank as of December 31, 2025 were significant, the assessment of the fair value measurement of financial instruments has been identified as one of the key audit matters in our audit of the financial statements of the Bank.

How the matter was addressed in our audit

Our main audit procedures included (i) reviewing accounting policy about the fair value of financial instruments measurement and disclosure, and performing an assessment over the investment cycle of its initial recognition, subsequent measurement and disclosures on financial statement; (ii) sampling to test whether the fair value of the financial instruments measured at fair value without an active market are appropriate by re-calculating and obtaining the quoted price from counter parties or independent third parties, as well as appointing our valuation experts to assess the reasonableness of the models and parameters the Bank used when deemed necessary; (iii) assessing whether the disclosure of financial instruments in accordance with International Financial Reporting Standards.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Budget Law, Account Settlement Law, Regulations Governing the Preparation of Financial Reports by Public Banks and with the IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of investees accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chen, Fu-Jen and Lee, Feng-Hui.



KPMG

Taipei, Taiwan (Republic of China)
March 6, 2026

Notes to Readers

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

BANK OF TAIWAN
Balance Sheets
December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2025</u>		<u>December 31, 2024</u>				<u>December 31, 2025</u>		<u>December 31, 2024</u>	
Assets		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	Liabilities and Equity		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
11000	Cash and Cash Equivalents (notes 6(a), 8 and 10)	\$ 107,677,625	2	113,573,768	2						
11500	Placement with Central Bank and Call Loans to Banks (notes 6(b), 8 and 10)	527,105,747	8	581,439,426	9	21000	Deposits of Central Bank and other banks (notes 6(q), 8 and 10)	\$ 289,130,393	4	307,523,344	5
12000	Financial Assets Measured at Fair Value through Profit or Loss (notes 6(c), 7, 8 and 10)	579,639,830	8	430,477,723	7	21500	Due to the Central Bank and banks (notes 6(r) and 8)	1,373,407	-	3,278,500	-
12100	Financial Assets Measured at Fair Value through Other Comprehensive Income (notes 6(d), 6(p), 7, 8 and 11)	1,594,309,338	23	1,496,186,906	23	22000	Financial Liabilities Measured at Fair Value through Profit or Loss (notes 6(s), 7, 8 and 10)	21,723,316	-	22,109,444	-
12200	Debt Investments Measured at Amortized Cost (notes 6(g), 6(p), 7, 8 and 11)	243,148,093	4	273,112,350	4	22500	Bills and Bonds Sold under Repurchase Agreements (notes 6(h) and 8)	4,902,696	-	17,833,263	-
12500	Bills and Bonds Purchased under Resell Agreements (notes 6(h), 8 and 10)	-	-	1,228,385	-	23000	Payables (notes 6(t), 8 and 10)	59,983,642	1	64,070,407	1
13000	Receivables, net (notes 6(e), 8 and 10)	63,081,265	1	59,384,143	1	23200	Current Income Tax Liabilities	2,094,701	-	3,793,688	-
13200	Current Income Tax Assets	48,231	-	785,516	-	23500	Deposits and Remittances (notes 6(u), 8 and 10)	5,192,062,779	76	5,025,955,352	77
13500	Loans and Discounts, net (notes 6(f), 8 and 10)	3,486,253,364	51	3,369,123,180	51	24000	Financial Bonds Payable (notes 6(v) and 8)	2,999,676	-	2,999,496	-
15000	Investments under Equity Method, net (note 6(i))	50,702,389	1	47,629,250	1	25500	Other Financial Liabilities (notes 6(w) and 8)	4,444,807	-	1,427,936	-
15500	Other Financial Assets, net (notes 6(e), 6(j), 8 and 10)	19,728,551	-	22,183,937	-	25600	Provision (notes 6(x), 6(y) and 8)	716,863,092	10	614,481,864	9
18500	Property and Equipment, net (notes 6(k) and 6(p))	139,271,330	2	139,317,784	2	26000	Lease Liabilities (notes 6(z) and 8)	1,612,276	-	1,782,335	-
18600	Right-of use assets (note 6(l))	1,685,024	-	1,859,079	-	29300	Deferred Tax Liabilities (note 6(ac))	18,708,027	-	18,045,305	-
18700	Investment Property (note 6(m))	15,375,193	-	15,238,207	-	29500	Other Liabilities (notes 6(ab), 8 and 10)	7,725,011	-	7,409,470	-
19000	Intangible Assets, net (note 6(n))	1,411,232	-	1,266,000	-		Total liabilities	<u>6,323,623,823</u>	<u>91</u>	<u>6,090,710,404</u>	<u>92</u>
19300	Deferred Tax Assets (note 6(ac))	117,712	-	471,722	-		Equity attributable to owners of parent (note 6(ad)):				
19500	Other Assets, net (notes 6(o), 6(p), 8 and 10)	31,385,795	-	29,658,714	-	31101	Capital stock	109,000,000	2	109,000,000	2
						31500	Capital surplus	108,454,711	2	108,454,711	2
							Retained earnings:				
						32001	Legal reserve	75,813,290	1	66,825,316	1
						32003	Special reserve	78,539,019	1	66,555,054	1
						32005	Unappropriated retained earnings	49,767,245	1	48,863,431	1
							Total retained earnings	<u>204,119,554</u>	<u>3</u>	<u>182,243,801</u>	<u>3</u>
						32500	Other equity	<u>115,742,631</u>	<u>2</u>	<u>92,527,174</u>	<u>1</u>
							Total equity	<u>537,316,896</u>	<u>9</u>	<u>492,225,686</u>	<u>8</u>
							Total liabilities and equity	<u>\$ 6,860,940,719</u>	<u>100</u>	<u>6,582,936,090</u>	<u>100</u>
	Total assets	<u>\$ 6,860,940,719</u>	<u>100</u>	<u>6,582,936,090</u>	<u>100</u>						

See accompanying notes to financial statements.

BANK OF TAIWAN
Statements of Comprehensive Income
For the years ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2025		2024		Change
	Amount	%	Amount	%	
Revenue and income:					
41000	\$ 136,140,746	222	133,500,171	218	2
51000	95,003,883	155	96,667,962	158	(2)
	Net interest income (note 6(ae))	67	36,832,209	60	12
Non-interest income, net					
49100	4,410,484	7	4,097,754	7	8
49200	117,511,406	191	127,147,385	207	(8)
49310	5,188,705	8	4,190,949	7	24
49600	3,196,643	5	7,888,932	13	(59)
49700	103,778	-	(200,603)	-	152
49750	5,273,270	9	4,757,590	8	11
49837	(20,143,706)	(33)	(12,922,501)	(21)	(56)
49843	1,671,612	3	663,769	1	152
48054	10,757,943	18	9,964,949	16	8
49898	(6,118,471)	(10)	(6,054,310)	(10)	(1)
49871	(101,902,222)	(166)	(115,619,590)	(189)	12
49899	328,153	1	431,185	1	(24)
	Net Revenue	100	61,177,718	100	-
58200	Bad debts expense, commitment and guarantee liability provision (note 6(f))	(3)	(3,018,846)	(5)	(41)
Expenses: (note 16(a))					
58500	(15,106,192)	(25)	(14,666,748)	(24)	3
59000	(2,220,277)	(4)	(2,195,685)	(4)	1
59500	(9,511,829)	(15)	(9,113,637)	(15)	4
	Total Expenses	(44)	(25,976,070)	(43)	3
	Profit from continuing operations before tax	53	32,182,802	52	2
61003	4,579,621	7	3,215,095	5	42
	Net profit	46	28,967,707	47	(3)
65000	Other comprehensive income:				
65200	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
65201	(1,080,052)	(2)	(158,284)	-	(582)
65205	(2,745)	-	18,524	-	(115)
65204	13,140,425	21	28,191,954	46	(53)
65206	(9,469)	-	504,964	1	(102)
65220	-	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	19	28,557,158	47	(58)
65300	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
65301	(589,400)	(1)	1,202,052	2	(149)
65308	8,977,669	15	(1,215,386)	(2)	839
65306	1,476,332	2	717,975	1	106
65320	1,639	-	20,607	-	(92)
	Components of other comprehensive income that will be reclassified to profit or loss	16	684,034	1	1,342
65000	Other comprehensive income	35	29,241,192	48	(25)
	Total comprehensive income	81	58,208,899	95	(14)
	Basic earnings per share(In dollars) (note 6(an))	2.59	2.66		

See accompanying notes to financial statements.

BANK OF TAIWAN
Statements of Changes in Equity
For the years ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

						Other equity interest						Total	Total equity
						Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	Gains (losses) on financial instruments for hedging	Other comprehensive income reclassified by applying overlay approach			
	Total	Total											
	Share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total							
	Ordinary shares												
Balance at January 1, 2024	\$ 109,000,000	108,453,642	59,541,379	56,843,137	39,899,373	156,283,889	(1,012,421)	65,259,769	(22,433)	8,386	44,886	64,278,187	438,015,718
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	7,283,937	-	(7,283,937)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	9,711,917	(9,711,917)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(4,000,000)	(4,000,000)	-	-	-	-	-	-	(4,000,000)
Changes in equity of associates and joint ventures accounted for using equity method	-	1,069	-	-	-	-	-	-	-	-	-	-	1,069
Net income for the period	-	-	-	-	28,967,707	28,967,707	-	-	-	-	-	-	28,967,707
Other comprehensive income	-	-	-	-	(103,683)	(103,683)	1,741,049	27,550,954	18,524	(3,236)	37,584	29,344,875	29,241,192
Total comprehensive income	-	-	-	-	28,864,024	28,864,024	1,741,049	27,550,954	18,524	(3,236)	37,584	29,344,875	58,208,899
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,095,888	1,095,888	-	(1,095,888)	-	-	-	(1,095,888)	-
Balance at December 31, 2024	109,000,000	108,454,711	66,825,316	66,555,054	48,863,431	182,243,801	728,628	91,714,835	(3,909)	5,150	82,470	92,527,174	492,225,686
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	8,987,974	-	(8,987,974)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	11,983,965	(11,983,965)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(5,050,000)	(5,050,000)	-	-	-	-	-	-	(5,050,000)
Net income for the period	-	-	-	-	28,230,089	28,230,089	-	-	-	-	-	-	28,230,089
Other comprehensive income	-	-	-	-	(1,127,106)	(1,127,106)	(875,210)	23,985,067	(2,035)	(854)	(68,741)	23,038,227	21,911,121
Total comprehensive income	-	-	-	-	27,102,983	27,102,983	(875,210)	23,985,067	(2,035)	(854)	(68,741)	23,038,227	50,141,210
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(177,230)	(177,230)	-	177,230	-	-	-	177,230	-
Balance at December 31, 2025	\$ 109,000,000	108,454,711	75,813,290	78,539,019	49,767,245	204,119,554	(146,582)	115,877,132	(5,944)	4,296	13,729	115,742,631	537,316,896

See accompanying notes to financial statements.

BANK OF TAIWAN
Statements of Cash Flows
For the years ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

	2025	2024
Cash flows from (used in) operating activities:		
Profit before tax	\$ 32,809,710	32,182,802
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,817,772	1,778,898
Amortization expense	477,905	482,808
Expected credit loss	1,766,450	3,018,846
Interest expense	95,003,883	96,667,962
Interest income	(136,140,746)	(133,500,171)
Dividend income	(12,595,343)	(10,097,494)
Net change in other provisions	101,902,222	115,619,590
Share of profit of associates and joint ventures accounted for using equity method	(5,273,270)	(4,757,590)
Loss on disposal of property and equipment	22,071	30,311
Impairment loss on financial assets	37,279	31,727
(Reversal of impairment loss) loss on non-financial assets	(141,057)	168,876
Intangible assets transferred to expenses	17	21
Total adjustments to reconcile profit	<u>46,877,183</u>	<u>69,443,784</u>
Changes in operating assets and liabilities:		
Decrease (increase) in due from the central bank and call loans to banks	23,289,047	(16,236,709)
Increase in financial assets measured at fair value through profit or loss	(103,635,417)	(88,703,007)
Increase in financial assets measured at fair value through other comprehensive income	(172,853,284)	(278,996,495)
Decrease in investments in debt instruments measured at amortised cost	21,363,895	29,339,877
Decrease in financial assets for hedging	-	1,419
(Increase) decrease in receivables	(1,916,952)	2,044,007
Increase in discounts and loans	(118,987,667)	(240,519,108)
Decrease in other financial assets	2,454,754	1,945,503
(Increase) decrease in other assets	(368,484)	10,841,714
Decrease in deposits from the central bank and banks	(18,392,951)	(30,303,770)
Decrease in financial liabilities measured at fair value through profit or loss	(386,128)	(10,796,069)
(Decrease) increase in notes and bonds issued under repurchase agreement	(12,930,567)	1,561,184
Decrease in payables	(2,508,619)	(3,210,725)
Increase in deposits and remittances	166,107,427	291,316,948
Increase (decrease) in provisions for employee benefits	579,735	(359,312)
Increase (decrease) in other liabilities	30,937	(558,063)
Total adjustments	<u>(171,277,091)</u>	<u>(263,188,822)</u>
Cash outflow generated from operations	(138,467,381)	(231,006,020)
Interest received	134,476,641	133,555,687
Dividends received	16,136,286	13,628,521
Interest paid	(96,581,849)	(91,742,484)
Income taxes paid	(4,524,591)	(4,562,903)
Net Cash flows used in operating activities	<u>(88,960,894)</u>	<u>(180,127,199)</u>
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(1,126,650)	(1,192,809)
Increase in refundable deposits	(634,538)	(1,298,050)
Acquisition of intangible assets	(623,154)	(451,044)
Net cash flows used in investing activities	<u>(2,384,342)</u>	<u>(2,941,903)</u>
Cash flows from (used in) financing activities:		
Decrease in due to the central bank and banks	(1,905,093)	(252,575)
Increase in guarantee deposits received	284,604	447,346
Payment of lease liabilities	(684,165)	(703,761)
Increase in other financial liabilities	3,016,871	12,132
Cash dividends paid	(5,780,000)	(4,550,000)
Net cash flows used in financing activities	<u>(5,067,783)</u>	<u>(5,046,858)</u>
Effect of exchange rate changes on cash and cash equivalents	(844,414)	1,508,777
Net decrease in cash and cash equivalents	(97,257,433)	(186,607,183)
Cash and cash equivalents at beginning of period	877,392,095	1,063,999,278
Cash and cash equivalents at end of period	<u>\$ 780,134,662</u>	<u>877,392,095</u>
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 107,677,625	113,573,768
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	254,454,403	285,500,595
Other items qualifying for cash and cash equivalents under the definition of IAS 7	418,002,634	478,317,732
Cash and cash equivalents at end of period	<u>\$ 780,134,662</u>	<u>877,392,095</u>

See accompanying notes to financial statements.

BANK OF TAIWAN
Notes to the Financial Statements
For the years ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business Scope:

Bank of Taiwan (the Bank) was incorporated on May 20, 1946 and transformed into a corporate entity since July 1, 2003, as approved by the Ministry of Finance on April 24, 2003, and became a public company from September 16, 2004.

On November 18, 2005, the House of Administration (Executive Yuan) authorized the merger of the Bank and the Central Trust of China. The merger plan was approved by the Fair Trade Commission, the Executive Yuan, and the Ministry of Finance. On December 22, 2006, the Financial Supervisory Commission, Executive Yuan, reauthorized the merger and indicated the Central Trust of China was the dissolved party and the Bank was the surviving party. The merger was accomplished on July 1, 2007.

On January 1, 2008, the Ministry of Finance organized Taiwan Financial Holding Co., Ltd. in accordance with the Act of Taiwan Financial Holding Co., Ltd., and the Bank is its subsidiary.

On January 2, 2008, the Bank decreased its capital by \$8 billion and split off its part of business and assets to set up two other subsidiaries of Taiwan Financial Holding Co., Ltd. (Taiwan Financial Holdings): BankTaiwan Securities Co., Ltd. (BankTaiwan Securities) and BankTaiwan Life Insurance Co., Ltd. (BankTaiwan Life Insurance), whose capital was \$3 billion and \$5 billion, respectively.

The Bank is primarily involved in (a) all commercial banking operations allowed under the Banking Law; (b) foreign exchange operations allowed under the Foreign Exchange Regulation Act; (c) operations of offshore banking unit allowed under the Offshore Banking Act; (d) savings and trust operations; (e) overseas branch operations authorized by the respective foreign governments; and (f) other operations as authorized by the central competent authority in charge.

The Bank's Trust department is engaged in the planning, management and operation of trusts under the Banking Law and Trust Law, along with the investment of overseas securities and trust funds.

In accordance to the Bank's policy approved by the Government, the Bank's mission's is to perform all functions in providing stable financial environment, contribute to the economic infrastructure and develop manufacturing industries. The Bank manages public treasury and ensures the smooth settlement of national operations, which later translated into providing normal banking facilities and managing business operations associated with the issuance of banknotes as Central Bank of the Republic of China was later promulgated in July, 1961. The relationship between the Bank and the Central Bank remained closely attached. Among the financial institutions in Taiwan, the Bank has always maintained its importance in the financial industry.

The assets of the Bank have continuously increased through revaluations of its legal and special reserve over the period since the Government provided the capital for the establishment of the Bank. After the currency revolution in June 1949, the Government approved \$5 million as the Bank's capital in May 1950; \$100 million in May 1954; \$300 million in August 1963; \$600 million in September 1967; \$1 billion in May 1973; \$2 billion in September 1977; \$4 billion in September 1980; \$8 billion in November 1982; \$12 billion in May 1990; \$16 billion in April 1992; \$22 billion in December 1994; \$32 billion in August 1998; \$48 billion in September 2002; \$53 billion in July 2007; \$45 billion in January 2008; \$70 billion in November 2010; \$95 billion in October 2014 and \$109 billion in September 2019 .

(Continued)

BANK OF TAIWAN

Notes to the Financial Statements

As the Bank is funded by the government, the execution and compliance with government policies is of importance to the Bank. The economy of Taiwan has developed considerably from the 50s and the Bank has contributed by supporting the planning and implementation of many medium to long term infrastructure. Through the years, the Government has actively increased strategic and critical industrial development. The Bank has similarly increased its support for the fund needed for such infrastructure in compliance with the Government policy.

The Bank has its Head Office in Taipei, and the Bank has established domestic and worldwide branch offices for expansion of various banking services. As of December 31, 2025, in addition to the Department of Planning, Department of Corporate Finance, Department of Credit Management, Department of Consumer Finance, Department of Treasury, Department of Business, Department of Circulation, Department of Public Treasury, Department of International Banking, Department of Trusts, Department of Digital Banking, Department of Risk Management, Department of Wealth Management, Department of Loan Assets Management, Department of Real Estate Management, Department of Procurement, Department of Precious Metals, Department of Government Employees Insurance, Department of Domestic Operations, Department of Credit Analysis, Department of Insurance Agency, Department of Auditing Board of Directors, Secretariat, Department of General Affairs, Department of Accounting, Department of Human Resources, Department of Ethics, Department of Information Management, Department of Compliance, Department of Cyber Security, Board Secretariat, Economic Research Institute and Training Institute. There were 163 domestic branches, 1 offshore banking unit, 11 overseas branches, 1 subbranch (in Shanghai Jiading), 1 branch office (in Fukuoka), 10 representative offices (in Mumbai, Yangon, Silicon Valley, Bangkok, Frankfurt, Manila, Ho Chi Minh City, Djakarta, Kuala Lumpur and Phoenix City), 1 representative preparatory office (in Lithuania).

The Bank invested \$20 million dollars to set up a subsidiary, BankTaiwan Insurance Brokers ("BTIB"), which was approved on January 23, 2013 and officially set up on February 6, 2013. For the purposes of effectively integrating its resources, reducing its operating costs, and enhancing its operational efficiency and competitiveness, the Bank entered into a simplified merger with BTIB pursuant to Article 19 of the Business Mergers and Acquisitions Act, with the approval of its Board on March 7, 2025. Thereafter, the Bank, retaining its name became the sole surviving entity. The effects of the retrospective restatement on the Bank's balance sheets and statement of comprehensive income as of December 31, 2024 are disclosed in Note 16(d).

The parent company of the Bank is Taiwan Financial Holding Co., Ltd.

(2) Financial statements authorization date and authorization process:

The financial statements were approved by Audit Committee on March 4, 2026 and Board of Directors on March 6, 2026.

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BANK OF TAIWAN
Notes to the Financial Statements

(3) New Standards, Amendments and Interpretations Adopted:

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Bank has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2025:

- Amendments to IAS21 “Lack of Exchangeability”

- (b) The impact of IFRS Accounting Standards endorsed by the FSC but not yet effective

The Bank’s anticipated adoption of the new amendments beginning on January 1, 2026, are expected to have the following impacts:

- (i) Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”

For financial assets with contingent features that are not related directly to a change in basic lending risks or costs (e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract), the amendments introduce an additional test to assess the “solely payments of principal and interest on the principal amount outstanding” criterion.

The Bank invested in ESG-linked bonds and may need to change the classification due to the amendments. The Bank is continually evaluating the impact of its initial adoption of the amendments on its financial statements.

In addition, these amendments clarify that financial assets and financial liabilities can only be derecognized upon settlement and introduce specific requirements for the derecognition of financial liabilities settled through electronic payment systems. When settling a financial liability (or part of a financial liability) in cash using an electronic payment system, the Bank is permitted to deem the financial liability (or part of it) to be discharged before the settlement date only if, and only if, the Bank has initiated a payment instruction that results in all of the following: (a) the Bank having no practical ability to withdraw, stop or cancel the payment instruction; (b) the Bank having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and (c) the settlement risk associated with the electronic payment system being insignificant. The Bank shall apply this derecognition exception consistently to all settlements made through the same electronic payment system.

The Bank is required to reassess the timing of derecognition of financial assets and financial liabilities and is continually evaluating the impact of its initial adoption of the amendments on its financial statements.

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BANK OF TAIWAN
Notes to the Financial Statements

(ii) Other amendments

The following amendments are not expected to have a significant impact on the Bank's financial statements.

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(c) The impact of IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Bank, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. 	January 1, 2027 (Note)

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<ul style="list-style-type: none"> • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027 (Note)

Note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

The Bank is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Bank completes its evaluation.

The Bank does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

(4) Summary of material accounting policies:

(a) Statement of compliance

The Bank is public companies. The Bank sets up its accounting policies and prepared financial statements according to the Regulations Governing the Preparation of Financial Reports by Public Banks, the International Financial Reporting Standards, the International Accounting Standards and the IFRS interpretation hereinafter referred to as "IFRS Accounting Standards endorsed by the FSC".

The Bank is government owned enterprises, so its accounting practices mainly follow the Budget Law and Account Settlement Law. The annual financial statements are audited by the Ministry of Audit (the MoA) to ensure that the Bank comply with the budget approved by the Legislative Yuan, the parliament of ROC Taiwan. The financial statements become final only after such an endorsement by the MoA.

The financial statements of 2024 have been certified by the MoA; hence, the opening balances in balance sheets of 2025 and 2024 are according to the audited year-end balances of 2024 and 2023. Please refer to Note 16(b) for the government audit adjustments.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

The financial statements are prepared on a historical cost basis, except for the following items.

- 1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
- 2) Financial assets measured at fair value through other comprehensive income;
- 3) Derivative financial instruments designated as hedges which are measured at fair value;
- 4) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(o).

(ii) Functional and presentation currency

The functional currency of the Bank's entities are determined based on the primary economic environment in which the entities operate. The financial statements are presented in New Taiwan Dollars, the functional currency of the Bank. All financial information represented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Bank at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- 1) equity instruments measured at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedge is effective.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Bank's functional currency at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Bank's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Bank disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Bank disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Cash and cash equivalents

For balance sheets, Cash and cash equivalents include cash on hand, due from banks, demand deposits and highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of change in value. The aforementioned time deposits which are held for short-term cash commitment rather than investment or other purposes are recognized as cash equivalents.

For statement of cash flows, cash and cash equivalents refer to cash and cash equivalents presented in statement of balance sheet, deposit in the central bank, call loans to banks, and investments which are in accordance with the definition of cash and cash equivalents in the International Accounting Standards 7 accepted by the FSC.

(e) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

The Bank shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

- 1) Financial assets measured at amortized cost (including cash and cash equivalent, placement with central bank and call loans to banks, discounts and loans, receivables, other financial assets and guarantee deposits paid)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

- 2) Fair value through other comprehensive income (“FVOCI”)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Bank's right to receive payment is established.

3) Fair value through profit or loss ("FVTPL")

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Bank may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Bank makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Bank's continuing recognition of the assets.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse features)

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Bank transfers substantially all the risks and rewards of ownership of the financial assets.

The Bank enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Bank comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

7) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(iii) Derivative financial instruments and hedge accounting

The Bank holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Bank chooses to continue to apply the hedge accounting requirements of IAS 39.

The Bank designates certain hedging instruments as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At initial designated hedging relationships, the Bank documents the risk management objectives and strategy for undertaking the hedge. The Bank also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged items and hedging instrument are expected to offset each other.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

(f) Investments in associates

Associate refers to an entity in which the Bank, TFH and its subsidiaries hold 20% of the voting power or less than 20% of the voting power but have significant influence. If the Bank has rights on the finance and operating policy decisions but not control or joint control these decisions, it is presumed that the Bank has significant influence.

The Bank uses equity method for investments in associates. Under the equity method, an equity investment is initially recorded at cost. In the subsequent period, the carrying amount of the investments is adjusted by the share of the profit or loss of the associate and the distributions received. Besides, the Bank recognizes the changes according to the holding shares.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

If the Bank disposes the investment and loss significant influence, the residual investments shall be remeasured at fair value of the disposal date. The difference between the fair value of the residual investment plus the disposal price and the original carrying amount of the investment at that date is recognized in income statement. The related other comprehensive income is reclassified as profit or loss.

The associate issues additional share capital, but the Bank does not participate in the share issue on a pro-rata basis. It will lead to change in holding, but the Bank still has significant influence. As a result, the Bank shall adjust the APIC and investments in equity method accounts according to the changes in net assets of the associate.

Gains and losses resulting from transactions between the Bank and an associate are recognized only to the extent of unrelated the Bank's interests in the associate.

When the Bank's share of losses exceed its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Bank have an obligation or have made payments on behalf of the investee.

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

When there is a change in use, the Bank treats the owner-occupied property as investment property; the property shall be reclassified to investment property at carrying amount from then on.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property and equipment.

Land has an unlimited useful life and therefore is not depreciated.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Buildings	8 to 55 years
Machinery and equipment	2 to 20 years
Transportation equipment	2 to 15 years
Miscellaneous equipment	2 to 25 years
Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed every year and adjusted if appropriate.

(h) Lease

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Bank elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(ii) As a lessor

When the Bank acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Bank chooses not to allocate the consideration in the contract.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(j) Intangible assets

(i) Recognition and measurement

The intangible assets acquired by the Bank includes computer software and carbon credits. Computer software is measured at cost less accumulated amortization and any accumulated impairment loss. Since carbon credits are recognized at the cost of acquisition, and there is no foreseeable restriction on the period during which such assets are expected to be the net cash inflows of the Bank, they are not amortized as non-determined useful life and are subject to impairment tests on a regular basis.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software	5 years
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The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

Intangible asset is derecognized when disposed or expected that the usage or disposal will not generate economic benefit in the future. The resulted gain or loss is recognized in the income statement.

(k) Impairment of Assets

(i) Impairment of financial assets

The Bank recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, placement with central bank and call loans to banks, amortized costs, discounts and loans, receivables, and other financial assets) and debt investments measured at fair value through other comprehensive income.

At each reporting date, the Bank assesses whether the credit risk of a financial asset has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition or the financial assets are credit impaired, the Bank should measure loss allowance for financial assets at an amount equal to lifetime ECL at each reporting date; if the credit risk has not increased significantly since initial recognition, the Bank measures loss allowance for financial assets as 12 month ECL at reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Bank recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

The Bank categorizes and recognizes allowance for doubtful accounts according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and the Bank's evaluation guidelines. The Bank uses the higher amounts of these two rules above as allowance for doubtful accounts to comply with the legal minimum allowance. The Bank recognizes additional allowance for doubtful accounts further in accordance with its guidelines to strengthen the Bank's risk tolerance.

Period of loans under one year is recognized as short-term; over one year but under seven years is recognized as medium-term; over seven years is recognized as long-term. Loans with fully mortgage, pledge or other legal guarantee object are recognized as secured loans. Non-performing loans refer to loans whose repayment of principal or interest have been overdue for more than 3 months, as well as any loan whose principal debtors and surety have been sued for non-payment or the underlying collateral has been disposed, although the repayment of principal or interest have not been overdue for more than 3 months. All non-performing loans shall be transferred to non-accrual loans account item within six months after the end of the payment period. However, those restructured loans to be performed in accordance with the agreement shall not be subject to this restriction. Interest shall not be accrued to non-performing loans that are transferred to non-accrual loans account item. However, loan collection shall continue as per the terms of the relevant agreement, and accrued interest shall continue to be posted to the interest column of the non-accrual loans account for each borrower, or a notation of such shall be made.

The write-off of non-performing loans and non-accrual loans shall be audited by auditing department, and then be authorized by the general manager and the Board of Managing Directors / Directors. Also, the audit committee shall be notified. If the write-off is authorized by the Board of Managing Directors, it should be reported to the Board of Directors for future reference additionally. When recovering non-accrual loans, the Bank should credit account "allowance for doubtful accounts."

(ii) Impairment loss of non financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Provision

(i) The Bank must recognize a provision if, and only if:

- 1) There is a legal or constructive present obligation as a result of a past event, and
- 2) Payment is probable, and
- 3) The amount can be reliably estimated.

(ii) The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching its best estimate, the Bank shall take into account the risks, uncertainties that surround the underlying events and the time value of the currency.

(iii) The Bank evaluates the provision at every end of the reporting date, and adjust the carrying amount according to the best estimation.

(m) Other reserves

Provision for civil servants', teachers' and labor's insurance: The Bank recognizes the surplus of the insurance as provision and withdraws when there is a deficit according to the "Civil Servant and Teacher Insurance Act" and "Guidelines for Management and Employment of Public Servants and Teachers Insurance Reserve".

(n) Revenue and expense recognition

Revenue is measured based on the consideration to which the Bank expects to be entitled in exchange for transferring goods or services to a customer. The Bank recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

(i) Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary operating activities of an entity when those inflows result in increases in equity, other than increase relating to contributions from equity participants.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

- (ii) The amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Revenue shall be recognized when all of the following criteria have been satisfied:
- 1) the seller has transferred to the buyer the significant risks and rewards of ownership.
 - 2) it is probable that the economic benefits associated with the transaction will flow to the seller
 - 3) the costs incurred or to be incurred in respect of the transaction can be measured reliably,
 - 4) the seller retains neither continuing managerial involvement to degree usually associated with ownership nor effective control over the goods sold, and
 - 5) the amount of revenue can be measured reliably.
- (iii) Except for the financial assets and liabilities at fair value through profit and loss, the interest revenue and interest expense caused by the interest-bearing financial assets or liabilities are calculated by effective interest method. For loans and receivables, the Bank shall consider the materiality principle to decide to measure the interest by agreed interest rate or effective interest rate.
- (iv) Service fee income and expense
- 1) The service fee income arising from offering loan service or other services shall be recognized in the accounting period in which the services are rendered.
 - 2) The service fee or expense arising from the loan service shall be amortized in the service period or taken into account for calculating the effective interest of loans and receivables in accordance with the materiality principle.
- (v) Dividend revenue: it shall be recognized if and only if the Bank has right to receive the dividend revenue.
- (vi) According to the “Civil Servant and Teacher Insurance Act”, if GESSI experiences a loss, the loss before May 31, 1999 would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium.
- (vii) Revenue and expense that relate to the same transaction or other event are recognized simultaneously; this process is commonly referred to as the matching of revenue and expense.
- (o) Employee benefit
- (i) Short-term employee benefit
- The payroll, annual bonus, paid annual leave, interest expense arising from preferential interest rate and non-monetary benefit are recognized in the accounting year in which the services are rendered by employees.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(ii) Employee benefit

1) Employee pension:

The grant of employees' pension compromise: a) the contributions made by the Bank at the rate from 4% to 8.5% of the employee's monthly wage under Article 41 (depending on the employee's 'salary point' and service period before the Labor Standards Act was applied) of the aforementioned regulations. (The Bank ceased to continue the contributions mentioned above after the Labor Standards Act was applied.) The Bank also contributed 3% of the total amount of the wages as reserve. ;b) the contributions calculated based on the employee's monthly wage and service period (after May 1, 1997) in accordance with Article 5 and the related regulations set forth in the Labor Standards Act. All the contributions are made to the fund managed by the Pension Supervision Committee for future payments.

2) Labor pension:

Labor Pension is a defined contribution pension plan. The grant of labors' pension is conducted under the Bank's Work Rules before the Labor Standards Act was applied. Under Article 49 of the Rules, the service period before and after May 1, 1997 is accumulated in accordance with the Rules and the Labor Standard Act, respectively. The contributions calculated at a certain rate under Labor Pension are made to a designated Labor Retirement Reserve Account for future payments. In addition, the Bank is required to allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act effective July 1, 2005.

3) For defined contribution plan, the employer has no further legal or constructive obligation to pay further contributions in accordance with the Labor Pension Act.

4) For the definite benefit plan, the independent actuary of the Bank use the projected unit credit method to calculate the present value of the defined benefit obligation and the current service cost. The present value of the defined benefit obligation is the projected future cash flow discounted by the market yields at the end of the reporting period on the bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. Prior period servicing costs should recognize in profit or loss immediately. Remeasurements of the net defined benefit liability (asset) include (a) actuarial gains or losses, (b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The amounts recognized in other comprehensive income will not be reclassified subsequently to profit or loss. The Bank could transfer the amounts recognized in other comprehensive income to equity. The Bank decided to recognize remeasurements of the defined benefit plan to retained earnings.

5) The oversea branches of the Bank abide by the foreign government's regulations.

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BANK OF TAIWAN
Notes to the Financial Statements

(iii) Preferential interest deposits

- 1) The Bank provides their employees the preferential interest deposits, including that for current employees and retired employees. The difference between the preferential interest rate and the market rate are the employee benefit.
- 2) In accordance with the Article 30 of the Regulations Governing the Preparation of Financial Reports by the Public Banks, if the preferential interest rate for retired employees exceeds the market rate, the Bank shall calculate the excess interest using the actuarial method by adopting the IAS 19 when the employees retire. However the actuarial assumptions shall follow the government's related regulations. For the preferential interest deposits paid for current employees, the Bank shall calculate the interest monthly on accrual basis. The different amount of the preferential interest rate and market interest rate is recognized under the preferential interest account in the comprehensive Income statement.

(iv) Other employee's retirement benefits

- 1) Include survivors benefit, and special benefits to retired employees who were paid pension in early times.
- 2) It belongs to the definite benefit plan, and the independent actuary uses the projected unit credit method to calculate the present value of the defined benefit obligation and the current service cost. The present value of the defined benefit obligation is the projected future cash flow discounted by the market yields at the end of the reporting period on the bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. Prior period servicing costs should recognize in profit or loss immediately. Remeasurements of the net defined benefit liability (asset) include (a) actuarial gains or losses, (b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The amounts recognized in other comprehensive income will not be reclassified subsequently to profit or loss. The Bank could transfer the amounts recognized in other comprehensive income to equity. The Bank decided to recognize remeasurements of the defined benefit plan to retained earnings.

(p) Income tax

In accordance with the Article 49 of the Financial Holding Company Act and the Income Tax Act, the TFH has elected to jointly file a profit-seeking enterprise income tax return since 2009. To file a joint return, each domestic subsidiary shall separately handle its own tax matters and then report the results to its parent company. Therefore, the Bank measure its income tax liabilities separately according to the IAS 12 "Income Tax" and then report them to the TFH for tax filing.

The Bank is government-owned enterprises by the Ministry of Finance, so its income tax liabilities shall be calculated based on the amount audited by the Minister of Audit. In addition, according to the Tai Cai Shui No. 910456521 issued by Ministry of Finance on October 30, 2002, the Bank and its parent company, the TFH, who files a consolidated tax return are 100% owned by the government and hence it is not required to calculate and file the tax on the undistributed earnings or profits.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Bank has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

The Bank has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Bank has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Bank has a legally enforceable right to set off current tax assets against current tax liabilities; and
 - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (q) Earnings per share

Basic earnings per share: The earnings per share is computed by dividing the net income or loss by the weighted average number of common stocks outstanding over the reporting term.

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BANK OF TAIWAN
Notes to the Financial Statements

(r) Operating segments

An operating segment is a component of the Bank that engages in business activities that can generate revenues and expenses (including the revenues and expenses arising from inter-company transactions). The segments' operating results are reviewed regularly by the Bank's chief operating officer in order to decide the resource allocation and assess the segments' performance. Each segment has separate financial information.

(s) Business Combinations

The Bank accounts for each business combination using the acquisition method. Goodwill is measured as the excess of the consideration transferred, plus the fair value of any non-controlling interests in the acquiree, over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. If the fair value of the identifiable net assets acquired exceeds the consideration transferred, the Bank reassesses whether all assets acquired and liabilities assumed have been correctly identified and measured. Any excess remaining after this reassessment is recognized immediately in profit or loss as a bargain purchase gain.

Except for those financial liabilities designated at fair value through profit or loss, all liabilities assumed in a business combination are measured at the amount that reflects the Bank's estimate of the present obligation as of the acquisition date in accordance with IFRS requirements.

For non-controlling interests that are not present ownership interests and that entitle their holders to a proportionate share of the acquiree's net assets only upon liquidation, the Bank measures such interests either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets, depending on which is appropriate.

The Bank entered into a simplified merger with BTIB, a subsidiary under the control of TFH. According to IFRS 3 comment letter "Accounting treatment about business combinations of entities under common control" issued by Accounting Research and Development Foundation, the book value method should be used for the acquisition of subsidiaries under the control of the same ultimate parent company, and the prior period's comparative financial statements should be restated as if they were a combination from the beginning of the period.

(5) Significant Accounting Judgments, Estimations, Assumptions, and Sources of Estimation
Uncertainty:

In preparing these financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Bank's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively in the period of the change and future periods.

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BANK OF TAIWAN
Notes to the Financial Statements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Assessment of Whether the Bank Exercised Substantive Control over Investee Companies

The Bank holds 21.37% of the voting shares of Tang Eng Iron Works Co., Ltd., 21.26% of Hua Nan Financial Holdings Co., Ltd., 17.84% of Taiwan Fire & Marine Insurance Co., Ltd., 16.21% of Taiwan Business Bank, and 10.01% of Taiwan Stock Exchange Corporation, and is the single largest shareholder of these companies. Although no other shareholder holds a concentrated ownership interest in these companies, the Bank is unable to obtain a majority of the board seats, nor does it hold more than half of the voting rights of the shareholders present at their shareholders' meetings. Accordingly, the Bank concludes that it does not have substantive control over the aforementioned companies. Whether the Bank has significant influence is assessed based on factors including, among others, whether its ownership interest exceeds 20%.

(b) The fair value valuation of non-active market or non-quoted financial instruments

The fair value of non active market or non quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model use only observable data as much as possible. But for credit risk (both our own and the contracting parties credit risk), the managements shall estimate the relation and the variation.

(c) The valuation of financial assets impairments

The financial asset impairments of the Bank (including gaurantees and loan commitments off balance sheet), measuring the loss allowance at an amount equal to 12 month expected credit losses or lifetime expected credit losses, are determined by whether the credit risk of the financial instruments have increased significantly since initial recognition. In order to measure expected credit losses, the Bank considers the probability of default ("PD") of financial asset, issuer or counterparty, and include loss given default ("LGD") multiplied by exposure at default ("EAD"). Meanwhile, it also considers the impact of the time value of money to calculate the expected credit losses for 12 month and lifetime, respectively. At every reporting date the historical experience, current market situation and forward looking estimates, etc. are considered by the Bank to determine the adopted assumptions and parameters when calculating impairment.

(d) Income tax

The Bank needs to pay income tax for various countries. When estimating the globe income tax, the Bank relies on significant accounting estimations. Determine the final amount need to go through numerous transactions and calculations. The additional recognition of income tax liability which is related to the tax issue is based on deliberate evaluation of the affection by the issue. The difference between the amount of original estimation and the final amount will affect current income tax and deferred tax.

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BANK OF TAIWAN
Notes to the Financial Statements

(e) Payments to defined contribution retirement benefit plans

The present value of retirement benefit obligation is based on several actuarial assumptions (including a minimum discount rate of 4%, the rate of return on deposited funds of 2%, and a minimum withdrawal rate of pension deposits of 1%, as well as the probability of possible changes in the preferential deposit system of 50% set by FSC). Any changes on these assumptions will influence the fair value of the retirement benefit obligations.

One of the assumptions used to determine net pension cost (income) is the discount rate. The Bank determined the appropriate discount rate at the end of each year, and used the rate to calculate the present value of future cash flows on estimated payment of retirement benefit obligation. To determine the appropriate discount rate, the Bank should consider the followings:

(1) interest rate of high-quality corporate bonds or government bonds, (2) the currency used for the corporate bonds or government bonds should be consistent with the currency used for retirement benefit payments, (3) and the maturity period should be consistent with related pension liability periods.

(6) Explanation of Significant Accounts:

(a) Cash and Cash Equivalents

	December 31, 2025	December 31, 2024
Cash on hand	\$ 13,418,787	12,881,730
Foreign currency on hand	16,247,641	15,393,809
Notes and checks for clearing	3,705,997	4,181,983
Placement with banks	74,303,008	81,020,385
Cash in transit	10,784	105,673
Less: Allowance for bad debts — placement with banks	<u>8,592</u>	<u>9,812</u>
Total	<u>\$ 107,677,625</u>	<u>113,573,768</u>

The balances of cash and cash equivalents presented in the statements of cash flows were as follows:

	December 31, 2025	December 31, 2024
Cash and cash equivalents in balance sheets	\$ 107,677,625	113,573,768
Due from the Central Bank of R.O.C. and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	254,454,403	285,500,595
Bills and Bonds Purchased under Resell Agreements qualifying for cash and cash equivalents under the definition of IAS 7	-	1,228,385
Other items qualifying for cash and cash equivalents under the definition of IAS 7	418,002,634	477,089,347
Total	<u>\$ 780,134,662</u>	<u>877,392,095</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

The Bank assesses the loss allowance for cash and cash equivalents by using the expected credit loss model. Due to the low credit risk of cash and cash equivalents, loss allowance is recognized based on 12 month expected credit loss.

(b) Placement with Central Bank and Call Loans to Banks

	December 31, 2025	December 31, 2024
Call loans to banks	\$ 211,131,537	212,151,690
Less: allowance for doubtful accounts—call loans to banks	74,426	74,766
Deposit reserve—account A and account B	160,547,090	185,806,407
Deposit reserve—foreign—currency deposits	1,118,509	1,068,636
Deposits in Central Bank—oversea branches	5,678,678	5,434,123
Deposits in Central Bank	<u>148,704,359</u>	<u>177,053,336</u>
Total	<u><u>\$ 527,105,747</u></u>	<u><u>581,439,426</u></u>

- (i) According to the Central Bank of the Republic of China Act and the Banking Act, the deposit reserves are determined monthly at prescribed rates based on the average balances of customers' New Taiwan Dollar denominated deposits. The account B deposit reserve is subject to withdrawal restrictions, but reserve for account A and foreign currency denominated deposit may be withdrawn anytime and are non interest earning.
- (ii) Additionally, as of December 31, 2025 and 2024, 60% of the reserve deposits collected on behalf of a government institution amounting to \$6,004,359 thousand and \$6,453,336 thousand, respectively, were deposited in the Central Bank and their use is restricted according to the regulations.

(c) Financial Assets Measured at Fair Value through Profit or Loss

- (i) Financial assets measured at fair value through profit or loss were as follows:

	December 31, 2025	December 31, 2024
Financial assets designated at fair value through profit or loss	\$ 3,806,822	3,969,588
Add: Valuation adjustment	<u>(36,535)</u>	<u>(122,052)</u>
Subtotal	<u>3,770,287</u>	<u>3,847,536</u>
Financial assets mandatorily measured at fair value through profit or loss	247,899,157	197,621,255
Add: Valuation adjustment	<u>327,970,386</u>	<u>229,008,932</u>
Subtotal	<u>575,869,543</u>	<u>426,630,187</u>
Total	<u><u>\$ 579,639,830</u></u>	<u><u>430,477,723</u></u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(ii) Details of Financial assets designated at fair value through profit or loss were as follows:

	December 31, 2025	December 31, 2024
Foreign government bonds, corporate bonds, financial bonds and others	\$ 3,806,822	3,969,588
Add: Valuation adjustment	<u>(36,535)</u>	<u>(122,052)</u>
Total	<u>\$ 3,770,287</u>	<u>3,847,536</u>

(iii) Details of Financial assets mandatorily measured at fair value through profit or loss were as follows:

	December 31, 2025	December 31, 2024
Commercial papers	\$ 51,162,070	1,247,391
Foreign government bonds	6,320,512	3,599,525
Corporate bonds	2,278,500	2,719,895
Convertible bonds	6,760,675	1,475,325
Negotiable certificates of deposits	800,111	-
Treasury bills	-	1,344,208
Stocks and beneficiary certificates	180,516,709	187,174,681
Foreign exchange call options	2,201	1,326
Currency futures	5,416	5,396
Commodity futures	52,963	53,508
Add: Valuation adjustment – Non derivative financial instruments	306,659,793	210,518,947
Valuation adjustment – Foreign exchange call options	(731)	(740)
Valuation adjustment – Swaps	19,680,972	16,440,782
Valuation adjustment – Asset swaps	253,924	-
Valuation adjustment – Interest rate swaps	43,755	181,242
Valuation adjustment – Forward foreign exchange	<u>1,332,673</u>	<u>1,868,701</u>
Total	<u>\$ 575,869,543</u>	<u>426,630,187</u>

(iv) Details of unexpired derivative financial instruments (Notional principal amount) were as follows:

	December 31, 2025	December 31, 2024
Foreign exchange call options	\$ 627,944	125,389
Swaps	753,726,991	711,944,972
Interest rate swaps	3,491,807	4,213,538
Forward foreign exchange	<u>32,134,377</u>	<u>104,198,588</u>
Total	<u>\$ 789,981,119</u>	<u>820,482,487</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

- (v) For details of the valuation of the financial assets measured at fair value through profit or loss, please see note 7, “The Fair Value and Fair Value Hierarchy of the Financial Instruments”.
- (vi) Profit and loss on investments, please refer to note 6(ag).
- (vii) The Bank's financial assets at fair value through profit or loss neither served as a guarantee or collateral, nor were they pledged.

(d) Financial Assets at Fair Value through Other Comprehensive Income

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Debt instruments measured at fair value through other comprehensive income:		
Negotiable certificates deposits	\$ 634,800,000	704,115,000
Government bonds	175,189,777	154,924,360
Foreign government bonds, bonds of international organizations, corporate bonds, financial bonds, and NCDs	438,346,941	343,636,328
Financial bonds	26,663,217	28,714,196
Corporate bonds	150,285,767	123,362,886
Add: Valuation adjustment	<u>(3,028,973)</u>	<u>(11,966,495)</u>
Subtotal	<u>1,422,256,729</u>	<u>1,342,786,275</u>
Equity instruments measured at fair value through other comprehensive income:		
Stocks	53,216,460	47,718,360
Add: Valuation adjustment	<u>118,836,149</u>	<u>105,682,271</u>
Subtotal	<u>172,052,609</u>	<u>153,400,631</u>
Total	<u>\$ 1,594,309,338</u>	<u>1,496,186,906</u>

(i) Debt investments at fair value through other comprehensive income

The Bank has assessed that the securities shown above are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities; therefore, they have been classified as debt investments at fair value through other comprehensive income.

(ii) Equity investments at fair value through other comprehensive income

The Bank designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Bank intend to hold for long term for strategic purposes.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

- 1) During the years ended December 31, 2025 and 2024, the dividends of \$5,006,536 thousand and \$3,981,189 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended December 31, 2025 and 2024, were recognized; the dividend of \$182,308 thousand and \$201,135 thousand related to the investments derecognized during the years ended December 31, 2025 and 2024, respectively, were recognized.
- 2) As of December 31, 2025 and 2024, the Bank sold its equity instruments measured at fair value through other comprehensive income as a result of adjustment in investment position and portfolio management. The equity instruments sold had a fair value of \$4,263,334 thousand and \$4,449,320 thousand, and the Bank realized a (loss) gain of \$(13,454) thousand and \$413,011 thousand, which was already included in other comprehensive income. The gain has been transferred to retained earnings.
- (iii) Profit and loss on investments, please refer to 6(ah).
- (iv) The Bank's financial assets at fair value through other comprehensive income were used as collateral, please refer to 11.
- (e) Receivables, Net

	December 31, 2025	December 31, 2024
Notes receivable	\$ 2,026	1,645
Accounts receivable	1,760,667	1,277,266
Long-term receivables— payment on behalf of the government	12,160,556	12,914,677
Accrued revenues	1,095,122	969,071
Interests receivable	24,502,762	22,838,656
Premiums receivable	91,744	94,456
Tax refund receivable	40	89
Acceptance notes receivable	1,335,291	1,843,789
Accounts receivable factoring without recourse	4,765,355	4,117,711
Others— replenishment of national treasury	11,287,914	11,200,553
Others— undelivered spot exchanges	10,311	11,620
Other— ATM temporary receipts, payments and interbank differences	3,343,350	3,189,402
Others— pending settlement	112	248,459
Others— FX Swaps	2,143,157	241,525
Others— universal cash handout for withdrawal at ATMs	1,148	-
Others— others	856,584	700,112
Subtotal	63,356,139	59,649,031
Less: allowance for doubtful accounts	274,874	264,888
Total	\$ 63,081,265	59,384,143

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

In accordance with Executive Yuan Tai-79-JEN-Cheng-SZU-tsu No. 14525, and regulations of Retired Civil Servants Lump-sum Retirement Payment and Old-age Benefits and Preferential Interest Deposits which excess preferential interest expenses recognized as Excess interest expenses of Non-interest income, net were \$3,512,948 thousand and \$3,634,612 thousand during 2025 and 2024, respectively, due to executing the government premium savings policy.

During the following periods, the Bank had paid the following premium savings interest expenses on behalf of the government:

	December 31, 2025	December 31, 2024
Long-term receivables	\$ 12,160,556	12,914,677
Short-term advances (booked under other financial assets, net)	18,273,059	20,352,800
Total	<u>\$ 30,433,615</u>	<u>33,267,477</u>

(f) Loans and Discounts, Net

	December 31, 2025	December 31, 2024
Discounts and export / import negotiations	\$ 2,611,631	2,723,909
Overdrafts	15,663,681	20,472,657
Secured overdrafts	1,216,999	534,387
Short-term loans	534,096,945	552,152,771
Short-term secured loans	106,794,200	107,461,101
Accounts receivable financing	267,257	177,073
Accounts receivable secured financing	7,200	4,659
Medium-term loans	877,983,590	849,696,897
Medium-term secured loans	241,967,207	256,287,917
Long-term loans	214,734,494	198,137,669
Long-term secured loans	1,541,143,390	1,429,872,446
Non-performing loans	<u>2,268,339</u>	<u>2,123,917</u>
Subtotal	3,538,754,933	3,419,645,403
Less: allowance for doubtful accounts	<u>52,501,569</u>	<u>50,522,223</u>
Total	<u>\$ 3,486,253,364</u>	<u>3,369,123,180</u>

Details of bad debt expenses and provisions for guarantee liabilities were as follows:

	2025	2024
Bad debts	\$ (1,866,541)	(3,112,220)
Provisions for guarantee liabilities	67,502	68,192
Provision for loan commitment liabilities	(58,005)	(6,402)
Provision for other liabilities	<u>90,594</u>	<u>31,584</u>
Total	<u>\$ (1,766,450)</u>	<u>(3,018,846)</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

As of December 31, 2025 and 2024, the amounts of loans and receivables on which the interests stopped to accrue were \$2,269,863 thousand and \$2,126,417 thousand, respectively, which were booked under loans and discounts— non-performing loans and other financial assets-overdue receivables. As of December 31, 2025 and 2024, the non accrued interests were \$108,445 thousand and \$116,046 thousand, respectively.

For the date as above, the Bank did not write off any loan without legal proceedings having been initiated.

(g) Financial Assets Measured at Amortized Cost

	December 31, 2025	December 31, 2024
Commercial papers	\$ 37,613,245	43,810,816
Government bonds	57,749,479	59,243,592
Foreign government bonds, corporate bonds, financial bonds, and NCDs, treasury bills, and bonds of international organizations.	111,769,074	132,022,330
Financial bonds	9,100,560	9,253,780
Corporate bonds	22,398,721	22,239,509
Financial asset beneficiary securities	<u>4,563,195</u>	<u>6,593,902</u>
Subtotal	243,194,274	273,163,929
Less: accumulated impairment	<u>46,181</u>	<u>51,579</u>
Total	<u><u>\$ 243,148,093</u></u>	<u><u>273,112,350</u></u>

The Bank has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- (i) During 2025 and 2024, the Bank did not dispose of any financial assets measured at amortized cost.
- (ii) The Bank's financial assets measured at amortized cost were used as collateral, please refer to 11.

(h) Bills and Bonds Sold (Purchased) under Repurchase Agreements

The details of bonds and bills sold under repurchase agreements were as follows:

	December 31, 2025	December 31, 2024
Bills and bonds purchased under resell agreements:		
Government bonds	<u><u>\$ -</u></u>	<u><u>1,228,385</u></u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Bills and bonds sold under repurchase agreements:		
Government bonds	\$ 2,080,999	1,895,447
Financial bonds	2,821,697	14,884,233
Supranational bonds	-	1,053,583
Total	<u>\$ 4,902,696</u>	<u>17,833,263</u>

(i) Investments Accounted for Using Equity Method, net

<u>Associates</u>	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Amount</u>	<u>Percentage of Ownership (%)</u>	<u>Amount</u>	<u>Percentage of Ownership (%)</u>
Hua Nan Financial Holdings Co., Ltd.	\$ 50,178,707	21.23	46,780,404	21.23
Tang Eng Iron Works Co., Ltd.	486,361	21.37	817,745	21.37
Tai Yi Real Estate Management Co., Ltd.	37,321	30.00	31,101	30.00
	<u>\$ 50,702,389</u>		<u>47,629,250</u>	

- (i) The Bank uses equity method for investments in associates and the other comprehensive income:

	<u>2025</u>	<u>2024</u>
Hua Nan Financial Holdings Co., Ltd.	\$ 1,445,117	1,225,831
Tang Eng Iron Works Co., Ltd.	21,746	(2,892)
Total	<u>\$ 1,466,863</u>	<u>1,222,939</u>

- (ii) The Bank uses equity method for investments in associates, and Investment gains and losses recognized in the following table:

	<u>2025</u>	<u>2024</u>
Hua Nan Financial Holdings Co., Ltd.	\$ 5,610,050	4,911,254
Tang Eng Iron Works Co., Ltd.	(353,131)	(164,920)
Tai Yi Real Estate Co., Ltd.	16,351	11,256
Total	<u>\$ 5,273,270</u>	<u>4,757,590</u>

- (iii) Individually significant associate

Associate which is material to the Bank consisted of the following:

<u>Associate(s)</u>	<u>The relationship with the Bank</u>	<u>Principal operating place/registration country</u>	<u>The percentage of shareholding interests and voting rights</u>	
			<u>December 31, 2025</u>	<u>December 31, 2024</u>
Hua Nan Financial Holdings Co., Ltd.	Enterprises permitted to invest Financial Holding Company Act, such as banks and bill finance companies	Taiwan	21.23 %	21.23 %

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

The fair value of the equity accounting for listed companies (major associates) is as follows:

	December 31, 2025	December 31, 2024
Hua Nan Financial Holdings Co., Ltd.	\$ 91,597,120	76,501,587

1) Summarized Financial Information

	December 31, 2025	December 31, 2024
Total Assets	\$ 4,324,086,459	4,246,261,896
Total Liabilities	(4,087,726,381)	(4,025,909,008)
Net Assets	\$ 236,360,078	220,352,888
Attributable to the Bank	\$ 50,178,707	46,780,404
	2025	2024
Net income	\$ 26,424,261	23,132,775
Other comprehensive income	6,807,024	5,774,126
Total comprehensive income	\$ 33,231,285	28,906,901
Attributable to the Bank		
Investment income	\$ 5,610,050	4,911,254
Other comprehensive income	1,445,117	1,225,831

2) There are no significant restrictions on the ability of Hua Nan Financial Holding Co., Ltd. to transfer funds to its investors by distributing dividends, or repaying loans or advances.

3) The summarized financial information of Hua Nan Financial Holding Co., Ltd. has been adjusted to align its accounting results with those of the Bank accounted for using the equity method.

4) Hua Nan Financial Holdings Co.,Ltd.'s financial statements were audited by other auditors. The related investment gains were \$5,610,050 thousand and \$4,911,254 thousand for the years ended December 31, 2025 and 2024, respectively.

(iv) All other non-individually-significant associates

1) Summarized Financial Information- Attributable to the Bank

	December 31, 2025	December 31, 2024
Investment in non-individually-significant associates in aggregate	\$ 523,682	848,846
	2025	2024
Investment income	\$ (336,780)	(153,664)
Other comprehensive income	21,746	(2,892)

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(v) Collateral

No investment in associates was used as collateral.

(j) Other Financial Assets, net

	December 31, 2025	December 31, 2024
Short-term advances	\$ 19,510,078	21,690,693
Less: allowance for doubtful accounts — short-term advances	33,937	32,327
Remittances purchased	859	1,022
Less: allowance for doubtful accounts — remittances purchased	9	10
Overdue receivables	1,524	2,500
Less: allowance for doubtful accounts — overdue receivables	1,524	2,500
Call loans to security subsidiary	251,560	524,560
Less: allowance for doubtful accounts — call loans to security subsidiary	-	1
Total	\$ 19,728,551	22,183,937

Concerning for the payment of excess preferential interest on behalf of the government, booked under “short-term advances” for December 31, 2025 and 2024, please refer to note 6(e) for further information.

(k) Property and Equipment, net

Changes of the properties and equipments of the Bank were as follows:

	Land and Land improvements	Buildings	Machineries and equipments	Transport equipments	Miscellaneous equipments	Leasehold improvements	Constructions in progress and prepayments for equipments	Total
Cost:								
Balance at January 1, 2025	\$ 128,118,413	15,907,429	8,016,052	1,151,339	914,067	1,011,182	1,030,774	156,149,256
Additions	-	469	504,820	38,029	36,050	20,076	527,206	1,126,650
Disposals	-	(81,259)	(192,605)	(37,145)	(33,469)	-	-	(344,478)
Reclassification	-	253,767	4,560	49,029	-	-	(317,341)	(9,985)
Effect of change in exchange rates	-	-	(4,888)	(543)	(700)	(6,750)	-	(12,881)
Balance at December 31, 2025	\$ 128,118,413	16,080,406	8,327,939	1,200,709	915,948	1,024,508	1,240,639	156,908,562
Balance at January 1, 2024	\$ 127,911,135	15,557,191	7,790,058	1,138,763	925,321	930,937	1,014,805	155,268,210
Additions	-	3,917	626,209	36,596	23,089	38,314	464,684	1,192,809
Disposals	-	(41,742)	(410,054)	(48,575)	(36,039)	-	-	(536,410)
Reclassification	207,278	388,063	-	22,461	-	32,004	(448,715)	201,091
Effect of change in exchange rates	-	-	9,839	2,094	1,696	9,927	-	23,556
Balance at December 31, 2024	\$ 128,118,413	15,907,429	8,016,052	1,151,339	914,067	1,011,182	1,030,774	156,149,256

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BANK OF TAIWAN
Notes to the Financial Statements

	Land and Land improvements	Buildings	Machineries and equipments	Transport equipments	Miscellaneous equipments	Leasehold improvements	Constructions in progress and prepayments for equipments	Total
Accumulated depreciation:								
Balance at January 1, 2025	\$ 14,966	8,654,844	5,571,424	822,724	730,219	901,623	-	16,695,800
Depreciation	-	347,932	674,570	59,657	30,882	24,828	-	1,137,869
Disposal	-	(78,678)	(177,791)	(35,853)	(30,085)	-	-	(322,407)
Effect of change in exchange rates	-	-	(3,509)	(493)	(590)	(4,292)	-	(8,884)
Balance at December 31, 2025	<u>\$ 14,966</u>	<u>8,924,098</u>	<u>6,064,694</u>	<u>846,035</u>	<u>730,426</u>	<u>922,159</u>	<u>-</u>	<u>17,502,378</u>
Balance at January 1, 2024	\$ 14,966	8,375,713	5,301,225	812,384	729,978	862,212	-	16,096,478
Depreciation	-	320,819	648,194	55,749	31,155	31,637	-	1,087,554
Disposal	-	(41,688)	(385,210)	(46,870)	(32,331)	-	-	(506,099)
Effect of change in exchange rates	-	-	7,215	1,461	1,417	7,774	-	17,867
Balance at December 31, 2024	<u>\$ 14,966</u>	<u>8,654,844</u>	<u>5,571,424</u>	<u>822,724</u>	<u>730,219</u>	<u>901,623</u>	<u>-</u>	<u>16,695,800</u>
Accumulated impairment:								
Balance at January 1, 2025	\$ 135,672	-	-	-	-	-	-	135,672
Provision (reversal) of impairment loss	(818)	-	-	-	-	-	-	(818)
Balance at December 31, 2025	<u>\$ 134,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,854</u>
Balance at January 1, 2024	\$ 136,383	-	-	-	-	-	-	136,383
Provision (reversal) of impairment loss	(711)	-	-	-	-	-	-	(711)
Balance at December 31, 2024	<u>\$ 135,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,672</u>
Carrying amounts:								
December 31, 2025	<u>\$ 127,968,593</u>	<u>7,156,308</u>	<u>2,263,245</u>	<u>354,674</u>	<u>185,522</u>	<u>102,349</u>	<u>1,240,639</u>	<u>139,271,330</u>
January 1, 2024	<u>\$ 127,759,786</u>	<u>7,181,478</u>	<u>2,488,833</u>	<u>326,379</u>	<u>195,343</u>	<u>68,725</u>	<u>1,014,805</u>	<u>139,035,349</u>
December 31, 2024	<u>\$ 127,967,775</u>	<u>7,252,585</u>	<u>2,444,628</u>	<u>328,615</u>	<u>183,848</u>	<u>109,559</u>	<u>1,030,774</u>	<u>139,317,784</u>

The Bank conducted revaluations of land and buildings for many times over the past years, and the latest time was in December, 2011. As of December 31, 2025 and 2024, the total revaluation increments for land were \$81,362,369 thousand. The total revaluation increments for Buildings were both \$33,525 thousand.

Based on the assessment in December, 2025, the carrying amount of the lands which have indicators of impairment was determined to be \$160,286 thousand lower than its recoverable amount of \$161,104 thousand, wherein a reversal of impairment loss of \$818 thousand was recognized. In 2024, the carrying amount of the lands which have an indicator of impairment was determined to be \$157,492 thousand lower than its recoverable amount of \$158,203 thousand. Therefore, a reversal of impairment loss of \$711 thousand was recognized.

The recoverable amount was determined by using the fair value, less, cost of disposal or recent government assessed land value. The fair value is based on the market price of comparable properties within the same location. The cost of disposal is the land value increment tax payable. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

As of December 31, 2025, the Bank's properties and equipments neither served as guarantees or collaterals, nor they were pledged.

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BANK OF TAIWAN
Notes to the Financial Statements

(l) Right-of-use assets

Information about leases for which the Bank as a lessee is presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Machineries and equipment</u>	<u>Transportation equipment</u>	<u>Miscellaneous equipment</u>	<u>Total</u>
Cost:						
Balance at January 1, 2025	\$ 30,301	2,851,300	21,660	275,154	253	3,178,668
Additions	2,304	528,973	413	1,980	-	533,670
Disposal	(1,646)	(538,612)	(11,138)	(10,119)	-	(561,515)
Effect of changes in exchange rates	5	(17,423)	150	(134)	-	(17,402)
Balance at December 31, 2025	<u>\$ 30,964</u>	<u>2,824,238</u>	<u>11,085</u>	<u>266,881</u>	<u>253</u>	<u>3,133,421</u>
Balance at January 1, 2024	\$ 29,908	2,535,842	25,878	185,408	115	2,777,151
Additions	1,830	712,769	10,640	264,924	253	990,416
Disposal	(1,450)	(436,714)	(15,056)	(175,446)	(115)	(628,781)
Effect of changes in exchange rates	13	39,403	198	268	-	39,882
Balance at December 31, 2024	<u>\$ 30,301</u>	<u>2,851,300</u>	<u>21,660</u>	<u>275,154</u>	<u>253</u>	<u>3,178,668</u>
Accumulated depreciation:						
Balance at January 1, 2025	\$ 17,497	1,234,304	10,928	56,794	66	1,319,589
Depreciation	5,729	564,582	4,198	105,309	85	679,903
Disposal	(1,626)	(531,748)	(9,133)	(8,638)	-	(551,145)
Effect of changes in exchange rates	7	(56)	174	(75)	-	50
Balance at December 31, 2025	<u>\$ 21,607</u>	<u>1,267,082</u>	<u>6,167</u>	<u>153,390</u>	<u>151</u>	<u>1,448,397</u>
Balance at January 1, 2024	\$ 13,239	1,084,996	16,929	125,312	115	1,240,591
Depreciation	5,701	570,909	8,886	105,782	66	691,344
Disposal	(1,450)	(436,714)	(15,056)	(174,480)	(115)	(627,815)
Effect of changes in exchange rates	7	15,113	169	180	-	15,469
Balance at December 31, 2024	<u>\$ 17,497</u>	<u>1,234,304</u>	<u>10,928</u>	<u>56,794</u>	<u>66</u>	<u>1,319,589</u>
Carrying value:						
December 31, 2025	<u>\$ 9,357</u>	<u>1,557,156</u>	<u>4,918</u>	<u>113,491</u>	<u>102</u>	<u>1,685,024</u>
January 1, 2024	<u>\$ 16,669</u>	<u>1,450,846</u>	<u>8,949</u>	<u>60,096</u>	<u>-</u>	<u>1,536,560</u>
December 31, 2024	<u>\$ 12,804</u>	<u>1,616,996</u>	<u>10,732</u>	<u>218,360</u>	<u>187</u>	<u>1,859,079</u>

(m) Investment property

(i) Changes in the investment properties of the Bank were as follows:

	<u>Land</u>
Cost:	
Balance at January 1, 2025	\$ 15,238,207
Transferred from foreclosed collateral	136,986
Balance at December 31, 2025	<u>\$ 15,375,193</u>
Balance at December 31, 2024 (same as beginning balance)	<u>\$ 15,238,207</u>
Carrying amounts:	
December 31, 2025	<u>\$ 15,375,193</u>
January 1, 2024	<u>\$ 15,238,207</u>
December 31, 2024	<u>\$ 15,238,207</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

- (ii) The fair value of investment property of the Bank were as follows:

	December 31, 2025	December 31, 2024
The fair value of investment property	\$ 17,278,229	19,800,922

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The management evaluate and measure the effect of using techniques of comparison approach or Land development analysis approach. After evaluating, the bank make judgment about the assessment that is using to align the market participants.	<ul style="list-style-type: none"> · The rate of return · Overall capital interest rate 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> · the rate of return were lower (higher); or · the overall capital interest rate were lower (higher).

The investment property measured at cost, and the fair value is recoverable amount of impairment testing. The fair value of investment property is used the comparison approach and land development analysis approach, and excuting assessment reference recent market price, the valuation technique is consistency from investment property of acquisition. As of December 31, 2025 and 2024, after evaluating, the Bank did not recognized impairment loss.

- (iii) As of December 31, 2025 the Bank did not provide any investment accounted for using equity method as collaterals for its loans.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(n) Intangible Assets

Changes of the intangible assets of the Bank were as follows:

	<u>Computer software</u>	<u>Carbon Credits</u>	<u>Total</u>
Costs:			
Balance at January 1, 2025	\$ 6,669,563	125	6,669,688
Additions	623,154	-	623,154
Write-off	-	(17)	(17)
Balance at December 31, 2025	<u>\$ 7,292,717</u>	<u>108</u>	<u>7,292,825</u>
Balance at January 1, 2024	\$ 6,218,519	146	6,218,665
Additions	451,044	-	451,044
Write-off	-	(21)	(21)
Balance at December 31, 2024	<u>\$ 6,669,563</u>	<u>125</u>	<u>6,669,688</u>
Amortization:			
Balance at January 1, 2025	\$ 5,403,688	-	5,403,688
Amortization for the year	477,905	-	477,905
Balance at December 31, 2025	<u>\$ 5,881,593</u>	<u>-</u>	<u>5,881,593</u>
Balance at January 1, 2024	\$ 4,922,030	-	4,922,030
Amortization for the year	481,658	-	481,658
Balance at December 31, 2024	<u>\$ 5,403,688</u>	<u>-</u>	<u>5,403,688</u>
Carrying amounts:			
December 31, 2025	<u>\$ 1,411,124</u>	<u>108</u>	<u>1,411,232</u>
January 1, 2024	<u>\$ 1,296,489</u>	<u>146</u>	<u>1,296,635</u>
December 31, 2024	<u>\$ 1,265,875</u>	<u>125</u>	<u>1,266,000</u>

(o) Other Assets

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Foreclosed collateral and residuals taken over, net	\$ 967,007	1,216,714
Advance payments	23,344,472	22,434,080
Operating guarantee deposits and settlement funds	10,000	10,000
Refundable deposits	5,535,690	4,901,152
Temporary Payments and Suspense Accounts	675,137	491,497
Inventories	582,514	334,296
Others	270,975	270,975
Total	<u>\$ 31,385,795</u>	<u>29,658,714</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(i) Foreclosed collateral and residuals taken over, net

	December 31, 2025	December 31, 2024
Land and Buildings	\$ 967,007	1,117,305
Stocks	-	268,284
Less: accumulated impairment	-	168,875
Total	<u>\$ 967,007</u>	<u>1,216,714</u>

During 2024, the impaired collateral held by the Bank are foreign stocks. There was no need to recognize impairment losses for land and buildings for the years 2025 and 2024 as there were no indicators of impairment.

(ii) Advance payments

	December 31, 2025	December 31, 2024
Prepaid expenses	\$ 407,028	201,035
Prepaid interests	56,508	40,434
Business tax paid	466	1,155
Business tax carry forward	1,214	1,315
Other prepayment – Interbank Fund Transfer Special Accounts	19,097,041	19,138,433
Other prepayments	2,215	1,708
Prepaid official dividends	<u>3,780,000</u>	<u>3,050,000</u>
Total	<u>\$ 23,344,472</u>	<u>22,434,080</u>

(iii) Inventories

	December 31, 2025	December 31, 2024
Inventories	<u>\$ 582,514</u>	<u>334,296</u>

There were no effects on the cost of goods sold derived from the inventory write-off or reversal for the year ended 2025 and 2024.

(p) Impairment

For the year ended 2025 and 2024, the movements of the accumulated impairment were as follows:

	2025	2024
Beginning balance	\$ 525,127	321,239
(Impairment reversal gain) and impairment loss recognized for the current period	(103,778)	200,603
Other	<u>(31,043)</u>	<u>3,285</u>
Ending balance	<u>\$ 390,306</u>	<u>525,127</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Details of accumulated impairment were as follows:

	December 31, 2025	December 31, 2024
Financial assets at fair value through other comprehensive income	\$ 209,271	169,001
Financial assets measured at amortized cost	46,181	51,579
Property and equipment	134,854	135,672
Other assets	-	168,875
Ending balance	<u>\$ 390,306</u>	<u>525,127</u>

(q) Deposits of Central Bank and other banks

	December 31, 2025	December 31, 2024
Deposits from Central Bank	\$ 18,831,027	14,351,922
Deposits from banks — others	66,230,449	67,906,742
Postal deposits transferred	70,077,090	90,077,090
Bank overdrafts	3,247,964	1,514,914
Call loans from bank	130,743,863	133,672,676
Total	<u>\$ 289,130,393</u>	<u>307,523,344</u>

(r) Due to the Central Bank and banks

	December 31, 2025	December 31, 2024
Loans from Central Bank	<u>\$ 1,373,407</u>	<u>3,278,500</u>

(s) Financial Liabilities Measured at Fair Value through Profit or Loss

(i) Details of financial liabilities measured at fair value through profit or loss were as follows:

	December 31, 2025	December 31, 2024
Financial liabilities held for trading	\$ 3,260	1,681
Add: valuation adjustment	10,514,535	10,720,515
Subtotal	<u>10,517,795</u>	<u>10,722,196</u>
Financial liabilities designated as fair value through profit or loss	14,779,150	15,408,950
Add: valuation adjustment	(3,573,629)	(4,021,702)
Subtotal	<u>11,205,521</u>	<u>11,387,248</u>
Total	<u>\$ 21,723,316</u>	<u>22,109,444</u>

(ii) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 7 “Fair Value And Fair Value Hierarchy of the Financial Instruments”.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(iii) Financial liabilities held for trading

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Foreign exchange options premium	\$ 3,260	1,681
Add: valuation adjustment		
Foreign exchange options premium	(1,794)	(1,097)
Swaps	5,730,893	6,563,218
Interest rate swaps	4,908	93
Forward foreign exchanges	291,442	91,358
Asset swaps	<u>4,489,086</u>	<u>4,066,943</u>
Total	<u>\$ 10,517,795</u>	<u>11,722,196</u>

(iv) The details of the financial liabilities designated as fair value through profit or loss were as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Financial bonds	\$ 14,779,150	15,408,950
Add: valuation adjustment	<u>(3,573,629)</u>	<u>(4,021,702)</u>
Total	<u>\$ 11,205,521</u>	<u>11,387,248</u>

The Bank has been approved by the FSC on August 23, 2016, and November 21, 2017 to issue USD \$1.5 billion of 2017-1 and 2018-1 Senior Unsecured Financial Bonds, denominated in U.S. dollar. The financial bonds amounted to USD \$470 million are outstanding in 2025.

The details of the financial bonds were as follow:

Name of bond	Conditions			Face value	Type	Bond	
	Beginning date	Maturity date	Coupon rate			Amount	
						December 31, 2025	December 31, 2024
2018-1 Senior unsecured financial bonds-B	2018/02/26	2048/02/26	0 %	USD \$470 million	Senior unsecured financial bond	\$ 14,779,150	15,408,950
				Valuation adjustment		<u>(3,573,629)</u>	<u>(4,021,702)</u>
						<u>\$ 11,205,521</u>	<u>11,387,248</u>

(v) Unmatured derivative financial instruments (stated at notional amount)

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Foreign exchange options premium	\$ 628,387	128,604
Swaps	524,023,333	443,559,296
Interest rate swaps	315,015	42,621
Forward foreign exchanges	8,304,188	4,620,680
Asset swaps	<u>26,300,845</u>	<u>21,051,434</u>
Total	<u>\$ 559,571,768</u>	<u>469,402,635</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(t) Payables

	December 31, 2025	December 31, 2024
Accounts payables	\$ 6,838,583	5,879,371
Receipts under custody	2,766,650	1,598,065
Accrued expenses	3,463,369	3,359,676
Other tax payables	781,767	770,376
Interests payables	23,897,446	25,475,412
Banker's acceptances payables	1,338,482	1,846,785
Payables to representative organizations	1,111,482	1,436,259
Construction payables	28,712	32,451
Accounts payables – non-recourse factoring	316,554	562,979
Other payables – undelivered spot exchange	9,128	5,600
Other payables – collection bills	1,992,485	2,288,408
Other payables – payments awaiting transfer	11,968,508	11,926,245
Other payables – ATM temporary receipts, payments and inter branch differences	3,194,468	3,163,064
Other payables – foreign exchange awaiting transfer	766,916	841,289
Other payables – amounts awaiting settlement	475,569	4,015,256
Other payables – overdue accounts	163,030	182,693
Other payables – checking accounts	66,697	58,895
Other payables – collection	7,526	2,339
Other payables – others	796,270	625,244
Total	<u>\$ 59,983,642</u>	<u>64,070,407</u>

(u) Deposits and Remittances

	December 31, 2025	December 31, 2024
Cheques deposits	\$ 58,610,669	40,172,925
Government deposits	429,148,222	420,231,153
Demand deposits	610,059,083	556,255,051
Time deposits	1,178,782,831	1,129,116,812
Remittances	1,309,148	967,938
Savings account deposits:		
Demand savings deposits	1,208,434,008	1,179,869,033
Staff accounts	6,433,765	11,838,202
Club saving deposits	258,962	288,550
Non-drawing time savings deposits	541,752,174	571,368,347
Interest withdrawal on principal deposited	941,035,064	898,219,764
Staff time deposits	21,349,218	15,333,917
Preferential Interest deposits	194,889,635	202,293,660
Total	<u>\$ 5,192,062,779</u>	<u>5,025,955,352</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(v) Financial Bonds Payable

Name of bond	Condition			Type	Bond	
	Beginning date	Maturity date	Interest rate		Amount	
					December 31, 2025	December 31, 2024
2021-1 TWD senior unsecured financial bonds	2021/08/27	2026/08/27	0.39%	Senior unsecured financial bond	\$ 1,000,000	1,000,000
2023-1 TWD senior unsecured financial bonds	2023/06/09	2028/06/09	1.40%	Senior unsecured financial bond	1,000,000	1,000,000
2024-1 TWD senior unsecured financial bonds	2024/04/29	2027/04/29	1.50%	Senior unsecured financial bond	1,000,000	1,000,000
			unamortized discount amount		(324)	(504)
Total					<u>\$ 2,999,676</u>	<u>2,999,496</u>

(w) Other Financial Liabilities

	December 31, 2025	December 31, 2024
Appropriated loan funds	\$ 2,589,659	233,337
Principal from structured products	1,855,148	1,194,599
Total	<u>\$ 4,444,807</u>	<u>1,427,936</u>

(x) Provision

	December 31, 2025	December 31, 2024
Employee benefit obligations	\$ 21,163,016	20,583,281
Guarantee reserve	810,363	877,665
Reserve for government employees insurance	694,543,380	592,641,158
Loan commitments reserve	79,655	22,431
Others	266,678	357,329
Total	<u>\$ 716,863,092</u>	<u>614,481,864</u>

(y) Provisions—Employee benefits

	December 31, 2025	December 31, 2024
Recognized in Balance Sheet:		
Defined benefit plan	\$ 14,140,659	13,838,754
Employees preferential interest	7,019,203	6,741,126
Three Chinese festival bonus	3,154	3,401
Total	<u>\$ 21,163,016</u>	<u>20,583,281</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(i) BOT

1) Defined contribution plans

The Bank has established the defined contributions plans in accordance with the provision of the Labor Pension Act since July 1, 2005. The Bank allocates 6% of each employee's monthly wages to his or her individual account of labor pension from which he or she is entitled to claim the principal and accrued dividends in fixed installments or in lump sum in the future. The pension costs recognized under the defined contribution plans were \$5,113 thousand and \$4,563 thousand for the years ended December 31, 2025 and 2024, respectively.

2) Defined benefit plans

The grant of employees' pension compromise: a) the contributions made by the Bank at the rate from 4% to 8.5% of the employee's monthly wage under Article 8 (depending on the employee's 'salary point' and service period before the Labor Standards Act was applied), respectively, of the aforementioned regulations. (The Bank ceased to continue the contributions mentioned above after the Labor Standards Act was applied.) The Bank also contributed 3% of the total amount of the wages as reserve ;b) the contributions calculated based on the employee's monthly wage and service period (after May 1, 1997) in accordance with Article 5 and the related regulations set forth in the Labor Standards Act. All the contributions are made to the fund managed by the Pension Supervision Committee for future payments. The grant of labors' pension is conducted under the Bank's Work Rules before the Labor Standards Act was applied. Under Article 49 of the Rules, the service period before and after May 1, 1997 is accumulated in accordance with the Rules and the Labor Standard Act, respectively. The contributions calculated at a certain rate under Labor Pension are made to a designated Labor Retirement Reserve Account for future payments. In addition, the Bank is required to allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act effective July 1, 2005.

The Bank handles three sessions of care for the bereaved families of deceased employees, and each person will be paid NT\$2,000 per session. Years of support: 1. Death or accidental death: 10 years. 2. Death in the line of duty: 15 years.

The Bank is obliged to grant \$21.6 thousand to those who retired before December 31, 1979 and claim pensions at one time every Spring Festival, Dragon Boat Festival and Mid-Autumn Festival. The amount will be raised to \$37 thousand if there are dependents.

The Bank expects to contribute \$1,073,830 thousand to the account within one year after the balance date.

Weighted average duration of the defined contribution plans were as follows:

Defined Benefit Plans	11.00 year
Employee care bonuses during the three Chinese festivals	11.00 year

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

- a) The reconciliation of recognized liabilities for the defined benefit obligations, present value of the defined benefit obligations, fair value of the plan assets, and the limit of assets adjustment are as follows:

	December 31, 2025	December 31, 2024
Present value of the defined benefit obligations	\$ 23,419,422	22,763,037
Less: fair value of the plan assets	(9,275,609)	(8,920,881)
Net defined benefit liabilities (assets)	<u>\$ 14,143,813</u>	<u>13,842,156</u>

- b) The movements in present value of the defined benefit obligations

	2025	2024
Defined benefit obligation at January 1	\$ 22,763,036	22,688,510
Current service costs	840,758	862,963
Interest expense	376,577	281,365
Remeasurements of the defined benefit plans of other Comprehensive Income		
– 4 percent increase in salary	-	838,266
– Actuarial gains and losses in demographic changes in assumptions	152,810	-
– Actuarial gains and losses in financial changes in assumptions	587,813	(1,031,429)
– Experience adjustments	458,266	518,992
Contributed by the participant of the plan	(8,384)	(1,263)
Benefit payments	(1,751,454)	(1,394,367)
Defined benefit obligation at December 31	<u>\$ 23,419,422</u>	<u>22,763,037</u>

- c) The movements of fair value of defined benefit plan assets

	2025	2024
Fair value of plan assets at January 1	\$ 8,920,881	8,504,149
Interest revenue	146,940	105,513
remeasurements of defined benefit plans of other comprehensive income		
– Return on plan assets	180,385	167,545
Contribution made by the Bank	1,678,296	1,418,136
Benefit payments	(1,650,893)	(1,274,462)
Fair value of plan assets at December 31	<u>\$ 9,275,609</u>	<u>8,920,881</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

d) Expense recognized in profit or loss

	<u>2025</u>	<u>2024</u>
Current service cost	\$ 840,758	862,963
Net interest of defined benefit liabilities (assets)	<u>229,637</u>	<u>175,852</u>
Total	<u>\$ 1,070,395</u>	<u>1,038,815</u>

e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Bank's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income was as follows:

	<u>2025</u>	<u>2024</u>
Accumulated amount at January 1	\$ 8,741,927	8,583,673
Recognized during the period	<u>1,018,504</u>	<u>158,254</u>
Accumulated amount at December 31	<u>\$ 9,760,431</u>	<u>8,741,927</u>

f) Portfolio analysis of plan asset

	<u>2025</u>	<u>2024</u>
Bank saving	\$ 7,733,383	7,463,785
Others	<u>1,542,226</u>	<u>1,457,096</u>
Total	<u>\$ 9,275,609</u>	<u>8,920,881</u>

The overall expected rate of return on assets is based on the historical trend of returns and the estimation of return on the portfolio as a whole. The Bank also refers to the return of the funds supervised by the Labor Pension Supervision Committee and then uses judgments and estimations to determine the rate which should not be lower than the two-year time deposits rate set by the local banks.

g) Actuarial assumptions

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Discount rate	1.42 %	1.40%~1.66%
Assets expected rate of return	1.42 %	1.40%~1.66%
Future of salary increases	2.00 %	2.00%~3.00%

The estimated future mortality rates used in calculating of the defined benefit plan of the Bank are based on the seventh and the sixth round of the Taiwan Life Experience Life Table during 2025 and 2024, respectively.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

h) Sensitivity analysis

The followings would be the impacts on the present value of defined benefit obligations as of December 31, 2025 and 2024 if the actuarial assumptions had changed:

	Impacts on the present value of the defined benefit obligation		
	Actuarial assumption changes(%)	Actuarial assumption increase	Actuarial assumption decrease
December 31, 2025			
Discount rate			
Defined benefit plans	0.25%	\$ 22,732,724	24,056,711
Employee care bonus during the three Chinese festivals	0.25%	3,121	3,188
Salary increase rate	0.50%	24,567,844	22,353,142
December 31, 2024			
Discount rate			
Defined benefit plans	0.25%	22,134,276	23,366,060
Employee care bonus during the three Chinese festivals	0.25%	3,369	3,434
Salary increase rate	0.50%	23,873,705	21,728,190

The aforementioned sensitivity analysis is used to analyze what the impact could be when one variable changes while all other variables remain constant. In practice, however, this hypothesis may not exist as changes in variables could be correlative. Projected unit benefit method is also utilized in calculating the changes in present value of the defined benefit obligations when the Bank conducts the sensitivity analysis.

Methods and variables used in preparing the sensitivity analysis are consistent with those of the previous period.

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BANK OF TAIWAN
Notes to the Financial Statements

3) Employee preferential interest plan

As from July 1, 2018, the Bank terminated the preferential interest deposits for retired employees in accordance with the rule Tai Tsai Ku No.10700624450 issued by the Ministry of Finance.

- a) The reconciliation of recognized liabilities for employee preferential interest plan, fair value of the plan, and limit of assets adjustment are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Present value of the defined benefit obligations	\$ 7,019,203	6,741,126
Fair value of the plan assets	-	-
Net defined benefit liabilities (assets)	<u>\$ 7,019,203</u>	<u>6,741,126</u>

- b) The movements of present value of employees preferential interest plan

	<u>2025</u>	<u>2024</u>
Present value of employees preferential interest plan at January 1	\$ 6,741,126	6,758,232
Interest expense	269,645	270,329
Remeasurement of net employees preferential deposit		
– Actuarial gains and losses in demographic changes in assumptions	61,548	-
– Actuarial gains and losses in current period	1,893,107	1,697,719
Contributed by the participant of the plan	-	(9,631)
Benefit paid by the plan	<u>(1,946,223)</u>	<u>(1,975,523)</u>
Present value of employees preferential interest plan at December 31	<u>\$ 7,019,203</u>	<u>6,741,126</u>

- c) Expense recognized in profit or loss

	<u>2025</u>	<u>2024</u>
Net interest of employees preferential deposit	\$ 269,645	270,329
Actuarial gains and losses in current period	1,893,107	1,697,719
Total	<u>\$ 2,162,752</u>	<u>1,968,048</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

- d) Re-measurement of net defined benefit liability recognized in other comprehensive income

	<u>2025</u>	<u>2024</u>
Accumulated amount at January 1	\$ 703,780	703,780
Recognized during the period	<u>61,548</u>	<u>-</u>
Accumulated amount at December 31	<u><u>\$ 765,328</u></u>	<u><u>703,780</u></u>

- e) Actuarial assumptions

	<u>2025</u>	<u>2024</u>
Discount rates of the employee preferential interest	4.00 %	4.00 %
Return on deposit	2.00 %	2.00 %
Pension preferential ratios deposit for withdrawal	1.00 %	1.00 %
The probability of changes in the policy of employee preferential interest plan	50.00 %	50.00 %
Rate of same type deposit offered to general customers	1.785 %	1.785 %

- f) Sensitivity analysis

The followings would be the impacts on the present value of defined benefit obligations as of December 31, 2025 and 2024 if the actuarial assumptions had changed:

	Impacts on the present value of the defined benefit obligation		
	<u>Actuarial assumption changes(%)</u>	<u>Actuarial assumption increase</u>	<u>Actuarial assumption decrease</u>
December 31, 2025			
Discount rate	0.25%	\$ 6,885,218	7,158,000
December 31, 2024			
Discount rate	0.25%	6,611,659	6,875,299

The aforementioned sensitivity analysis is used to analyze what the impact could be when one variable changes, while all other variables remained constant. In practice, however, this hypothesis may not exist as changes in variables could be correlative. Projected unit benefit method is also utilized in calculating the changes in present value of the defined benefit obligations when the Bank conducts the sensitivity analysis.

The methods and variable used in preparing the sensitivity analysis are consistent with those of the previous period.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

g) Future cash flow of Employees preferential interest plan

The Bank monitors and reviews the contributions to employee preferential interest plan annually to ensure the ability of payments. Within one year after the financial statement date, the Bank expects to contribute \$1,798,640 thousand to the plan.

(z) Lease liabilities

The Bank's lease liabilities were as follow:

	December 31, 2025	December 31, 2024
Carrying amounts	<u>\$ 1,612,276</u>	<u>1,782,335</u>

For the maturity analysis, please refer to note 8(d).

The amounts recognized in profit or loss were as follows:

	2025	2024
Interest on lease liabilities	<u>\$ 25,692</u>	<u>24,813</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 1,594</u>	<u>1,984</u>
Expenses relating to short-term leases	<u>\$ 1,282</u>	<u>1,243</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 2,749</u>	<u>1,999</u>

The amounts recognized in the statement of cash flows for Bank were as follows:

	2025	2024
Total cash outflow for leases	<u>\$ 715,482</u>	<u>733,800</u>

(i) Real estate leases

The Bank leased buildings for its office space. The leases of office space typically run for a period of 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract-term.

Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

The Bank leased miscellaneous equipment and parking space with contract terms of one year. These leases are short-term and leases of low-value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases.

(aa) Operating lease

The Bank leases out its investment property and some machinery. The Bank has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2025	December 31, 2024
Less than one year	\$ 156,788	130,864
One to two years	134,299	93,243
Two to three years	45,716	71,960
Three to four years	20,673	18,644
Four to five years	3,493	2,834
Total undiscounted lease payments	\$ 360,969	317,545

(ab) Other Liabilities

	December 31, 2025	December 31, 2024
Advance collections	\$ 1,807,351	1,643,852
Guarantee deposits received	4,600,305	4,315,701
Temporary receipt and suspense accounts	30,138	164,794
Other liabilities to be settled	8,239	8,239
Compensation arising from land revaluation	1,264,803	1,264,803
Deferred revenue	14,175	12,081
Total	\$ 7,725,011	7,409,470

(ac) Income Tax Expenses

(i) Income Tax expenses (benefits)

The income tax expenses (benefits) for December 31, 2025 and 2024 were as follow:

	2025	2024
Current income tax expense		
Occurred in the current period	\$ 3,564,528	4,063,193
Deferred tax expense		
Occurrence and reversal of temporary difference	1,015,093	(848,098)
Income tax expenses	\$ 4,579,621	3,215,095

Income tax expenses recognized directly in other comprehensive income for 2025 and 2024 were as follows:

	2025	2024
(Gains) losses on debt instruments measured at fair value through other comprehensive income	\$ 1,639	20,607

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

The amount of tax expenses (benefits) recognized in other comprehensive income for in 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Profit before tax	<u>\$ 32,809,710</u>	<u>32,182,802</u>
Income tax using the Bank's domestic tax rate (20%)	\$ 6,561,942	6,436,560
Effects of tax rates in foreign jurisdiction	620,631	649,326
Non-deductible profits and losses	997,806	(1,932,028)
Cessation of transfer tax on stocks	(809,531)	(103,704)
Reinvestment gain exemption (dividends)	(2,112,917)	(1,830,559)
Change in unrecognized temporary differences	55,301	278,268
Income from tax-exempt of Offshore Banking Unit	(745,893)	(282,768)
Current income tax related to global minimum top-up tax	<u>12,282</u>	<u>-</u>
Total	<u>\$ 4,579,621</u>	<u>3,215,095</u>

(ii) Deferred Tax Assets and Liabilities

1) Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Deductible Temporary Differences	<u>\$ 6,498,412</u>	<u>6,428,986</u>

2) Recognised Deferred Tax Assets and Liabilities

Changes in the amount of deferred tax assets and liabilities for December 31, 2025 and 2024 are as follows:

Deferred Tax Assets:

	<u>Fair Value Losses</u>	<u>Unrealized Exchange Losses and Others</u>	<u>Total</u>
Balance at January 1, 2025	\$ 62,843	408,879	471,722
Recognized in profit or loss	15,324	(366,687)	(351,363)
Recognized in other comprehensive income	<u>(2,647)</u>	<u>-</u>	<u>(2,647)</u>
Balance at December 31, 2025	<u>\$ 75,520</u>	<u>42,192</u>	<u>117,712</u>
Balance at January 1, 2024	\$ 75,002	247,657	322,659
Recognized in profit or loss	(1,574)	161,222	159,648
Recognized in other comprehensive income	<u>(10,585)</u>	<u>-</u>	<u>(10,585)</u>
Balance at December 31, 2024	<u>\$ 62,843</u>	<u>408,879</u>	<u>471,722</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Deferred Tax Liabilities:

	Land Value Increment Tax	Fair Value Gains	Unrealized Exchange Gains and Others	Total
Balance at January 1, 2025	\$ 18,027,437	17,868	-	18,045,305
Recognized in profit or loss	-	12,582	651,148	663,730
Recognized in other comprehensive income	-	(1,008)	-	(1,008)
Balance at December 31, 2025	<u>\$ 18,027,437</u>	<u>29,442</u>	<u>651,148</u>	<u>18,708,027</u>
Balance at January 1, 2024	\$ 18,027,437	11,368	684,928	18,723,733
Recognized in profit or loss	-	(3,522)	(684,928)	(688,450)
Recognized in other comprehensive income	-	10,022	-	10,022
Balance at December 31, 2024	<u>\$ 18,027,437</u>	<u>17,868</u>	<u>-</u>	<u>18,045,305</u>

(iii) Global minimum top-up tax

The Bank's overseas branches fall within the scope of Pillar Two rules issued by the Organization for Economic Co-operation and Development (OECD). The jurisdictions where the Bank's overseas branches are registered—namely the United Kingdom, Japan, South Africa, Australia, Hong Kong, and Singapore— have successively announced the implementation of Pillar Two rules, which separately became effective in 2024 and 2025.

The Bank has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred (Please see Note4(p)).

(iv) The Bank's income tax returns has been audited by the MoA up until 2024 and examined by the National Tax Administration up until 2023.

(ad) Equity

(i) Capital stock

On September 25, 2019, the Bank issued ordinary shares paid in land under private placement, with selling price of \$30 per share. The total amount of the capital injection was \$42 billion.

As of December 31, 2025 and 2024, the Bank's authorized and issued shares of common stocks were both 10,900,000 thousand (9,500,000 thousand was under public offering and 1,400,000 thousand was under private placement). The par value of the issued common stocks is \$10.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(ii) Capital surplus

According to the ROC Company Act, the Bank can declare dividend with capital surplus. The share capital capitalized in any one year may not exceed a certain percentage for the Bank's increasing share capital under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The Bank may only increase its capital reserve out of the share capital from cash premium on capital stock once a year. The additional capital reserve from the share capital may not be increased during the same fiscal year as the additional share capital from cash premium on capital stock.

In accordance with the regulations regarding government-run businesses and the Bank's articles of incorporation, however, the policy for the resources that can be used to distribute cash dividend only includes current year earnings, accumulated earnings, legal reserve allowed to be used to distribute cash dividend, under the instruction of the Ministry of Finance. Capital surplus is not included.

(iii) Legal reserve

According to the ROC Company Act, when the Bank does not have any deficit, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital can be distributed.

BANK OF TAIWAN
Notes to the Financial Statements

(iv) Other equity

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	Gains (losses) on financial instruments for hedging	Other Comprehensive income reclassified by applying overlay approach	Total
Balance at January 1, 2025	\$ 728,628	91,714,835	(3,909)	5,150	82,470	92,527,174
Exchange differences on translation of foreign operations	(875,210)	-	-	-	-	(875,210)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	23,985,067	-	-	-	23,985,067
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	177,230	-	-	-	177,230
Gains (losses) on financial Instruments for hedging	-	-	-	(854)	-	(854)
Change in fair value of financial liability attributable to change in credit risk of liability	-	-	(2,035)	-	-	(2,035)
Other Comprehensive income reclassified by applying overlay approach	-	-	-	-	(68,741)	(68,741)
Balance at December 31, 2025	<u>\$ (146,582)</u>	<u>115,877,132</u>	<u>(5,944)</u>	<u>4,296</u>	<u>13,729</u>	<u>115,742,631</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Change in fair value of financial liability attributable to change in credit risk of liability	Gains (losses) on financial Instruments for hedging	Other Comprehensive income reclassified by applying overlay approach	Total
Balance at January 1, 2024	\$ (1,012,421)	65,259,769	(22,433)	8,386	44,886	64,278,187
Exchange differences on translation of foreign operations	1,741,049	-	-	-	-	1,741,049
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	-	27,550,954	-	-	-	27,550,954
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(1,095,888)	-	-	-	(1,095,888)
Gains (losses) on financial Instruments for hedging	-	-	-	(3,236)	-	(3,236)
Change in fair value of financial liability attributable to change in credit risk of liability	-	-	18,524	-	-	18,524
Other Comprehensive income reclassified by applying overlay approach	-	-	-	-	37,584	37,584
Balance at December 31, 2024	<u>\$ 728,628</u>	<u>91,714,835</u>	<u>(3,909)</u>	<u>5,150</u>	<u>82,470</u>	<u>92,527,174</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(v) Appropriation of earnings

The articles of incorporation of the Bank stipulate that net income should be distributed in the following order:

- 1) to settle all outstanding tax payable;
- 2) to offset prior years losses;
- 3) to appropriate 30% as legal reserve;
- 4) special reserve

In addition to appropriating 20-40% of residual earnings as special reserve, in accordance with the Order No. 1100208161 issued by the FSC on May 12, 2021 and No.1090150022 issued by the FSC on March 31,2021, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in the shareholders equity which the Bank elect to transfer to retained earnings by application of the exemption under IFRSs No. 1, the Bank shall set aside an equal amount of special reserve. When the Bank subsequently use, dispose of, or reclassify the relevant assets, it may reverse to distributable earnings a proportional amount of the special reserve originally set aside.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the net reduction of other shareholder's equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholder's equity pertaining to prior due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholder's equity shall qualify for additional distributions.

- 5) To appropriate dividends.

The remaining balance would be appropriated, combining accumulated retained earnings, in accordance with related laws and regulations.

According to the Banking Law, before the legal reserve balance amounts to the authorized capital, cash dividend distributions cannot exceed 15% of the authorized capital.

- 6) According to "Guidelines for Dividends or Bonus or Profits to Be Paid to The National Treasury of The State-owned Enterprises", the Bank distributed its earnings to the National Treasury in April, July, October, and December evenly and recognized them in the financial statements accordingly. The distributed amount will be adjusted in the final accounting of the Executive Yuan and National Audit Office. For the prepaid dividends of the Bank as of December 31, 2025 and 2024, please refer to note 6 (o).

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BANK OF TAIWAN
Notes to the Financial Statements

(ae) Net interest income

	<u>2025</u>	<u>2024</u>
Interest income:		
Loans and discounts	\$ 81,231,944	78,036,766
Placement with Central Bank and call loans to banks	14,918,249	17,499,484
Securities investment	39,021,886	36,041,393
Credit cards	20,072	20,140
Others	<u>948,595</u>	<u>1,902,388</u>
Subtotal	<u>136,140,746</u>	<u>133,500,171</u>
Interest expense:		
Deposits from customers	88,361,401	87,968,446
Deposits of Central Banks and other banks	6,011,692	8,016,840
Loans to Central Banks and other banks	126,921	190,221
Bonds sold under repurchased agreements	315,297	201,779
Financial bonds	33,079	105,646
Structured deposits	65,975	71,753
Others	<u>89,518</u>	<u>113,277</u>
Subtotal	<u>95,003,883</u>	<u>96,667,962</u>
Net interest income	<u><u>\$ 41,136,863</u></u>	<u><u>36,832,209</u></u>

(af) Service fees, net

	<u>2025</u>	<u>2024</u>
Service fees revenue:		
Trust services	\$ 1,061,506	1,013,286
Custody services	129,370	130,974
Foreign exchange business	176,768	202,826
Credit business	638,150	456,001
Credit card services	281,216	281,951
Deposit, remittance and other services	<u>3,181,585</u>	<u>2,983,254</u>
Subtotal	<u>5,468,595</u>	<u>5,068,292</u>
Service fees expense:		
Trust services	69,754	58,405
Custody services	48,345	42,837
Credit card services	320,170	309,201
Deposit, remittance and other services	<u>619,842</u>	<u>560,095</u>
Subtotal	<u>1,058,111</u>	<u>970,538</u>
Service fees, net	<u><u>\$ 4,410,484</u></u>	<u><u>4,097,754</u></u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

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

	<u>2025</u>	<u>2024</u>
Gain on financial assets or liabilities measured at fair value through profit or loss:		
Dividend income	\$ 7,406,499	5,915,170
Net interest gain	452,605	110,947
Net gain on disposal	<u>15,816,384</u>	<u>19,103,138</u>
Subtotal	<u>23,675,488</u>	<u>25,129,255</u>
Net gain on valuation	<u>93,835,918</u>	<u>102,018,130</u>
Total	<u><u>\$ 117,511,406</u></u>	<u><u>127,147,385</u></u>

(ah) Realized gains (losses) on financial assets measured at fair value through other comprehensive income

	<u>2025</u>	<u>2024</u>
Dividend income	\$ 5,188,844	4,182,324
(Loss) gain on disposal	<u>(139)</u>	<u>8,625</u>
Total	<u><u>\$ 5,188,705</u></u>	<u><u>4,190,949</u></u>

(ai) Foreign exchange gain or loss

	<u>2025</u>	<u>2024</u>
Foreign exchange gains	\$ 26,006,650	29,247,130
Foreign exchange losses	<u>(22,810,007)</u>	<u>(21,358,198)</u>
Total	<u><u>\$ 3,196,643</u></u>	<u><u>7,888,932</u></u>

(aj) Other non-interest income

	<u>2025</u>	<u>2024</u>
Premiums income	\$ 23,309,852	24,150,409
Sales revenue	239,222,674	150,635,014
Subsidized income from government	10,757,943	9,964,949
Benefits and claims	(43,453,558)	(37,072,910)
Cost of goods sold	(237,551,062)	(149,971,245)
Provisions for policy holders' reserve premium	(101,902,222)	(115,619,590)
Excess preferential interest expenses	(6,118,471)	(6,054,310)
Others	<u>328,153</u>	<u>431,185</u>
Total	<u><u>\$ (115,406,691)</u></u>	<u><u>(123,536,498)</u></u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(ak) Employee benefits expenses

	<u>2025</u>	<u>2024</u>
Salaries	\$ 12,964,766	12,633,855
Labor and health insurances	588,450	589,775
Pensions	1,110,962	1,076,466
Remuneration of directors	3,117	2,491
Others	438,897	364,161
Total	<u>\$ 15,106,192</u>	<u>14,666,748</u>

(al) Depreciation and amortization expenses

	<u>2025</u>	<u>2024</u>
Depreciation expenses	\$ 1,742,372	1,712,877
Amortization expenses	477,905	482,808
Total	<u>\$ 2,220,277</u>	<u>2,195,685</u>

(am) Other general and administrative expenses

	<u>2025</u>	<u>2024</u>
Taxes	\$ 5,115,880	4,924,434
Rental expenses	5,625	5,226
Insurance expenses	1,124,809	1,121,758
Postage and phone / fax expenses	224,176	232,839
Utilities	226,956	219,733
Supplies expenses	219,354	216,306
Repair and maintenance expenses	437,119	428,559
Marketing expenses	354,924	336,497
Professional service fees	1,173,100	1,058,424
Cashes transferring expenses	218,523	174,906
Others	411,363	394,955
Total	<u>\$ 9,511,829</u>	<u>9,113,637</u>

(an) Earnings per Share

The basic earnings per share of the Bank were calculated as follows:

	Unit: thousand dollars / thousand shares			
	<u>2025</u>		<u>2024</u>	
	<u>Before-Tax</u>	<u>After-Tax</u>	<u>Before-Tax</u>	<u>After-Tax</u>
Net income	<u>\$ 32,809,710</u>	<u>28,230,089</u>	<u>32,182,802</u>	<u>28,967,707</u>
Weighted average outstanding shares	<u>10,900,000</u>	<u>10,900,000</u>	<u>10,900,000</u>	<u>10,900,000</u>
Basic earnings per share (In NT dollars)	<u>\$ 3.01</u>	<u>2.59</u>	<u>2.95</u>	<u>2.66</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(7) The Fair Value Information of Financial Instruments:

(a) Fair value information

(i) Overview

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments are recognized initially at fair values. In many cases, they usually refer to transaction prices. Subsequent to initial recognition, they are also measured at fair value except for those that are measured at amortized cost. The best evidence of fair value is the quoted price in an active market. If financial instruments do not have a quoted market price in an active market, the Bank uses the valuation techniques or refers to the quoted prices set by Bloomberg, Reuters or the Counterparties to determine the fair value.

(ii) The Three-level Definition

1) Level 1

Inputs are quoted prices of same financial instruments in an active market. An active market indicates the market that is in conformity with all the following conditions: (i) the products in the market are identical; (ii) it is easy to find a willing party; (iii) the price information is attainable for the public. The equity investments, beneficiary certificates, certain Taiwan government bonds, and derivatives with quoted prices in an active market are classified as level 1.

2) Level 2

Inputs are those that are observable for asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), other than quoted prices included within Level 1. The non-popular government bonds, corporate bonds, financial bonds, convertible bonds, most of the derivatives, and financial bonds issued by the Bank are classified as level 2.

3) Level 3

Inputs are not based on observable market data (unobservable inputs parameters), i.e., historical volatility which cannot represent an expected value of all the market participants but is used as a model for the calculation of options. Certain derivatives and equity investments without a non-active market belong to level 3.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(b) Measure at fair value measurement

(i) Fair value hierarchy

The fair value of financial instruments is measured on a recurring basis. The fair value hierarchy of financial instruments are as follows:

Financial instruments measured at fair value	December 31, 2025			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 558,268,657	494,849,972	63,104,555	314,130
Financial assets designated as fair value through profit or loss	3,770,287	-	3,770,287	-
Debt instruments	3,770,287	-	3,770,287	-
Financial assets mandatorily as fair value through profit or loss	554,498,370	494,849,972	59,334,268	314,130
Equity instruments	286,723,008	286,408,878	-	314,130
Debt instruments	267,775,362	208,441,094	59,334,268	-
Financial assets at fair value through other comprehensive income	1,594,309,338	152,869,809	1,407,926,816	33,512,713
Debt instruments	1,422,256,729	14,329,913	1,407,926,816	-
Equity instruments	172,052,609	138,539,896	-	33,512,713
Liabilities:				
Financial liabilities measured at fair value through profit or loss	11,205,521	-	11,205,521	-
Financial liabilities designated at fair value through profit or loss	11,205,521	-	11,205,521	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 21,371,173	58,379	21,312,794	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	10,517,795	-	10,517,795	-

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Financial instruments measured at fair value	December 31, 2024			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 411,927,508	403,404,167	8,253,131	270,210
Financial assets designated as fair value through profit or loss	3,847,536	-	3,847,536	-
Debt instruments	3,847,536	-	3,847,536	-
Financial assets mandatorily as fair value through profit or loss	408,079,972	403,404,167	4,405,595	270,210
Equity instruments	223,798,916	223,528,706	-	270,210
Debt instruments	184,281,056	179,875,461	4,405,595	-
Financial assets at fair value through other comprehensive income	1,496,186,906	130,918,112	1,329,689,507	35,579,287
Debt instruments	1,342,786,275	13,096,768	1,329,689,507	-
Equity instruments	153,400,631	117,821,344	-	35,579,287
Liabilities:				
Financial liabilities measured at fair value through profit or loss	11,387,248	-	11,387,248	-
Financial liabilities designated at fair value through profit or loss	11,387,248	-	11,387,248	-
<u>Derivative financial instruments</u>				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 18,550,215	58,904	18,491,311	-
Liabilities:				
Financial liabilities measured at fair value through profit or loss	10,722,196	-	10,722,196	-

(ii) Financial instruments measured at fair value

Fair value of an assets or liability is the amount at which the asset could be bought or sold in a current transaction between both willing parties who have full understanding, or transferred to an equivalent party.

Financial instruments are recognized initially at fair values. In many case, they usually refers to transaction price. Subsequent to initial recognition, they are also measured at fair value except for those that are measured at amortized cost. The best evidence of fair value is the quoted price in an active market. If a financial instrument do not have a quoted market price in an active market, the Bank uses the valuation techniques or refers to the quoted prices set by Bloomberg or the Counterparties to determine the fair value.

The fair value of financial instruments is based on the quoted prices in an open market. These include trading prices of equity instruments listed on a major stock exchange or of the government bonds in an over the counter (“OTC”) market.

(Continued)

BANK OF TAIWAN
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When a quoted price of a financial instrument is timely available in a stock exchange or an OTC market or from brokers, underwriter, industry associations, pricing service organizations and the authorities and the price is often used in a arm's length transaction, the financial instrument is considered to have a quoted price in an active market. If the above criteria are not met, the market is considered inactive. In general, a large or significantly increasing bid-ask spread and very low transaction volume indicate that the market where the financial instrument is trade is not active.

Other than those traded in an active market, the fair value of all other financial instruments is determined by using a valuation model or referring to the quoted price of the counterparty. The Bank refers to the present values, the discounted cash flow or the values calculated under other valuation methods of financial instruments with similar terms and characteristics, including the one calculated by a model which uses the available market data at the financial statement day as inputs. (i.e. the applicable yield curve of bonds traded in the Taipei exchange and average prices of commercial papers quoted on Reuters)

When measuring a financial instrument which no specific techniques can be applied to but do not create challenge in valuation, such as bonds traded in an inactive market, interest rate swap, FX swaps and options, the Bank adopts the valuation methods which are widely used and accepted by other market participants. The parameters used are usually the observable market data or information.

For complex financial instruments, the Bank not only refers to the valuation methods which are widely used and accepted by other banks but also develops its own valuation models to determine the fair value. These valuation models are usually applied to the valuation of derivatives, debt instruments with embedded derivatives, or securitization products. The parameters used in such models are usually not observable in a market, and therefore, the Bank has to make proper estimates based on assumptions and judgments.

(iii) Fair value adjustment

1) Limitations of valuation models and uncertainty input

Outputs of valuation models are approximate values and valuation techniques may not be able to reflect critical factors of all the financial and non-financial instruments. As such, additional parameters shall be incorporated into the fair value measurement, such as modeling risk and liquidity risk, when necessary. The management of the Bank believes that the adjustments made to the fair value of financial and non-financial instruments are appropriate and necessary since they are performed in accordance with the Bank's policies governing the fair value of valuation models and related internal controls. All the information and parameters are based on current market conditions and thoroughly reviewed by the Bank.

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2) Credit risk valuation adjustment

Credit risk valuation adjustment consists of credit valuation adjustments and debit valuation adjustments to the derivatives traded in an OTC market instead of a stock exchange market. The definitions are as follows:

- a) Credit value adjustments (CVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the counter parties' delayed payment and default into fair value.
- b) Debit value adjustments (DVA): adjust the valuation on transactions that occurs outside the exchange market, which refers to OTC derivative contracts, to reflect the possibility of the Bank delayed payment and default into fair value.

The key inputs of the measurement of credit risk and the quality of the Bank's counterparties are the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

CVAs are calculated by considering the counterparty's probability of default (PD) under the condition that the Bank is not in default, Loss give default (LGD) and Exposure at default (EAD). On the contrary, DVAs are calculated by considering the Bank's PD under the condition that the counterparty is not in default, LGD and EAD.

The Bank refers to the counterparty's default rate graded by Moody's, experiences of John Gregory (scholar), and foreign financial institutions, to determine the PD at 60%. The Bank may also use other alternative PD assumptions if data availability is limited. Moreover, the Bank also takes the credit risk valuation adjustments into consideration when calculating fair value by referring to the Mark-to-Market values of derivatives traded in the OTC markets to reflect the counterparty's credit risk and the Bank's creditworthiness.

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- (iv) Reconciliation for fair value measurements in Level 3 of the fair value hierarchy were as follows:

Reconciliation for fair value measurements categorized in level 3 as of December 31, 2025 and 2024 were as follows:

	Fair value through profit or loss	Fair value through other comprehensive income	
	Non derivative mandatorily measured at fair value through profit or loss (Unquoted equity instruments)	Unquoted equity instruments	Total
Opening balance, January 1, 2025	\$ 270,210	35,579,287	35,849,497
Total gains and losses recognized:			
In profit or loss	43,920	-	43,920
In other comprehensive income	-	(2,057,449)	(2,057,449)
Derecognized	-	(9,125)	(9,125)
Ending Balance, December 31, 2025	<u>\$ 314,130</u>	<u>33,512,713</u>	<u>33,826,843</u>
Opening balance, January 1, 2024	\$ 271,620	22,476,346	22,747,966
Total gains and losses recognized:			
In profit or loss	(1,410)	-	(1,410)
In other comprehensive income	-	13,102,941	13,102,941
Ending Balance, December 31, 2024	<u>\$ 270,210</u>	<u>35,579,287</u>	<u>35,849,497</u>

- (v) The process of fair value measurements in Level 3

Referring to IFRS 13, the Trading Department should inform the Risk Management Department regarding the related valuation methods before any financial instruments categorized in Level 3 are bought or sold. The valuation result of such financial instruments is quarterly reported to Asset and Liability Management Committee.

- (vi) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Bank considers the valuation techniques used by the Bank for fair value measurements in Level 3 reasonable. However, any changes in one or more of the parameters or assumptions may lead to a different result.

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The analysis only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

- (vii) The sensitivity analysis for the financial assets measured at fair value classified to the Level 3.

The Bank's financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – equity investments” and “fair value through other comprehensive income – equity investments”.

Quantified information of significant unobservable inputs was as follows:

2025			
Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss and Financial assets at fair value through other comprehensive income – Contingent consideration	Comparable company method	<ul style="list-style-type: none"> · P/E ratio · P/B ratio · EV/Operating revenue · EV/EBITDA · EV/EBIT · Liquidity discount rate 	Positive Positive Positive Positive Positive Negative
	The asset approach	<ul style="list-style-type: none"> · Fair value of asset · Fair value of liability 	Positive Negative

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2024			
Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss and Financial assets at fair value through other comprehensive income – Contingent consideration	Comparable company method	<ul style="list-style-type: none"> · P/E ratio · P/B ratio · EV/Operating revenue · EV/EBITDA · EV/EBIT · Liquidity discount rate 	<ul style="list-style-type: none"> Positive Positive Positive Positive Positive Negative
	The asset approach	<ul style="list-style-type: none"> · Fair value of asset · Fair value of liability 	<ul style="list-style-type: none"> Positive Negative

(c) Hierarchy information of financial instruments not measured at fair value

(i) Fair Value Information

In addition to the following items, the Bank's financial instruments that are not measured at fair value include cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, discounts and loans, deposit from and due to the central bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, deposits, other borrowings and other financial liabilities. Since their book value is a reasonable approximation to fair value, there is no fair value disclosure.

Item	Book value	Fair value
December 31, 2025		
Financial Assets		
Financial Assets measured at amortized cost	\$ 243,148,093	235,679,307
December 31, 2024		
Financial Assets		
Financial Assets measured at amortized cost	273,112,350	260,911,797

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(ii) Fair value hierarchy

		December 31, 2025		
Assets and liabilities item	Total	Quoted prices in active markets for identical asset (Level1)	Significant other observable inputs (Level2)	Significant unobservable inputs (Level3)
Financial Assets:				
Financial Assets measured at amortized cost	\$ 235,679,307	136,049,228	99,630,079	-
		December 31, 2024		
Assets and liabilities item	Total	Quoted prices in active markets for identical asset (Level1)	Significant other observable inputs (Level2)	Significant unobservable inputs (Level3)
Financial Assets:				
Financial Assets measured at amortized cost	\$ 260,911,797	136,016,075	124,895,722	-

(iii) The methods and assumptions to estimate the financial instruments not measured at fair value are as follows.

- 1) Financial instruments that have short term to maturity or of which the agreed prices are close to carrying amounts are recognized using their carrying amounts at reporting date. These financial instruments include cash and cash equivalents, placement with Central Bank and call loans to banks, bills and bonds purchased under resell agreements, receivables, limited assets, deposits of Central Bank and other banks, loans to the Central Bank and other banks, bills and bonds sold under repurchase agreements, payables and guarantee deposits received.
- 2) The discounts and loans (including non-performing loans): The Bank uses the floating interest rate to be the interest rate of loans. The floating interest rate can also reflect the market interest rate. So it is reasonable to use the carrying amount and the recoverability to estimate the fair value. The mid-term and long-term loans using with fixed interest rate should use the discounted present value of expected future cash flow to estimate their fair value. However, if the loans with fixed interest rate are minor, it is reasonable to use the carrying amount and their recoverability to estimate their fair value.

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3) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted:

- a) If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement.
- b) If no quoted prices are available, the discounted cash flows are used to estimate fair values.

4) Deposits and Remittances: The Bank considers the characteristic of bank industries to decide the fair value. The deposits with market interest rate are those almost with due within one year and their carrying amounts are reasonable basis for estimating the fair value. The long-term deposits with fixed interest rate are measured using the discounted present value of expected future cash flow. Because the term to maturity is less than three years, it is reasonable to use the carrying amount to estimate the fair value.

5) Financial Bonds Payable: It refers to the convertible corporate bonds and financial bonds issued by the Bank. Their coupon rates are almost equal to the market interest rate, so it is reasonable to using the discounted present values of the expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.

(8) Financial Risk Management:

(a) Overview

The Bank's activities are exposed to various risks from financial instruments, which included credit risk, market risk, operational risk, interest rate risk, liquidity risk, national risk, legal risk, emerging risk, etc., wherein the principles of risk management are as follows:

- (i) Monitor the BIS Capital Adequacy Ratio in response to operation scale, credit risk, market risk, operational risk and the operating trades in the future.
- (ii) Establish a systematic risk measure and control mechanism to measure, monitor and control every risk.
- (iii) Manage every business risk considering the risk capacity, capital reserve, nature of debts and performance.
- (iv) Establish a valuation method for the quality and classification of assets, control the intensity of exposure and significant exposure, check periodically and recognize allowance for loss.
- (v) Establish information system protection mechanism and emergency plan for bank operation, transactions, and information. Build an independent and effective risk management mechanism and strengthen the risk management of business through appropriate policies, procedures, and systems.

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- (vi) Establish a management mechanism to identify, measure and monitor money laundering and terrorist financing by complying with the standard operating procedures in accordance with relevant laws and regulations.
- (vii) Assess the impact of emerging risks on the Bank's operations and establish a risk management mechanism.

(b) Risk management structure

The risk management structure of the Bank is composed of the Board of Directors, risk management committee, risk management department and every operational unit.

- (i) The Board of Director is the final decision maker for risk management and is responsible for the result of risk. The Board of Director should decide the entire risk management policies in view of operational strategies and business environment to monitor the risk management mechanism which understand the risk status and maintain the appropriate Capital Adequacy Ratio in response to all risk.
- (ii) Risk Management Committee under the Board of Directors is responsible for executing risk management policies and coordinating interdepartmental management of risk.
- (iii) Risk management department is responsible to monitor, trace the execution status of risk management policies and submit reports to the Board of Directors or Risk Management Committee. If a significant risk exposure is discovered, the risk management department has to make appropriate procedures and report it to the Board of Directors.
- (iv) Every department should identify, evaluate, and control the risks of new products or business, set related risk management regulations as a guideline, and monitor the risk management to ensure the risk control of entire company.
- (v) All operational units shall comply with the regulations for risk management.

(c) Credit Risk

(i) Causes and definition of credit risk

Credit risk is the risk of financial loss to the Bank if a borrower, issuer or a counterparty to a financial instrument fails to meet its contractual obligations principally due to their credit deterioration or other factors (i.e. disputes between a borrower and its counterparty), including:

- 1) Credit risk from a borrower/issuer refers to the risk that the Bank may suffer from financial losses when the borrower/issuer is not able to meet its contractual obligations due to default, bankruptcy or liquidation.
- 2) Credit risk form counterparties refers to the risk that the Bank may suffer from financial losses when the counterparty is not able to settle the contracts or execute its repayments.

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- 3) Credit risk form underlying assets refers to the risk that the Bank may suffer from financial losses when the credit quality of the underlying assets linked by the financial instruments turns vulnerable, which leads to an increase of risk premium, a downgrade of credit rating or a breach of contract.

Credit risk is derived both from on and off balance sheet items. On balance sheet items include loans, placement with banks, call loans to banks, acceptance bills, debt instruments, derivatives, etc. Off balance sheet items include guarantees, acceptances, letter of credits, loan commitments, etc.

(ii) Identification and measurement of credit risk

To ensure the credit risk is in a tolerable range, the Bank sets the credit risk management policies which identify that the credit risk of all the transactions and business related to the assets, liabilities and off-balance sheet items. Before executing present or new business, the Bank shall identify the credit risk, understand the degree of risk exposure through appropriate evaluation and assess the possibilities of default.

If there are no specific requirements from the local authorities, the overseas branches of BOT shall assess asset quality and loss provision in accordance with the Operational Manual of Evaluating the Impairment of Loans and Receivables. The information about how the Bank classifies assets, manages post-loan and grant internal rating is as follows:

- 1) Credit business(including loan commitments and financial deposit)
- a) Credit assets categories and post-loan management

The Bank has established the “Guidelines for the Assessment of Impairment of Credit Assets”

Stage 1 refers to credit assets for which credit risk has not increased significantly since initial recognition;

Stage 2 refers to credit assets for which credit risk has increased significantly since initial recognition;

Stage 3 refers to credit assets that are considered credit-impaired.

In order to reinforce the post-loan management, the Bank sets the “Credit Review and Follow up Evaluations Provision”, the “Review of the Credit Conducted by Managers Provision”, as well as the “Warning Mechanism Provision”, and evaluate and monitor the quality of credit assets regularly. Also, to enhance the management of abnormal credit and to attain the goals of warning and interim monitoring, the Bank reviews their credit cases by sampling cases based on their ratings and check significant credit cases periodically.

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b) Internal credit rating

When conducting credit review, the Bank will obtain necessary collateral to mitigate risk arising from financial loss due to the environment, economic changes, risk factors of business development strategies and policies. The Bank improves market competitiveness of products, strives for customer identification, broadens business, and balances credit risk and profits target simultaneously. The following are the credit process of corporate finance and consumer finance.

i) Corporate Finance

The Bank has established a credit policy under which each new customer is analyzed individually for creditworthiness before the interest rate is offered. The Bank review includes external rating, when available, and in some cases, the information that is publicly available. The clients are classified into two types based on their scorecards, the large-scale enterprise and the medium-scale enterprise. Then they measure their scale, financial and business status, business management and industry characteristic. There are 13 credit ratings, all in all.

ii) Consumer Finance

The Bank uses the credit application scorecard and behavior scorecard, both of them have seven grades for the purpose of credit risk evaluation and differential pricing. Unsecured consumer loans are graded based on seven scoring items and are classified into the seventh rating. The Bank would reject those below the lowest scores; others would be reviewed in accordance with related provisions.

2) Due from Banks and Call Loans to Banks

The Bank will assess the counterparty's creditworthiness, and refer to external ratings provided by domestic and international credit rating agencies, to set up different credit risk limits before any transactions are carried out.

3) Investment in debt instruments and financial instrument derivatives

The Bank identifies and manages credit risk of debt instruments by reviewing the external ratings, creditworthiness of bonds, and geographic region of its counterparties. Most of the Bank's derivative contracts with its counterparties are financial institutions with good credit ratings. For those financial institutions whose ratings are not available, the Bank reviews the transactions individually. All the counterparties, including non-financial institutions, are managed based on their lines of credit (including loans at call).

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(iii) Measurement of credit risk

1) Categories for credit risk quality

The Bank internally categorizes the credit risk into four levels, which are low risk, moderate risk, high risk and impaired risk. The definition of each level is as follows:

- a) Low risk: The issuers or the counterparties are rated as robust or above to fulfill their obligation of the contracts. Even under various negative news or disadvantageous economic conditions, the companies are capable of dealing with the situations.
- b) Moderate risk: The possibility that the issuers or counterparties fulfill their obligation is remote. Operating performance and disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.
- c) High risk: The possibility that the issuers or counterparties fulfill their obligation is remote and mainly relies on the business environment. Negative news or disadvantageous economic conditions will lower their ability and willingness to fulfill their obligation.
- d) Impaired risk: the counterparties or the target did not perform its obligation according to the contracts, and potential estimated loss to the Bank has reached the standard of impairment.

2) Determination on the credit risk that has increased significantly since initial recognition

The Bank determines whether the credit risk of financial instruments applying the impairment requirements in IFRS 9 increased significantly since the initial recognition on each reporting date. For this assessment, the Bank considers the reasonable and supportable information (including forward looking information) which shows that the credit risk has increased significantly since initial recognition.

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a) Credit business (including loan commitments and financial deposit)

The Bank's credit business scoring model and risk degree are as follows:

Risk degree	Corporate Finance IRB scoring model	Consumer Finance IRB application/ behavioral scoring model (including credit cards, excluding student loans)	Student Loans behavioral scoring model
Low	1	1	1
	2	2	2
	3	3	
	4		
Moderate	5	4	3
	6	5	4
	7	6	5
	8		6
	9		
	10		
High	11	7	7
	12		8
	13		9
			10

i) Loans and Discounts and credit related receivables

The Bank determines the credit risk of loans and discounts or financing receivables has increased significantly since initial recognition when the financial instrument applying the impairment requirements in IFRS 9 meets the following conditions at each reporting date:

- The borrower's internal or external rating has significantly dropped;
- The borrower's contract payment has been overdue for more than a month but still within 3 months (there are additional 45 days for a borrower who does not have a credit account in the Bank) ;
- The borrower's internal credit level is assessed as "Poor" under post-loan review or alert.

ii) Credit Cards

The Bank determines the credit risk of credit card loans has increased significantly since initial recognition when the credit card loans applying the following conditions: The borrower has not used revolving credit facility, but whose internal rating has dropped more than 3 levels, the borrower has used revolving credit facility without overdue, the loans has overdue but within 3 months, or non-conforming assets, excluding assets previously determined as credit risk has increased significantly or credit impairment.

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b) Debt investments and placement with central bank and call loans to banks

The Bank follows the table below to determine whether that the credit risk of debt investments or placement with central bank and call loans to banks have increased significantly since initial recognition at each reporting date:

STAGE 1 (credit risk has not significantly increased)	STAGE 2 (credit risk has significantly increased)	STAGE 3 (credit has been impaired)
1. The credit rating of a counterparty is higher than Moody's A3, S&P's A- , Fitch's A- or Taiwan Ratings' twA- at the reporting date. (Note)		
2. The credit rating of a counterparty falling between Moody's A3 and Baa3 or equivalent drops within 4 levels during the period of the transaction date and each reporting date.	Not assessed as Stage 1, but the credit of counterparty is not actually impaired.	Not assessed as Stage 1, but the credit of counterparty has been impaired.
3. The credit rating of a counterparty lower than Moody's Baa3 or equivalent drops 1 level during the period of the transaction date and each reporting date.		

Note: If the credit risk of the credit assets is low, the Bank may consider that the credit risk of debt investments and placement with central bank and call loans to banks has not significantly increased since initial recognition.

3) Definitions for default and credit impairment of financial assets

The Bank uses the same definitions for default and credit impairment of financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have been defaulted and credit impaired:

a) Credit business (including loan commitments and financial deposit)

i) Loans and discounts and credit related receivables

1. Quantitative indicators

- The borrower's principals or interests have been overdue more than 3 months.
- The borrower's internal rating is assessed as the lowest.

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2. Qualitative indicators

If there is evidence that the borrower will be unable to pay the contract, or show that the borrower has significant financial difficulties, such as:

- The borrower has requested to postpone the repayment of principles and interests;
- The borrower's internal credit level is assessed as "Terrible" under post loan review or alert;
- The borrower's internal credit level is assessed as "Dangerous" under post loan review or alert;
- The borrower is reported by the Bank due to significant and unfavorable events;
- The borrower is under debt negotiation.

ii) Credit card business

The loan which borrower's payment has been overdue more than 3 months, or is reclassified as non-accrual loans, or was credit-impaired before, or which borrower is dead.

b) Debt investments and placement with central bank and call loans to banks

i) If there is evidence showing that the borrower will be unable to repay the principal or interests, or that the borrower has significant financial difficulties, such as:

- The issuer has breached the contract, such as a default or delinquency in interest or principal payments;
- The issuer reorganizes its debt, such as a slash on the interest rate or principals, an exchange of debts, subordination of debt repayment or a postpone in maturity date;
- The issuer has filed a bankruptcy; or
- The issuer's rating is optional default or default.

ii) A combination of individual and independent events may lead to an impairment on financial assets.

If the aforementioned definition of breach of contract and credit impairment applies to all financial assets held by the Bank no longer meets the definition of default and credit impairment for a period of time, it is deemed to return to the state of compliance and is no longer considered defaulted and credit impaired.

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The aforementioned definition of breach of contract and credit impairment, and is consistent with the definition used for the purpose of internal credit risk management for financial assets, and is also applied to the relevant impairment assessment model.

4) Write off policy

If there is no realistic prospect of recovery for the financial assets (either partially or in full), the Bank will write off part or full of the financial assets. The indications of financial assets which have no realistic prospect of recovery include:

- a) The loan cannot be recovered in full or in part because the issuers or debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- b) The collateral and property of the primary/subordinate debtors or issuers have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the Bank might collect from the debtors where there is no financial benefit in execution.
- c) The primary/subordinate debtor or an issuer's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the Bank's taking possession of such collateral.
- d) More than two years have elapsed since the maturity date of the non performing loans or non accrual loans, and the efforts of collection have failed.

5) Amendments of contractual cash flows of financial assets

The contractual cash flows of loans and discounts may be amended due to the borrower's financial difficulties or in order to increase the recovery rate. An amendment may involve an extension of contract period, a change in the timing of repayments or in the interest rate, which may lead to a de-recognition of current financial assets and a re-recognition of the financial assets at fair value, in accordance with the Bank's policy (Please see note 4(e)).

If the amendments do not lead to a de-recognition, the Bank will determine the credit of financial assets have been impaired and will assess expected credit loss accordingly since debt negotiation or extension is one of the conditions that define whether financial assets are credit-impaired or not.

The Bank assesses the possibility of default of the amend financial assets by considering the condition of repayments after the amendment and several related behavior indexes, and re-evaluate whether the amendment has improved or restore the client's ability to make the required loan payments. According to the the Bank's policy, a borrower cannot be reverted to Stage 1 until the borrower can continuously repay the new contractual amounts for a certain period and shows good payment behaviors.

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The Bank will periodically review changes of credit risk after amendments in accordance with related policy.

6) Expected credit loss measurement

a) Adopted methods and assumptions

For the Bank, if the financial assets are of low credit risk or no significant increase in credit risk, the 12 month expected credit losses will be recognized. If the financial assets are significantly increased in credit risk or the credits have been impaired, the expected credit losses for a lifetime will be recognized.

In order to measure expected credit losses, the Bank adopts Probability of default (“PD”), and includes Loss given default (“LGD”) and Exposure at default (“EAD”), and considers the impact of the time value of money, to calculate the expected credit losses for 12 months and for a lifetime, respectively.

Default probability is how likely the issuer or the counterparty breaches the contract, and the loss given default is the rate of loss due to default by the issuer or the counterparty. The default probability and loss given default used by the Bank, related impairment assessments are based on international credit rating agencies (S&P and Moody’s), regularly publish information on default rate and loss given default, or internal historical information and calculate based on current observable data and forward looking general economic information (such as gross domestic production) after adjusting historical data.

The Exposure at default is measured by amortized cost of financial asset.

The estimation techniques or material assumptions made by the Bank to assess expected credit losses have no significant changes during 2025 and 2024, respectively.

b) Forward looking information considerations

The Bank takes forward looking information into account when judging whether the credit risk of a debt instrument has increased significantly since its initial recognition, and when the expected credit loss is measured.

i) Credit business (including loan commitments and financial deposit)

The Bank identifies credit risks and factors of expected credit loss (i.e. GDP, economic growth rate, price index, interest rate, and unemployment rate) based on historical data. Simultaneously, the Bank connects these factors or monitoring indicators with each loan product in order to adjust PD in the coming year and make expected credit loss reflect forward looking information.

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ii) Debt investments and placement with central bank and call loans to banks

The Bank evaluates the expected credit loss based on the external rating outlook or observation at the reporting date. If any of an issuer's credit rating granted by Moody's, S&P, Fitch, or Taiwan Rating is "Negative" or "-", the issuer will be determined as negative outlook or negative observation.

1. When the issuer's credit rating outlook is "Negative" or credit rating observation is "-", the Bank uses the average of the long-term PD and one level reduced PD.
2. Otherwise, the PD will remain unchanged.

(iv) Management of maximum exposure to credit risk and excessive risk concentration

- 1) In accordance with the Banking Law, there is a credit limitation management for the Bank's any interested party. In respect to credit intensity, the Bank provides credit and investment quota rules for the same enterprise, and industry. The Bank also limits and manages the credit amount for enterprises, groups and every industry.
- 2) The Bank's Treasury Department, OBU, and foreign branches provide different credit amount according to external credit evaluation and rankings when having a transaction in the currency market or capital market, foreign exchange, new financial instruments transactions and negotiable security transactions.
- 3) To spread the country risks, the Bank allocates different credit amount, based on the latest national risk rankings in "the World Competitiveness Yearbook", published by the International Institute for Management Development (IMD) in Lausanne, Switzerland, to the Financing Department, OBU, and foreign branches. The covered businesses are loan assets and transaction assets (i.e. due and call loans, investment securities, derivatives, and foreign exchanges).

(v) Policies of credit risk deduction

1) Collateral

The Bank has established policy and procedures to mitigate credit risk. Among them, one of the most common ways, is to demand for collateral. In terms of collateral management and valuation, the Bank established policies governing the scope of collateral and related procedures to secure debts. Moreover, the Bank also requires the provisions that secure debts and collateral should be contained within a credit agreement to reduce credit risk by clearly defining the amounts the Bank can cut and the grace periods the bank can offer or even requesting for a prepayment.

Non-credit businesses are not required to collect collateral, depending on the nature of the financial instruments. Only asset-backed securities and other similar financial instruments are required to pledge an asset pool of financial instruments as collateral.

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Considering both credit control and business expansion, the Bank shall request collaterals or guarantees to decrease the credit risk. The permitted collaterals and guarantees included mortgages on real estate or properties (i.e., land, building, machinery, car, ship, aircraft, etc.), pledges of securities or other rights (i.e., certificates of deposit, various bonds, or stocks), guarantees provided by the government agencies, banks, or credit guarantee institutions authorized by the government, and any other guarantees or collaterals approved by the Bank.

2) Master netting agreement

The Bank's transactions are usually settled individually without bundling or netting with any other transactions. However, the Bank also enters into netting agreements or chooses to settle net and terminates the deal if the counterparty is in default.

3) Other credits enhancement

The Bank's credit contract contains the term that the Bank is entitled to offset the obligation by claiming the deposits of the borrower who are in default to mitigate credit risk.

(vi) The maximum credit exposure to the credit risk of financial assets (without considering the allowance for bad debt, collaterals and guarantees)

1) As of December 31, 2025 and 2024, the amounts of maximum credit risk exposure to the credit risk displayed by credit rating are as follows:

	Discounts and loans				Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total
	December 31, 2025					
Credit rating	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Nonperforming / Nonaccrual		
Low	\$ 1,389,502,927	11,749	87,041	-	1,389,601,717	
Medium	998,060,402	493,540,561	1,820,824	-	1,493,421,787	
High	20,420,887	24,291,022	3,554,352	-	48,266,261	
Others	598,937,999	3,386,390	5,140,779	-	607,465,168	
Gross carrying amount	3,006,922,215	521,229,722	10,602,996	-	3,538,754,933	
Allowance for bad debts	(26,250,345)	(1,786,337)	(1,977,823)	-	(30,014,505)	
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(22,487,064)	(22,487,064)	
Total	\$ 2,980,671,870	519,443,385	8,625,173	(22,487,064)	3,486,253,364	

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Discounts and loans					
December 31, 2024					
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual	Total
Credit rating					
Low	\$ 1,385,909,756	4,428	112,479	-	1,386,026,663
Medium	1,027,435,070	377,677,178	1,609,455	-	1,406,721,703
High	19,035,735	31,326,350	3,909,761	-	54,271,846
Others	<u>566,461,120</u>	<u>867,692</u>	<u>5,296,379</u>	-	<u>572,625,191</u>
Gross carrying amount	2,998,841,681	409,875,648	10,928,074	-	3,419,645,403
Allowance for bad debts	(26,465,378)	(1,818,417)	(2,088,095)	-	(30,371,890)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(20,150,333)	(20,150,333)
Total	<u>\$ 2,972,376,303</u>	<u>408,057,231</u>	<u>8,839,979</u>	<u>(20,150,333)</u>	<u>3,369,123,180</u>

Debt instruments measured at fair value through other comprehensive income

December 31, 2025

	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Valuation adjustment	Total
Credit rating					
Aaa~Baa3	\$ 1,424,753,217	-	-	-	1,424,753,217
Ba1~Ba3	<u>517,026</u>	<u>15,459</u>	-	-	<u>532,485</u>
Gross carrying amount	1,425,270,243	15,459	-	-	1,425,285,702
Allowance for impairment	(209,210)	(61)	-	-	(209,271)
Valuation adjustment	-	-	-	(3,028,973)	(3,028,973)
Total	<u>\$ 1,425,061,033</u>	<u>15,398</u>	<u>-</u>	<u>(3,028,973)</u>	<u>1,422,047,458</u>

Debt instruments measured at fair value through other comprehensive income

December 31, 2024

	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Valuation adjustment	Total
Credit rating					
Aaa~Baa3	\$ 1,354,070,832	-	-	-	1,354,070,832
Ba1~Ba3	<u>660,206</u>	<u>21,732</u>	-	-	<u>681,938</u>
Gross carrying amount	1,354,731,038	21,732	-	-	1,354,752,770
Allowance for impairment	(168,739)	(262)	-	-	(169,001)
Valuation adjustment	-	-	-	(11,966,495)	(11,966,495)
Total	<u>\$ 1,354,562,299</u>	<u>21,470</u>	<u>-</u>	<u>(11,966,495)</u>	<u>1,342,617,274</u>

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BANK OF TAIWAN
Notes to the Financial Statements

Debt instruments measured at amortized cost				
December 31, 2025				
	12 month ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating				
Aaa~Baa3	\$ 237,719,137	-	-	237,719,137
Ba1~Ba3	5,475,137	-	-	5,475,137
Gross carrying amount	243,194,274	-	-	243,194,274
Accumulated impairment	(46,181)	-	-	(46,181)
Total	\$ 243,148,093	-	-	243,148,093

Debt instruments measured at amortized cost				
December 31, 2024				
	12 month ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating				
Aaa~Baa3	\$ 265,621,220	-	-	265,621,220
Ba1~Ba3	7,542,709	-	-	7,542,709
Gross carrying amount	273,163,929	-	-	273,163,929
Accumulated impairment	(51,579)	-	-	(51,579)
Total	\$ 273,112,350	-	-	273,112,350

Letter of Credit Receivables and Guarantee for Trade Receivables					
December 31, 2025					
	12 month ECLs	Lifetime ECLs —not impaired	Lifetime ECLs —impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Low	\$ 71,259,196	-	-	-	71,259,196
Medium	25,216,314	671,323	528,268	-	26,415,905
High	408,232	56,392	-	-	464,624
Others	6,279,628	-	-	-	6,279,628
Gross carrying amount	103,163,370	727,715	528,268	-	104,419,353
Allowance for bad debts (Guarantee reserve and other reserve)	(368,486)	(10,546)	(46,955)	-	(425,987)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(651,054)	(651,054)
Total	\$ 102,794,884	717,169	481,313	(651,054)	103,342,312

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BANK OF TAIWAN

Notes to the Financial Statements

Letter of Credit Receivables and Guarantee for Trade Receivables					
December 31, 2024					
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Low	\$ 70,088,342	-	522,060	-	70,610,402
Medium	43,646,307	2,531,387	-	-	46,177,694
High	489,993	2,517	-	-	492,510
Others	8,518,214	-	-	-	8,518,214
Gross carrying amount	122,742,856	2,533,904	522,060	-	125,798,820
Allowance for bad debts(Guarantee reserve and other reserve)	(565,465)	(16,154)	-	-	(581,619)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(653,375)	(653,375)
Total	\$ 122,177,391	2,517,750	522,060	(653,375)	124,563,826

Loan Commitments				
December 31, 2025				
	12 month ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating				
Low	\$ 566,186,236	81,431	545,060	566,812,727
Medium	385,852,681	18,538,094	568,276	404,959,051
High	10,794,472	1,360,229	55,577	12,210,278
Others	753,320,213	-	166	753,320,379
Gross carrying amount (Note)	1,716,153,602	19,979,754	1,169,079	1,737,302,435
Allowance for bad debts (Loan commitments reserve)	(73,828)	(5,239)	(588)	(79,655)
Total	\$ 1,716,079,774	19,974,515	1,168,491	1,737,222,780

Note : In response to the FSC's amendments to the "Guidelines and Templates for the Calculation of Banks' Regulatory Capital and Risk-Weighted Assets" regarding the credit conversion factors for off-balance-sheet items, the Bank included the revocable loan commitments in the scope of provisions for loan commitments starting January 1, 2025.

Loan Commitments				
December 31, 2024				
	12 month ECLs	Lifetime ECLs— not impaired	Lifetime ECLs— impaired	Total
Credit rating				
Low	\$ 2,819,302	-	-	2,819,302
Medium	793,233	-	-	793,233
Others	439,420,550	163,951	515	439,585,016
Gross carrying amount	443,033,085	163,951	515	443,197,551
Allowance for bad debts (Loan commitments reserve)	(21,367)	(735)	(329)	(22,431)
Total	\$ 443,011,718	163,216	186	443,175,120

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BANK OF TAIWAN
Notes to the Financial Statements

Accounts Receivable(including other financial assets)					
December 31, 2025					
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Aaa~Baa3	\$ 15,885,092	9,198	-	-	15,894,290
Ba1~Caa1	133,622	40	26	-	133,688
Others	<u>54,240,779</u>	<u>720,925</u>	<u>256,292</u>	-	<u>55,217,996</u>
Gross carrying amount (Note 1)	70,259,493	730,163	256,318	-	71,245,974
Allowance for bad debts	(48,452)	(4,394)	(209,889)	-	(262,735)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(47,609)	(47,609)
Total	<u>\$ 70,211,041</u>	<u>725,769</u>	<u>46,429</u>	<u>(47,609)</u>	<u>70,935,630</u>

Note 1: Tax refund receivable \$40 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$11,874,146 thousand were not included in the gross carrying amount of this table.

Accounts Receivable(including other financial assets)					
December 31, 2024					
	12 month ECLs	Lifetime ECLs — not impaired	Lifetime ECLs — impaired	Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	Total
Credit rating					
Aaa~Baa3	\$ 15,043,984	1,899	-	-	15,045,883
Ba1~Caa1	280,489	82	32	-	280,603
Others	<u>53,805,205</u>	<u>646,301</u>	<u>234,193</u>	-	<u>54,685,699</u>
Gross carrying amount (Note 1)	69,129,678	648,282	234,225	-	70,012,185
Allowance for bad debts	(49,835)	(5,297)	(203,962)	-	(259,094)
Impairment recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans				(40,632)	(40,632)
Total	<u>\$ 69,079,843</u>	<u>642,985</u>	<u>30,263</u>	<u>(40,632)</u>	<u>69,712,459</u>

Note 1: Tax refund receivable \$89 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$11,855,532 thousand were not included in the gross carrying amount of this table.

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BANK OF TAIWAN
Notes to the Financial Statements

- 2) The assets in the balance sheet and off-balance sheet items held as collateral, master netting arrangement and other credit enhancements related information on the financial impact the maximum amount of the violence risk in credit risk shows in the following table :

Unit: In million of TWD

December 31, 2025	Collateral	General agreement of net amount settlement	Enhancement of other credits	Total
<u>In balance sheet:</u>				
Receivables				
Others	\$ 1,947	385	6,607	8,939
Loans and discounts	1,846,496	-	1,692,259	3,538,755
Financial assets measured at fair value through profit or loss				
Others	1,252	-	-	1,252
<u>Off-balance sheet</u>				
Irrevocable loan commitments	5	-	98,468	98,473
Standby letters of credit	1,833	-	27,200	29,033
Financial guarantees	5,823	-	69,562	75,385
Total	<u>\$ 1,857,356</u>	<u>385</u>	<u>1,894,096</u>	<u>3,751,837</u>
December 31, 2024	Collateral	General agreement of net amount settlement	Enhancement of other credits	Total
<u>In balance sheet:</u>				
Receivables				
Others	\$ 1,880	49	5,650	7,579
Loans and discounts	1,747,764	-	1,671,881	3,419,645
Financial assets measured at fair value through profit or loss				
Others	2,027	-	-	2,027
<u>Off-balance sheet</u>				
Irrevocable loan commitments	-	-	443,198	443,198
Standby letters of credit	2,006	-	36,496	38,502
Financial guarantees	8,255	-	79,043	87,298
Total	<u>\$ 1,761,932</u>	<u>49</u>	<u>2,236,268</u>	<u>3,998,249</u>

The Management believes that the reason why the Bank can continuously manage and minimize the exposure of credit risk to off-balance sheet items is because a stricter review process is adopted, and cases are reviewed regularly in subsequent periods.

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BANK OF TAIWAN
Notes to the Financial Statements

- 3) The Bank closely observes the value of collateral for financial instruments, and considers the allowance for impairment of credit-impaired financial assets. Information about credit-impaired financial assets and the value of collateral which may decrease potential loss is shown below:

December 31, 2025				
	Gross carrying amount	Allowance for impairment (Legal reserves was not included)	Exposure amount (Amortized cost)	Fair value of collateral
Impaired financial assets:				
Receivables				
Credit card business	\$ 6,209	4,201	2,008	-
Others	250,109	205,688	44,421	-
Loans and discounts	10,602,996	1,977,823	8,625,173	6,447,180
Total amount of impaired financial assets	\$ 10,859,314	2,187,712	8,671,602	6,447,180
December 31, 2024				
	Gross carrying amount	Allowance for impairment (Legal reserves was not included)	Exposure amount (Amortized cost)	Fair value of collateral
Impaired financial assets:				
Receivables				
Credit card business	\$ 5,708	3,911	1,797	-
Others	228,517	200,051	28,466	-
Loans and discounts	10,928,074	2,088,095	8,839,979	7,944,676
Total amount of impaired financial assets	\$ 11,162,299	2,292,057	8,870,242	7,944,676

- 4) Financial assets not applicable for rules of impairment:

	December 31, 2025	December 31, 2024
Financial assets measured at fair value through profit or loss		
Debt instruments	\$ 271,545,649	188,128,592
Derivative	21,371,173	18,550,215

- (vii) Concentration of credit risk

When the transaction of financial instruments is concentrated in a single industry or region, the ability to oblige the contract would be impacted by similar factors, thereby, causing concentration of credit risk.

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BANK OF TAIWAN
Notes to the Financial Statements

The credit risk of the Bank is derived from credit, placement with banks, call loans to banks, security investments and so on. Disclosures of concentration of credit risk by industries, regions and collaterals were as follows:

1) Industry

Unit: In million of TWD; %

<u>Industry type</u>	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Book Value</u> <u>(Note 1)</u>	<u>%</u>	<u>Book Value</u> <u>(Note 2)</u>	<u>%</u>
Finance and insurance	\$ 1,629,094	29.13 %	1,586,378	29.57 %
Individuals	1,477,062	26.41 %	1,384,953	25.81 %
Manufacturing	655,151	11.72 %	643,622	12.00 %
Government Agencies	854,152	15.28 %	787,510	14.68 %
Shipping, warehousing and communications	118,528	2.12 %	115,716	2.16 %
Electricity and gas supply	279,159	4.99 %	250,673	4.67 %
Others	578,622	10.35 %	596,385	11.11 %
Total	\$ 5,591,768	100.00 %	5,365,237	100.00 %

Note 1: December 31, 2025

- (1) The carrying amounts excluding adjustment for premium and discount include loans (\$3,538,755 million), call loans to banks, overdraft of banks and placement with banks (\$236,854 million), security investments (\$1,816,159 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$2,268 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance.

Note 2: December 31, 2024

- (1) The carrying amounts excluding adjustment for premium and discount include loans (\$3,419,645 million), call loans to banks, overdraft of banks and placement with banks (\$243,755 million), security investments (\$1,701,837 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$2,124 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.
- (2) This table excludes the Department of Government Employees Insurance.

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BANK OF TAIWAN
Notes to the Financial Statements

2) Region

Unit: In million of TWD; %

Areas type	December 31, 2025		December 31, 2024	
	Book		Book	
	Value(Note 1)	%	Value(Note 2)	%
Domestic	\$ 4,717,291	84.36 %	4,558,055	84.96 %
Foreign	874,477	15.64 %	807,182	15.04 %
Total	\$ 5,591,768	100.00 %	5,365,237	100.00 %

Note 1: December 31, 2025

(1) The carrying amounts excluding adjustment for premium and discount include loans (\$3,538,755 million), call loans to banks, overdraft of banks and placement with banks (\$236,854 million), security investments (\$1,816,159 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$2,268 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.

(2) This table excludes the Department of Government Employees Insurance.

Note 2: December 31, 2024

(1) The carrying amounts excluding adjustment for premium and discount include loans (\$3,419,645 million), call loans to banks, overdraft of banks and placement with banks (\$243,755 million), security investments (\$1,701,837 million) and so on. Loans refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and nonperforming loans (\$2,124 million). Security investments include bonds and stocks. Bonds are measured at fair value. However, the bonds classified as held-to-maturity financial assets or bond investments in non-active market are carried at cost. Equity investments are measure at fair value but those classified as cost of long-term equity investments under the equity method and financial assets carried at cost are measured at cost.

(2) This table excludes the Department of Government Employees Insurance.

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BANK OF TAIWAN
Notes to the Financial Statements

3) Collateral

Unit: In million of TWD; %

Type of collateral	December 31, 2025		December 31, 2024	
	Book Value (Note 1)	%	Book Value (Note 1)	%
Non-secured	\$ 1,567,358	44.29 %	1,538,153	44.98 %
Secured	1,971,397	55.71 %	1,881,492	55.02 %
Guarantee	124,901	3.53 %	133,728	3.91 %
Securities	55,988	1.58 %	57,238	1.67 %
Real estate	1,715,029	48.47 %	1,623,008	47.46 %
Chattel	74,966	2.12 %	67,266	1.97 %
Valuables	513	0.01 %	252	0.01 %
Total	\$ 3,538,755	100.00 %	3,419,645	100.00 %

Note 1: The carrying amounts excluding adjustment for premium and discount only contain loans which refer to discounts, overdrafts, government overdrafts, secured overdrafts, short-term loans, short-term secured loans, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, import bill advance and non-performing loans (\$2,268 million at December 31, 2025; \$2,124 million at December 31, 2024).

Note 2: This table excludes the Department of Government Employees Insurance.

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BANK OF TAIWAN
Notes to the Financial Statements

(viii) Changes in loss allowance

1) Changes in loss allowance of discounts and loans

- a) As of December 31, 2025 and 2024, the variation of the beginning and ending balances for loss allowance of discounts and loans were as follows:

	2025					Total
	12 month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (not purchased or originated credit impaired financial assets)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona ccrual Loans	
Beginning balance	\$ 26,465,378	1,818,417	2,088,095	30,371,890	20,150,333	50,522,223
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECL not credit impaired	(89,526)	142,284	(52,758)	-		-
– Transfer to credit-impaired financial assets	(23,011)	(6,351)	29,362	-		-
– Transfer to 12month expected credit losses	477,783	(400,137)	(77,646)	-		-
– Financial assets that have been derecognized during the period	(5,121,702)	(352,217)	(586,402)	(6,060,321)		(6,060,321)
Originated or purchased new financial assets	4,616,892	331,915	538,523	5,487,330		5,487,330
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	2,336,731	2,336,731
Bad debts written off	-	-	(1,161,494)	(1,161,494)		(1,161,494)
The recovery of bad debts written off	-	-	1,284,116	1,286,527		1,286,527
Foreign exchange and other movements	(75,469)	252,426	(83,973)	90,573		90,573
Ending balance	<u>\$ 26,250,345</u>	<u>1,786,337</u>	<u>1,977,823</u>	<u>30,014,505</u>	<u>22,487,064</u>	<u>52,501,569</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024					Total
	<u>12 month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona ccrual Loans</u>	
Beginning balance	\$ 25,092,064	1,931,233	2,121,871	29,145,168	18,154,855	47,300,023
Changes due to financial instruments recognized as at beginning:						
— Transfer to lifetime ECL not credit impaired	(109,912)	184,368	(74,456)	-		-
— Transfer to credit-impaired financial assets	(11,445)	(22,088)	33,533	-		-
— Transfer to 12month expected credit losses	709,795	(627,072)	(82,723)	-		-
— Financial assets that have been derecognized during the period	(5,971,692)	(18,688)	(158,916)	(6,149,296)		(6,149,296)
Originated or purchased new financial assets	5,623,702	169,931	196,899	5,990,532		5,990,532
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	1,995,478	1,995,478
Bad debts written off	-	(107,436)	(681,506)	(788,942)		(788,942)
The recovery of bad debts written off	-	-	699,815	699,815		699,815
Foreign exchange and other movements	1,132,866	308,169	33,578	1,474,613		1,474,613
Ending balance	<u>\$ 26,465,378</u>	<u>1,818,417</u>	<u>2,088,095</u>	<u>30,371,890</u>	<u>20,150,333</u>	<u>50,522,223</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

b) As of December 31, 2025 and 2024, the carrying amounts of discounts and loans were as follows:

	2025			
	<u>12 month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance	\$ 2,998,841,681	409,875,648	10,928,074	3,419,645,403
Changes due to financial instruments recognized as at beginning:				
– Transfer to lifetime ECL not credit impaired	(240,491,800)	240,940,623	(448,823)	-
– Transfer to credit-impaired financial assets	(3,114,121)	(677,262)	3,791,383	-
– Transfer to 12month expected credit losses	84,519,859	(82,945,637)	(1,574,222)	-
– Financial assets that have been derecognized during the period	(1,138,485,054)	(58,320,444)	(5,140,485)	(1,201,945,983)
Originated or purchased new discounts and loans	1,311,083,382	12,524,753	4,069,049	1,327,677,184
Bad debts written off	-	-	(1,161,494)	(1,161,494)
Changes form the amendments not leading to de recognition	(3,099,291)	-	-	(3,099,291)
Foreign exchange and other movements	(2,332,441)	(167,959)	139,514	(2,360,886)
Ending balance	<u>\$ 3,006,922,215</u>	<u>521,229,722</u>	<u>10,602,996</u>	<u>3,538,754,933</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024			
	<u>12 month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance	\$ 2,817,933,756	348,811,052	12,313,836	3,179,058,644
Changes due to financial instruments recognized as at beginning:				
– Transfer to lifetime ECL not credit impaired	(167,529,998)	169,499,167	(1,969,169)	-
– Transfer to credit-impaired financial assets	(3,982,846)	(1,247,714)	5,230,560	-
– Transfer to 12month expected credit losses	70,067,755	(68,172,356)	(1,895,399)	-
– Financial assets that have been derecognized during the period	(1,165,913,019)	(51,883,372)	(2,228,141)	(1,220,024,532)
Originated or purchased new discounts and loans	1,446,510,995	12,934,211	460,578	1,459,905,784
Bad debts written off	-	(107,436)	(681,506)	(788,942)
Foreign exchange and other movements	1,755,038	42,096	(302,685)	1,494,449
Ending balance	<u>\$ 2,998,841,681</u>	<u>409,875,648</u>	<u>10,928,074</u>	<u>3,419,645,403</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

2) Changes in loss allowance of debt instruments measured at fair value through other comprehensive income

- a) As of December 31, 2025 and 2024, the variation of the beginning and ending balances for loss allowance of debt instruments measured at fair value through other comprehensive income were as follows:

	2025			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 168,739	262	-	169,001
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(29,549)	-	-	(29,549)
Originated or purchased new financial assets	74,991	-	-	74,991
Foreign exchange and other movements	(4,971)	(201)	-	(5,172)
Ending balance	\$ 209,210	61	-	209,271

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024			Total
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	
Beginning balance	\$ 132,498	424	-	132,922
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(21,047)	-	-	(21,047)
Originated or purchased new financial assets	56,263	-	-	56,263
Foreign exchange and other movements	1,025	(162)	-	863
Ending balance	\$ 168,739	262	-	169,001

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

- b) As of December 31, 2025 and 2024, the carrying amounts of debt instruments measured at fair value through other comprehensive income were as follows:

	2025			
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance	\$ 1,354,731,038	21,732	-	1,354,752,770
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(798,354,077)	-	-	(798,354,077)
Originated or purchased new financial assets	876,512,968	-	-	876,512,968
Foreign exchange and other movements	(7,619,686)	(6,273)	-	(7,625,959)
Ending balance	<u>\$ 1,425,270,243</u>	<u>15,459</u>	<u>-</u>	<u>1,425,285,702</u>
	2024			
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance	\$ 1,243,603,258	20,991	-	1,243,624,249
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(825,267,082)	-	-	(825,267,082)
Originated or purchased new financial assets	926,736,018	-	-	926,736,018
Foreign exchange and other movements	9,658,844	741	-	9,659,585
Ending balance	<u>\$ 1,354,731,038</u>	<u>21,732</u>	<u>-</u>	<u>1,354,752,770</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

3) Changes in loss allowance of debt instruments measured at amortized cost

- a) As of December 31, 2025 and 2024, the variation of the beginning and ending balances for loss allowance of debt instruments measured at amortized cost were as follows:

	2025			Total
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	
Beginning balance	\$ 51,579	-	-	51,579
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(9,881)	-	-	(9,881)
Originated or purchased new financial assets	8,070	-	-	8,070
Foreign exchange and other movements	(3,587)	-	-	(3,587)
Ending balance	<u>\$ 46,181</u>	<u>-</u>	<u>-</u>	<u>46,181</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024			
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance	\$ 51,928	-	-	51,928
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(9,955)	-	-	(9,955)
Originated or purchased new financial assets	7,473	-	-	7,473
Foreign exchange and other movements	2,133	-	-	2,133
Ending balance	<u>\$ 51,579</u>	<u>-</u>	<u>-</u>	<u>51,579</u>

b) As of December 31, 2025 and 2024, the carrying amounts of debt instruments measured at amortized cost were as follows:

	2025			
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance	\$ 273,163,929	-	-	273,163,929
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(93,638,900)	-	-	(93,638,900)
Originated or purchased new financial assets	65,816,290	-	-	65,816,290
Foreign exchange and other movements	(2,147,045)	-	-	(2,147,045)
Ending balance	<u>\$ 243,194,274</u>	<u>-</u>	<u>-</u>	<u>243,194,274</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024			Total
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	
Beginning balance	\$ 291,226,690	-	-	291,226,690
Changes due to financial instruments recognized as at beginning:				
— Financial assets that have been derecognized during the period	(90,987,607)	-	-	(90,987,607)
Originated or purchased new financial assets	64,520,973	-	-	64,520,973
Foreign exchange and other movements	8,403,873	-	-	8,403,873
Ending balance	\$ 273,163,929	-	-	273,163,929

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

4) Changes in guarantee reserve and other reserve

- a) As of December 31, 2025 and 2024, the variation of the beginning and ending balances for loss allowance of letter of credit receivables and guarantee for trade receivables (guarantee reserve and other reserve) were as follows:

	2025					
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona ccrual Loans</u>	<u>Total</u>
Beginning balance	\$ 565,465	16,154	-	581,619	653,375	1,234,994
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECL not credit impaired	(1,932)	1,932	-	-		-
– Transfer to 12month expected credit losses	8,233	(8,233)	-	-		-
– Financial assets that have been derecognized during the period	(402,594)	(2,614)	-	(405,208)		(405,208)
Originated or purchased new financial assets	222,536	3,623	-	226,159		226,159
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming /Nonaccrual Loans	-	-	-	-	(2,321)	(2,321)
Foreign exchange and other movements	(23,222)	(316)	46,955	23,417		23,417
Ending balance	<u>\$ 368,486</u>	<u>10,546</u>	<u>46,955</u>	<u>425,987</u>	<u>651,054</u>	<u>1,077,041</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024					
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona ccrual Loans</u>	<u>Total</u>
Beginning balance	\$ 427,465	65,128	5	492,598	842,174	1,334,772
Changes due to financial instruments recognized as at beginning:						
— Transfer to lifetime ECL not credit impaired	(614)	614	-	-		-
— Transfer to 12month expected credit losses	1,886	(1,886)	-	-		-
— Financial assets that have been derecognized during the period	(195,371)	(57,415)	(5)	(252,791)		(252,791)
Originated or purchased new financial assets	307,782	1,881	-	309,663		309,663
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming /Nonaccrual Loans	-	-	-	-	(188,799)	(188,799)
Foreign exchange and other movements	24,317	7,832	-	32,149		32,149
Ending balance	<u>\$ 565,465</u>	<u>16,154</u>	<u>-</u>	<u>581,619</u>	<u>653,375</u>	<u>1,234,994</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

- b) As of December 31, 2025 and 2024, the carrying amounts of letter of credit receivables and guarantee for trade receivables were as follows:

	2025			
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance	\$ 122,742,856	2,533,904	522,060	125,798,820
Changes due to financial instruments recognized as at beginning:				
– Transfer to lifetime ECL not credit impaired	(557,775)	557,775	-	-
– Transfer to credit-impaired financial assets	(528,268)	-	528,268	-
– Transfer to 12month expected credit losses	1,085,083	(1,085,083)	-	-
– Financial assets that have been derecognized during the period	(75,093,342)	(1,406,525)	(522,060)	(77,021,927)
Originated or purchased new financial assets	55,501,121	127,644	-	55,628,765
Foreign exchange and other movements	13,695	-	-	13,695
Ending balance	<u>\$ 103,163,370</u>	<u>727,715</u>	<u>528,268</u>	<u>104,419,353</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024			
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance	\$ 132,498,424	5,661,276	3,793	138,163,493
Changes due to financial instruments recognized as at beginning:				
– Transfer to lifetime ECL not credit impaired	(1,530,281)	1,530,281	-	-
– Transfer to credit-impaired financial assets	(522,060)	-	522,060	-
– Transfer to 12month expected credit losses	164,628	(164,401)	(227)	-
– Financial assets that have been derecognized during the period	(67,384,819)	(4,299,954)	(3,566)	(71,688,339)
Originated or purchased new financial assets	59,149,908	157,646	-	59,307,554
Foreign exchange and other movements	367,056	(350,944)	-	16,112
Ending balance	<u>\$ 122,742,856</u>	<u>2,533,904</u>	<u>522,060</u>	<u>125,798,820</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

5) Changes in loan commitments reserve

- a) As of December 31, 2025 and 2024, the variation of the beginning and ending balances for loss allowance of loan commitments (loan commitments reserve) were as follows:

	2025			
	12 month ECLs	Lifetime ECLs	Lifetime ECLs (not purchased or originated credit impaired financial assets)	Total
Beginning balance	\$ 21,367	735	329	22,431
Changes due to financial instruments recognized as at beginning:				
– Transfer to lifetime ECL not credit impaired	(65)	65	-	-
– Transfer to credit-impaired financial assets	-	(5)	5	-
– Transfer to 12month expected credit losses	1,107	(1,107)	-	-
– Financial assets that have been derecognized during the period	(16,139)	(600)	(239)	(16,978)
Originated or purchased new loan commitments	66,804	5,056	187	72,047
Foreign exchange and other movements	754	1,095	306	2,155
Ending balance	<u>\$ 73,828</u>	<u>5,239</u>	<u>588</u>	<u>79,655</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024			
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance	\$ 13,920	689	379	14,988
Changes due to financial instruments recognized as at beginning:				
– Transfer to lifetime ECL not credit impaired	(65)	65	-	-
– Transfer to credit-impaired financial assets	-	(3)	3	-
– Transfer to 12month expected credit losses	1,148	(1,148)	-	-
– Financial assets that have been derecognized during the period	(674)	(567)	(289)	(1,530)
Originated or purchased new loan commitments	3,838	559	135	4,532
Foreign exchange and other movements	3,200	1,140	101	4,441
Ending balance	<u>\$ 21,367</u>	<u>735</u>	<u>329</u>	<u>22,431</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

b) As of December 31, 2025 and 2024, the carrying amounts of loan commitments were as follows:

	2025			
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance (Note)	\$ 2,074,458,566	37,530,725	673,747	2,112,663,038
Changes due to financial instruments recognized as at beginning:				
– Transfer to lifetime expected not credit losses	(11,006,953)	11,006,953	-	-
– Transfer to credit-impaired financial assets	(852,627)	(1,040)	853,667	-
– Transfer to 12month expected credit losses	25,001,899	(25,000,988)	(911)	-
– Financial assets that have been derecognized during the period	(1,556,325,529)	(11,676,636)	(826,609)	(1,568,828,774)
Originated or purchased new loan commitments	1,186,532,883	8,120,740	469,185	1,195,122,808
Other movements	(1,654,637)	-	-	(1,654,637)
Ending balance	<u>\$ 1,716,153,602</u>	<u>19,979,754</u>	<u>1,169,079</u>	<u>1,737,302,435</u>

Note: In response to the FSC's amendments to the "Guidelines and Templates for the Calculation of Banks' Regulatory Capital and Risk-Weighted Assets" regarding the credit conversion factors for off-balance-sheet items, the Bank included the revocable loan commitments in the scope of provisions for loan commitments starting January 1, 2025.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024			
	<u>12 month ECLs</u>	<u>Lifetime ECLs</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance	\$ 373,252,651	178,493	636	373,431,780
Changes due to financial instruments recognized as at beginning:				
– Transfer to credit-impaired financial assets	-	(769)	769	-
– Financial assets that have been derecognized during the period	(235,472,647)	(543,388)	(1,324)	(236,017,359)
Originated or purchased new loan commitments	<u>305,253,081</u>	<u>529,615</u>	<u>434</u>	<u>305,783,130</u>
Ending balance	<u>\$ 443,033,085</u>	<u>163,951</u>	<u>515</u>	<u>443,197,551</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

6) Changes in loss allowance of receivables (including other financial assets)

a) As of December 31, 2025 and 2024, the variation of the beginning and ending balances for loss allowance of receivables were as follows:

	2025					
	<u>12 month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona ccrual Loans</u>	<u>Total</u>
Beginning balance	\$ 49,835	5,297	203,962	259,094	40,632	299,726
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECL not credit impaired	(468)	711	(243)	-		-
– Transfer to credit-impaired financial assets	(152)	(158)	310	-		-
– Transfer to 12month expected credit losses	2,015	(1,786)	(229)	-		-
– Financial assets that have been derecognized during the period	(24,824)	(2,759)	(7,951)	(35,534)		(35,534)
Originated or purchased new financial assets	20,471	2,571	20,697	43,739		43,739
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	6,977	6,977
Bad debts written off	-	-	(8,181)	(8,181)		(8,181)
The recovery of bad debts written off	-	-	2,066	2,066		2,066
Foreign exchange and other movements	1,575	518	(542)	1,551	-	1,551
Ending balance	<u>\$ 48,452</u>	<u>4,394</u>	<u>209,889</u>	<u>262,735</u>	<u>47,609</u>	<u>310,344</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024					
	<u>12 month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>The loss allowances measured in accordance with IFRS 9</u>	<u>Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming/Nona ccrual Loans</u>	<u>Total</u>
Beginning balance (Note 1)	\$ 84,828	5,004	201,768	291,600	39,712	331,312
Changes due to financial instruments recognized as at beginning:						
– Transfer to lifetime ECL not credit impaired	(639)	788	(149)	-		-
– Transfer to credit-impaired financial assets	(8)	(112)	120	-		-
– Transfer to 12month expected credit losses	1,322	(1,198)	(124)	-		-
– Financial assets that have been derecognized during the period	(63,481)	(2,194)	(10,480)	(76,155)		(76,155)
Originated or purchased new financial assets	26,725	3,695	13,094	43,514		43,514
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Nonperforming / Nonaccrual Loans	-	-	-	-	920	920
Bad debts written off	-	(1,339)	(8,771)	(10,110)		(10,110)
The recovery of bad debts written off	-	-	6,375	6,375		6,375
Foreign exchange and other movements	1,088	653	2,129	3,870	-	3,870
Ending balance (Note 2)	<u>\$ 49,835</u>	<u>5,297</u>	<u>203,962</u>	<u>259,094</u>	<u>40,632</u>	<u>299,726</u>

Note 1: Accumulated impairment recognized in restrictive deposit of the Bank amounted \$6 thousand and allowance for impairment evaluated by simplification method of Department of Government Employees' Insurance amounted \$0 thousand were not included.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

b) As of December 31, 2025 and 2024, the carrying amounts of receivables were as follows:

	2025			
	<u>12 month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance (Note 1)	\$ 69,129,678	648,282	234,225	70,012,185
Changes due to financial instruments recognized as at beginning:				
– Transfer to lifetime ECL not credit impaired	(347,527)	349,663	(2,136)	-
– Transfer to credit-impaired financial assets	(19,141)	(13,219)	32,360	-
– Transfer to 12month expected credit losses	161,644	(157,711)	(3,933)	-
– Financial assets that have been derecognized during the period	(30,894,035)	(296,990)	(34,845)	(31,225,870)
Originated or purchased new financial assets	34,028,039	209,393	44,746	34,282,178
Bad debts written off	-	-	(8,181)	(8,181)
Foreign exchange and other movements	(1,799,165)	(9,255)	(5,918)	(1,814,338)
Ending balance (Note 2)	<u>\$ 70,259,493</u>	<u>730,163</u>	<u>256,318</u>	<u>71,245,974</u>

Note 1: Tax refund receivable \$89 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$11,855,532 thousand were not included.

Note 2: Tax refund receivable \$40 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$11,874,146 thousand were not included.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024			
	<u>12 month ECLs</u>	<u>Lifetime ECLs (collectively assessed)</u>	<u>Lifetime ECLs (not purchased or originated credit impaired financial assets)</u>	<u>Total</u>
Beginning balance (Note 1)	\$ 74,186,368	596,440	228,535	75,011,343
Changes due to financial instruments recognized as at beginning:				
— Transfer to lifetime ECL not credit impaired	(320,526)	322,946	(2,420)	-
— Transfer to credit-impaired financial assets	(3,312)	(10,844)	14,156	-
— Transfer to 12month expected credit losses	120,253	(118,153)	(2,100)	-
— Financial assets that have been derecognized during the period	(43,033,067)	(334,505)	(26,778)	(43,394,350)
Originated or purchased new financial assets	22,653,202	193,521	27,936	22,874,659
Bad debts written off	-	(1,339)	(8,771)	(10,110)
Foreign exchange and other movements	15,526,760	216	3,667	15,530,643
Ending balance (Note 2)	<u>\$ 69,129,678</u>	<u>648,282</u>	<u>234,225</u>	<u>70,012,185</u>

Note 1: Restrictive deposit of the Bank amounted \$15,241 thousand, tax refund receivable \$14 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$10,928,045 thousand were not included.

Note 2: Tax refund receivable \$89 thousand and accounts receivable evaluated by simplification method of Department of Government Employees' Insurance amounted \$11,855,532 thousand were not included.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

- c) BOT's department of government employees' insurance adopts simplification method to estimate expected credit losses of receivables (including accrued income, premiums receivable, and other receivable), namely, measures expected credit losses for a life time. For the purpose of measurement, these notes receivables and account receivables are classified based on credit risk characteristics reflected the borrower's ability to meet its contractual obligations. Analysis of receivables held by BOT's department of government employees' insurance is shown below:

December 31, 2025			
	Gross amounts of account receivables	Weighted average expected loss rate	Allowance for expected credit loss for a life time
Non-overdue	\$ 11,872,588	0%	-
Overdue less than 30 days	1,558	0%	-
	\$ 11,874,146		-
December 31, 2024			
	Gross amounts of account receivables	Weighted average expected loss rate	Allowance for expected credit loss for a life time
Non-overdue	\$ 11,855,346	0%	-
Overdue less than 30 days	186	0%	-
	\$ 11,855,532		-

The movements of allowance for impairment of account receivables held by BOT's department of government employees' insurance:

	2025	2024
Ending balance(same as beginning balance)	\$ -	-

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BANK OF TAIWAN
Notes to the Financial Statements

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

1) Asset Quality of overdue loans and receivables

December 31, 2025						
Type / Item		Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt	Coverage ratio(%) (Note 4)
Enterprise	Secured	937,787	549,184,780	0.17 %	8,361,885	891.66 %
	Non secured	156,862	1,537,703,194	0.01 %	27,412,639	17,475.64 %
Consumer finance	House mortgage (Note 5)	899,487	1,249,358,897	0.07 %	14,152,204	1,573.36 %
	Cash card	-	-	-	-	-
	Micro credit (Note 6)	10,673	3,356,527	0.32 %	94,489	885.31 %
	Others					
	(Note 7) Secured	817,645	177,627,940	0.46 %	2,186,882	267.46 %
	(Note 7) Non secured	123,019	21,523,595	0.57 %	293,470	238.56 %
Total		2,945,473	3,538,754,933	0.08 %	52,501,569	1,782.45 %
		Overdue receivables	Account receivable	Ratio (%)	Allowance for bad debt	Cover ratio
Credit card business		1,469	1,362,866	0.11 %	15,045	1,023.92 %
Non-recourse factoring (Note 8)		-	4,765,355	-	33,603	-

December 31, 2024						
Type / Item		Amount of overdue loans (Note 1)	Total amount of loans (Note 2)	Ratio (%) (Note 3)	Allowance for doubtful debt	Coverage ratio(%) (Note 4)
Enterprise	Secured	796,522	556,754,788	0.14 %	8,280,539	1,039.59 %
	Non secured	127,571	1,508,335,973	0.01 %	27,617,540	21,648.76 %
Consumer	House mortgage (Note 5)	874,271	1,136,942,845	0.08 %	12,024,795	1,375.41 %
	Cash card	-	-	-	-	-
	Micro credit (Note 6)	11,317	3,553,052	0.32 %	86,676	765.89 %
	Others					
	(Note 7) Secured	973,127	191,087,073	0.51 %	2,217,453	227.87 %
	(Note 7) Non secured	165,317	22,971,672	0.72 %	295,220	178.58 %
Total		2,948,125	3,419,645,403	0.09 %	50,522,223	1,713.71 %
		Overdue receivables	Account receivable	Ratio (%)	Allowance for doubtful debt	Cover ratio
Credit card business		1,648	1,218,827	0.14 %	13,548	822.29 %
Non-recourse factoring (Note 8)		-	4,117,711	-	21,225	-

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

Note 2: The discount and premium adjustment was not included in total amount of loans.

Note 3: Ratio of nonperforming loans: Nonperforming loans÷Outstanding loan balance. Ratio of nonperforming credit card receivables: Nonperforming credit card receivables÷Outstanding credit card receivables balance.

Note 4: Coverage ratio of loans: Allowance for possible losses for loans÷Nonperforming loans. Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables÷Nonperforming credit card receivables.

Note 5: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 6: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 7: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgages, cash cards, credit cards and small-scale credit loans.

Note 8: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), non-recourse factoring are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

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BANK OF TAIWAN
Notes to the Financial Statements

2) Non-performing Loans and Overdue Receivables Exempted from Reporting

Unit: In thousand of TWD

	December 31, 2025		January 1, 2024	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loans agreement	-	-	-	-
As a result of debt solvency and restart plan	17,778	9,771	18,452	11,659
Total	17,778	9,771	18,452	11,659

3) Concentration of Credit Risk

Unit: In million of TWD; %

December 31, 2025			
Rank	Group Name	Credit Extensions Balance	% of Net Asset Value
1	A group – Petroleum and Coal Products Manufacturing	53,945	10.04 %
2	B company – Rail Transport	41,655	7.75 %
3	C group – Air Transportation	35,399	6.59 %
4	D group – Smelting and Refining of Iron and Steel	32,765	6.10 %
5	E group – Manufacture of Made-up Textile Articles	29,531	5.50 %
6	F group – Electric Wires and Cables Manufacturing	28,866	5.37 %
7	G group – Wireless Telecommunications	24,839	4.62 %
8	H group – Real estate leasing and sales	24,130	4.49 %
9	I group – Real Estate Development Activities	21,221	3.95 %
10	J group – LCD and related parts Manufacturing	20,526	3.82 %

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

December 31, 2024			
Rank	Group Name	Credit Extensions Balance	% of Net Asset Value
1	A group – Petroleum and Coal Products Manufacturing	62,447	12.69 %
2	B company – Rail Transport	41,719	8.47 %
3	C group – Smelting and Refining of Iron and Steel	38,915	7.90 %
4	D group – Manufacture of Made-up Textile Articles	32,843	6.67 %
5	E group – Wireless Telecommunications	29,503	5.99 %
6	F group – Electric Wires and Cables Manufacturing	26,349	5.35 %
7	G group – Air Transportation	25,859	5.25 %
8	H group – Real estate leasing and sales	24,020	4.88 %
9	I group – Real Estate Development Activities	22,424	4.56 %
10	J group – Air Transportation	21,162	4.30 %

- 4) Average balance and current average interest rates of interest-bearing assets and liabilities

	Unit: In thousand of TWD; %			
	December 31, 2025		December 31, 2024	
	Average	Average interest rate (%)	Average	Average interest rate (%)
Interest earnings assets				
Call loans and placement with banks	\$ 271,050,433	3.88	290,722,407	4.25
Placement with Central Bank	316,998,433	1.00	340,629,346	1.07
Financial assets	1,607,743,115	2.22	1,510,733,631	2.17
Negotiation, discounts and total loans	3,493,915,903	2.33	3,291,201,818	2.37
Interest bearing liabilities				
Deposit of Central Bank	20,773,865	-	21,505,537	-
Deposits and call loans from banks	196,592,825	3.06	210,424,068	3.81
Loans to Central Bank and banks	2,856,241	4.44	3,510,396	5.42
Demand deposits	614,659,162	1.16	549,434,575	1.03
Demand savings	1,232,622,140	1.06	1,205,439,681	1.03
Time savings	1,707,478,272	1.91	1,664,216,278	1.87
Time deposits	1,252,987,182	3.08	1,167,934,231	3.60
Government deposits	420,167,306	0.72	404,376,703	0.69
Structured products	1,667,025	3.96	1,513,474	4.74
Financial bonds	3,000,000	1.10	7,021,858	1.50

Note: 1. Each average balance is calculated by respectively summing up the daily average balances and then dividing the number of days in the year starting from January to the financial statement date.

2. The balances are derived from the Department of banking, credit cards, trusts and securities.

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BANK OF TAIWAN
Notes to the Financial Statements

(d) Liquidity Risk

(i) Causes and definition of liquidity risk

The definition for liquidity risk is the Bank encounter difficulty in meeting the obligations with its financial liabilities and causes the losses, for example, a saving account cancels its saving ahead of time, the ways or conditions to call loans to banks drop, creditors' credit become worsen and cause an exceptional condition, financial instruments cannot be financed and etc. The situation mentioned above may reduce the cash flow for lending, trading, and investing activities. In some extreme situation, the poor liquidity position may decrease the level of balance sheet, sale assets, or the possibility of not fulfilling the contractual loan balance. Liquidity risk is containing in the inherent risk of bank operation, and could be affected by a separate industry or whole market's incident, which are included but not only as: credit event, consolidation or merger and acquisition, system shock, and natural disaster.

(ii) Management policies of liquidity risk

- 1) To optimize the structure of assets and liabilities, the Bank sets up an Assets and Liabilities Management Committee of which the chairperson is the general manager and the vice chairpersons are the vice general managers to decide the direction of assets and liabilities management, to manage the liquidity portion and interest rate risk, and to review the structure of deposits and loans and so on.
- 2) To enforce the management of liquidity and interest rate risk and maintain suitable liquidity for higher effectiveness of capital and good operations, the Bank sets up policies for liquidity and interest rate risk. The assets and Liabilities Management Committee conducts necessary monitoring procedures. The Risk Management Department prepares risk-monitoring reports periodically and reports to the Risk Management Committee and then the Board of Directors.
- 3) Management of liquidity risk
 - a) Maintain liquidity reserve ratio: According to "Liquidity Guidelines for Financial Institutions" published by the Central Bank, the Bank have to maintain the liquidity reserve ratio of deposit balances greater than 15%.
 - b) Short term gap analysis: Calculate 1~10 day and 11~30 day gaps which should be greater than zero.
 - c) Liquidity coverage ratio: calculate their liquidity coverage ratio and report it to the authorities on a monthly basis. In accordance with the "Standards Implementing the Liquidity Coverage Ratio of Banks" announced by FSC and Central Bank, the ratio shall be higher than 100%.
 - d) Net stable funding ratio: Calculate their net stable funding ratio and report it to the authorities on a monthly basis. In accordance with the "Standards Implementing the Net Stable Funding Ratio of Banks" announced by FSC and Central Bank, the ratio shall be higher than 100%.

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BANK OF TAIWAN
Notes to the Financial Statements

- e) Foreign currency gap management: Make sure the ratio of accumulated capital liquidity gap to each currency assets of the major foreign currencies of the Bank measured for every month and every term under one year between $\pm 50\%$ and $\pm 40\%$.
- f) Fund management: Utilize the Assets and Liabilities Management Information System to analyze the gaps of assets and liabilities and the change of the structure. Allocate appropriate fund and adjust the fund structure according to financial status. For TWD fund management, the bank maintains appropriate cash and cashable securities on hand, draw up notice about TWD fund management and request every unit to notify on significant cash transactions, analyze the gaps for maturity amount of purchased bills, bonds and call loans to control the fund trend and decrease the liquidity risk. For foreign currencies, manage the financial gap of actual amount received on due date and payment in a year by using the maturity method.
- g) Establish “Bank of Taiwan operational crisis management plan” to prevent and response quickly to the crisis.
- (iii) Maturity date analysis of non derivative financial assets and liabilities

These tables represent the cash outflow analysis of non derivative financial liabilities of the Bank’s major currencies according to the unexpired term of the contracts. The disclosed amounts are presented on the basis of contract cash flows, so some disclosed items are not correspond to the accounts in the financial statements.

Maturity analysis of assets and liabilities (United State Dollars)

Unit: In thousand of USD

December 31, 2025	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	453,978	10,500	10,000	-	1,524	476,002
Call loans to banks and overdrafts	1,953,000	1,291,000	713,000	633,000	-	4,590,000
Investment securities	119,012	352,806	196,738	377,584	11,941,713	12,987,853
Loans (including overdue loans)	475,455	548,876	364,243	505,539	3,882,692	5,776,805
Interest receivables and income receivables	77,968	78,663	51,196	8,902	28,375	245,104
Other expired items	9,346,019	7,362,422	4,538,497	3,746,863	1,889,355	26,883,156
Total major matured capital inflow	12,425,432	9,644,267	5,873,674	5,271,888	17,743,659	50,958,920

Unit: In thousand of USD

December 31, 2025	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	2,397,874	1,086,000	-	15,000	-	3,498,874
Demand deposits	938,939	1,434,053	2,151,079	-	933,991	5,458,062
Time deposits	8,048,666	9,764,429	4,171,103	3,474,658	-	25,458,856
Borrowings	-	-	-	-	513,676	513,676
Interest payables	110,584	82,407	35,235	13,831	124,929	366,986
Loan Commitments	229,037	56,146	205,405	282,920	742,593	1,516,101
Equities	-	-	-	-	20,014	20,014
Other expired items	5,671,779	5,281,227	1,370,574	1,415,721	1,604,474	15,343,775
Total major matured capital outflow	17,396,879	17,704,262	7,933,396	5,202,130	3,939,677	52,176,344

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BANK OF TAIWAN
Notes to the Financial Statements

Maturity analysis of assets and liabilities (New Taiwan Dollars)

Unit: In thousand of TWD

December 31, 2025	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	121,053,473	87,586,108	21,578,459	59,786,351	70,223,527	360,227,918
Call loans to banks and overdrafts	16,585,000	15,010,000	-	-	-	31,595,000
Investment securities	549,607,311	52,138,815	92,432,733	111,473,547	897,928,883	1,703,581,289
Loans (including overdue loans)	175,484,384	302,392,713	263,719,483	438,338,287	2,123,816,494	3,303,751,361
Interest receivables and income receivables	6,049,068	3,075,949	2,469,625	2,926,304	1,455,270	15,976,216
Other expired items	137,048,276	99,936,988	46,390,535	17,310,756	390,695,119	691,381,674
Total major matured capital inflow	1,005,827,512	560,140,573	426,590,835	629,835,245	3,484,119,293	6,106,513,458

Unit: In thousand of TWD

December 31, 2025	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	70,691,494	36,748,453	24,142,766	24,934,405	9,736,062	166,253,180
Demand deposits	61,792,989	37,156,569	33,319,749	44,426,332	1,842,683,084	2,019,378,723
Time deposits	271,431,272	311,503,111	353,439,074	842,070,812	217,069,896	1,995,514,165
Bills and bonds sold under repurchase agreements	595,683	557,010	923,720	4,586	-	2,080,999
Borrowings	-	590,416	666,293	1,784,640	2,548,310	5,589,659
Interest payables	4,507,276	1,753,656	3,513,544	1,455,329	781,598	12,011,403
Loan Commitments	22,743,693	45,487,386	68,231,079	136,462,158	1,399,406,052	1,672,330,368
Equities	-	-	-	-	532,160,728	532,160,728
Other expired items	245,891,269	184,728,143	129,740,528	100,167,592	268,261,902	928,789,434
Total major matured capital outflow	677,653,676	618,524,744	613,976,753	1,151,305,854	4,272,647,632	7,334,108,659

Maturity analysis of assets and liabilities (United State Dollars)

Unit: In thousand of USD

December 31, 2024	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	645,546	56,000	3,000	-	1,477	706,023
Call loans to banks and overdrafts	1,367,800	1,460,800	792,000	936,000	-	4,556,600
Investment securities	166,090	623,447	425,914	540,571	9,516,923	11,272,945
Loans (including overdue loans)	688,410	278,781	309,875	270,995	3,721,755	5,269,816
Interest receivables and income receivables	59,428	70,130	76,172	13,296	29,463	248,489
Other expired items	8,222,807	9,786,006	4,790,994	1,777,570	1,018,961	25,596,338
Total major matured capital inflow	11,150,081	12,275,164	6,397,955	3,538,432	14,288,579	47,650,211

Unit: In thousand of USD

December 31, 2024	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	2,276,499	1,087,000	50,000	-	-	3,413,499
Demand deposits	741,191	1,032,428	1,548,641	-	762,844	4,085,104
Time deposits	6,959,449	11,054,285	2,960,023	3,424,406	-	24,398,163
Bills and bonds sold under repurchase agreements	167,095	265,915	-	-	-	433,010
Borrowings	-	-	-	-	570,000	570,000
Interest payables	123,607	119,348	31,314	17,865	101,406	393,540
Loan Commitments	177,513	63,221	286,530	384,601	949,484	1,861,349
Equities	-	-	-	-	(118,099)	(118,099)
Other expired items	5,050,567	6,533,390	663,979	687,848	1,127,980	14,063,764
Total major matured capital outflow	15,495,921	20,155,587	5,540,487	4,514,720	3,393,615	49,100,330

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BANK OF TAIWAN
Notes to the Financial Statements

Maturity analysis of assets and liabilities (New Taiwan Dollars)

Unit: In thousand of TWD

December 31, 2024	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Cash and placement with banks	109,571,076	164,897,972	20,731,103	50,214,953	66,963,306	412,378,410
Call loans to banks and overdrafts	24,205,000	10,000	-	-	-	24,215,000
Investment securities	616,175,303	49,998,025	92,246,776	82,464,171	740,768,649	1,581,652,924
Bills and bonds sold under repurchase agreements	1,228,385	-	-	-	-	1,228,385
Loans (including overdue loans)	194,266,619	314,919,946	246,946,588	453,394,550	1,986,672,345	3,196,200,048
Interest receivables and income receivables	5,024,191	2,651,371	2,257,310	2,535,877	1,326,760	13,795,509
Other expired items	130,296,685	154,495,947	19,862,118	3,058,518	352,509,997	660,223,265
Total major matured capital inflow	1,080,767,259	686,973,261	382,043,895	591,668,069	3,148,241,057	5,889,693,541

Unit: In thousand of TWD

December 31, 2024	1~30days	31~90days	91~180days	181days~1year	Over one year	Total
Deposits from banks, bank overdrafts, and call loans from bank	64,487,168	48,989,007	25,167,154	35,105,162	13,101,183	186,849,674
Demand deposits	51,890,790	35,380,084	48,352,782	83,143,198	1,746,793,384	1,965,560,238
Time deposits	251,160,791	286,217,094	353,225,588	881,958,910	187,385,242	1,959,947,625
Bills and bonds sold under repurchase agreements	240,521	680,842	969,533	4,551	-	1,895,447
Borrowings	-	53,201	60,038	70,700	3,049,398	3,233,337
Interest payables	4,408,308	1,833,335	3,341,940	1,826,876	724,380	12,134,839
Loan Commitments	133,993,665	267,783,070	401,776,735	803,553,470	435,479,409	2,042,586,349
Equities	-	-	-	-	493,018,000	493,018,000
Other expired items	213,274,715	281,202,636	151,319,494	41,013,080	218,552,081	905,362,006
Total major matured capital outflow	719,455,958	922,139,269	984,213,264	1,846,675,947	3,098,103,077	7,570,587,515

(iv) Maturity analysis of derivatives

Unit: In thousand of TWD

December 31, 2025 Derivative financial instruments	1.Overdue less than 1 month	2.Overdue 1 to 3 months	3.Overdue 3 to 6 months	4.Overdue 6 months to 1 year	5.Overdue 1 to 5 years	6.Overdue more than 5 years	Total
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)							
Foreign exchange outflow	396,498,245	364,137,990	184,051,703	143,941,018	6,807,593	-	1,095,436,549
Foreign exchange inflow	331,594,695	283,567,858	116,476,284	117,019,497	5,598,553	-	854,256,887
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Interest)							
Interest outflow	33,631	14,936	1,698	18,722	20,699	-	89,686
Interest inflow	30,054	9,930	19,873	38,247	23,359	-	121,463

Unit: In thousand of TWD

December 31, 2024 Derivative financial instruments	1.Overdue less than 1 month	2.Overdue 1 to 3 months	3.Overdue 3 to 6 months	4.Overdue 6 months to 1 year	5.Overdue 1 to 5 years	6.Overdue more than 5 years	Total
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Foreign exchange)							
Foreign exchange outflow	379,277,916	490,297,134	173,025,469	49,833,263	-	-	1,092,433,782
Foreign exchange inflow	321,125,643	441,585,500	147,000,389	42,539,531	-	-	952,251,063
Financial assets and liabilities measured at fair value through profit or loss, Derivative instruments (Interest)							
Interest outflow	45,106	16,262	1,770	62,449	103,552	-	229,139
Interest inflow	46,056	12,828	54,520	106,268	151,319	-	370,991

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BANK OF TAIWAN
Notes to the Financial Statements

(v) Maturity analysis of off-balance sheet items

If the off-balance credit items of the Bank are classified as “Under One Year”, “One to Five Years” and “Above Five Years”, the maturity analysis of both off-balance items and lease agreements and capital expenditures are disclosed together.

Unit: In thousand of TWD

December 31, 2025	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Irrevocable loan commitment	43,300,500	1,080,000	1,000,000	50,024,780	2,897,995	98,303,275
Irrevocable credit card commitment	8,557	4,151	7,502	20,471	128,849	169,530
Unused letter of credit	13,899,374	1,925,369	2,975,708	5,320,932	4,912,215	29,033,598
Guarantee receivables	50,778,227	2,187,773	1,400,468	3,969,925	17,049,364	75,385,757
Total	107,986,658	5,197,293	5,383,678	59,336,108	24,988,423	202,892,160

Unit: In thousand of TWD

December 31, 2024	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Irrevocable loan commitment	-	165,528,700	6,000,000	269,776,440	1,727,945	443,033,085
Irrevocable credit card commitment	7,836	1,181	6,963	19,351	129,135	164,466
Unused letter of credit	18,487,603	2,650,493	8,997,235	5,556,808	2,809,350	38,501,489
Guarantee receivables	50,268,820	4,642,815	7,788,312	6,030,254	18,567,130	87,297,331
Total	68,764,259	172,823,189	22,792,510	281,382,853	23,233,560	568,996,371

(vi) Maturity analysis of lease agreements and capital expenditures

Maturity analysis of real estate lease agreements and capital expenditures were as follows:

Unit: In thousand of TWD

December 31, 2025	Less than 1 year	1-5 years	Over 5 years	Total
Lease agreements				
Lease liabilities	(515,170)	(1,010,451)	(86,655)	(1,612,276)
Lease income	156,788	204,181	-	360,969
Total	(358,382)	(806,270)	(86,655)	(1,251,307)

Unit: In thousand of TWD

December 31, 2024	Less than 1 year	1-5 years	Over 5 years	Total
Lease agreements				
Lease liabilities	(589,049)	(1,147,112)	(46,174)	(1,782,335)
Lease income	130,864	186,681	-	317,545
Total	(458,185)	(960,431)	(46,174)	(1,464,790)

(vii) Disclosures required by the “Regulations Governing the Preparation of Financial Reports by Public Banks”

1) Maturity analysis of assets and liabilities (New Taiwan Dollars)

December 31, 2025

Unit: In thousand of TWD

	Total	Amount for each remaining period to maturity					
		Less than 10 days	11-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Major matured capital inflow	\$ 6,106,513,458	494,869,587	510,957,925	560,140,573	426,590,835	629,835,245	3,484,119,293
Major matured capital outflow	7,334,108,659	332,967,187	344,686,489	618,524,744	613,976,753	1,151,305,854	4,272,647,632
Capital gap	(1,227,595,201)	161,902,400	166,271,436	(58,384,171)	(187,385,918)	(521,470,609)	(788,528,339)

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Notes to the Financial Statements

December 31, 2024

Unit: In thousand of TWD

	Total	Amount for each remaining period to maturity					
		Less than 10 days	11-30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Major matured capital inflow	\$ 5,889,693,541	630,114,461	450,652,798	686,973,261	382,043,895	591,668,069	3,148,241,057
Major matured capital outflow	7,570,587,515	353,750,177	365,705,781	922,139,269	984,213,264	1,846,675,947	3,098,103,077
Capital gap	(1,680,893,974)	276,364,284	84,947,017	(235,166,008)	(602,169,369)	(1,255,007,878)	50,137,980

- 2) Maturity analysis of assets and liabilities (United State Dollars) (excluding BankTaiwan Insurance Brokers)

December 31, 2025

Unit: In thousand of USD

	Total	Amount for each remaining period to maturity				
		Less than 30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Major matured capital inflow	\$ 50,958,920	12,425,432	9,644,267	5,873,674	5,271,888	17,743,659
Major matured capital outflow	52,176,344	17,396,879	17,704,262	7,933,396	5,202,130	3,939,677
Capital gap	(1,217,424)	(4,971,447)	(8,059,995)	(2,059,722)	69,758	13,803,982

December 31, 2024

Unit: In thousand of USD

	Total	Amount for each remaining period to maturity				
		Less than 30 days	31-90 days	91-180 days	181-365 days	Over 1 year
Major matured capital inflow	\$ 47,650,211	11,150,081	12,275,164	6,397,955	3,538,432	14,288,579
Major matured capital outflow	49,100,330	15,495,921	20,155,587	5,540,487	4,514,720	3,393,615
Capital gap	(1,450,119)	(4,345,840)	(7,880,423)	857,468	(976,288)	10,894,964

(e) Market risk

- (i) Causes and definition of market risk

Market risk means the changes in market price that lead to the fair value and future cash flow volatility risk of the held financial instruments, even if it is not included in the financial statements. The risk factors usually refer to interest rate, exchange rate, equity investment and price. When the factors change, the Bank's net operating income and the value of investment portfolio will have volatility risk.

The main market risks of the Bank is interest rate risk, exchange rate risk and equity investment risk. The main position of interest rate risk includes transactions with conditions, bonds, securities investments, interest rate swaps and so on. The main position of exchange risks includes forward exchange, foreign exchange swaps, FX options and so on. The main position of equity investment risk includes stocks, funds, stock market index futures and so on.

- (ii) Management policies of market risk

The Bank sets up market risk management regulations and policies according to the risk management strategies approved by the Board of Directors and government regulations. The Bank decides the quota of investments and stop-loss point for financial instruments by types and characteristics in order to identify, assess, measure and monitor various risks of investment.

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BANK OF TAIWAN
Notes to the Financial Statements

(iii) Procedures of market risk management

1) Identification

The identification procedures are as follows. First, use the business analysis or product analysis to identify the market risk factors of financial instruments. Second, measure the market risk of all financial instruments according to the risk factors changes of the important exposure. Finally, identify the market risk factors of every constitution of structured products and use the factors as the measurement basis. The above risk factors include interest rate, exchange rate and price of equity security.

2) Measurement

The Bank's market risk exposure can be classified into trading book and banking book. The financial instruments classified in trading book are measured at market value every day; those classified in banking book are measured at market value at least once a month. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as prices from TWSE, electronic screen or independent brokerage firms) and Level-2 inputs (those which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which the Bank obtains inputs largely remain the same as prior periods and the Bank will check if a financial instrument can be reasonably measured before entering into a transaction.

3) Monitor and Report

The Bank conducts various risks monitoring procedures for ordinary trading activities, prepares risk monitoring reports and reports it to the Risk Management Committee and the Board of Directors. The monitoring procedures includes the controls over market risk position, profit and loss, exposure, quota of investments, degree of concentration, sensitivity analysis and stress testing. The Bank also has communication mechanism. Each operating unit should provide transaction information to supervisors periodically to ensure the accuracy and effectiveness. While trading amounts are over the preset limit or in an abnormal condition, the related operating units should alert it in time.

(iv) Management of trading book risk

The trading book refers to positions held for trading purposes. Transactions for trading purposes primarily include those held for short-term resale, those undertaken to profit from short-term price fluctuations, those intended to lock in arbitrage gains, and hedging transactions related to the foregoing items. The positions not belonging to trading book are regarded as banking book.

1) Management Policy

The Bank formulates "Trading Book Management Provision" as important guideline for all trading units.

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2) Valuation Policy

The Bank's market risk exposure can be classified into trading book and banking book. Following IFRS 13, the Bank ensures that Level-1 inputs (i.e. quoted prices in an active market, such as prices from TWSE, electronic screen or independent brokerage firms) and Level-2 inputs (which can be directly or indirectly observed in the market) are available. When the aforementioned inputs are not available, the related instruments shall be classified to Level 3. The sources from which the Bank obtains inputs largely remain the same as prior periods and the Bank will check if a financial instrument can be reasonably measured before entering into a transaction.

3) Measurement Method

- a) Monitoring the trading book of risk exposure including stocks, funds, bonds, spot exchanges, forward exchanges, rate swap, option, future contracts, etc.
- b) The Bank conducts stress test every quarter under unfavorable economic scenarios which are set up risk factors: equity securities, interest rate, foreign exchange and commodities, setting the scene to calculate possible impacts by inputting different on profit or loss of each risk factor.
- c) Check the market price every month and monitor the related risk indicators.

(v) Interest rate risk management for trading book

1) Definition of interest rate risk

The interest rate risk means the changes of interest rate that lead to the fair value changes or loss. The main products include securities related to interest rate and derivatives.

2) Procedures of interest rate risk management for trading book

Sets quota and stop-loss points for short-term securities, bonds and derivatives related to interest rate. Each trading units measure the market price for the position of trading book.

3) Measurement method

The Bank also uses the DV01 to monitor the influence of interest risk.

(vi) Interest rate risk management for banking book

The main management purpose is to strengthen the interest rate risk management, increase the effectiveness of capital usage and improve the business.

1) Strategy

The interest rate risk management increases the Bank flexibility in order to measure, manage and hedge the interest rate risk. The Bank formulates "Liquidity and Interest Rate Management Strategies" and "Banking Book Interest Rate Risk Management Guidelines" to reinforce the management and maintain proper liquidity and adjust the interest rate sensitivity gap for the steady long-term profitability and business growth.

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BANK OF TAIWAN
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2) Management procedure

In order to adapt the economic financial environment changes and to fulfill the capital requirement, the Bank conducts different pricing management strategies, such as adopting variable or fixed interest rate, and uses financial futures, foreign exchange swaps, interest rate swaps to manage the interest rate sensitivity gap. To adjust the interest rate sensitivity gap properly, and ensure that the Bank's capital level remains sufficient to bear interest rate risk in the banking book under interest rate shock scenarios, the Bank has established interest rate sensitivity indicators, quantitative measures of banking book interest rate risk, and procedures for handling abnormalities in such indicators. These indicators are subject to periodic monitoring and reporting.

3) Measurement method

The Bank uses the "Assets and Liabilities Management Information System" to identify interest rate sensitivity assets and liabilities and analyses the maturity gap and changes of maturity structure as the basis of interest rate risk management and pricing strategies. They also make proper financial transfer and adjust the capital structure to lower the liquidity risk and increase the profit.

(vii) Exchange rate risk management

1) Definition of exchange rate risk

The exchange rate risk refers to the risk that the Bank may incur losses in the fair value of its positions or in earnings due to fluctuations in exchange rates between the measurement currencies and the functional currency. The Bank's exchange rate risk is derived from exchange, forward exchange, FX swaps, cross currency swaps, and foreign exchange options. Because the Bank squares customer's position every day, the exchange rate does not have any significant risk.

2) Management procedures and measurement method of exchange rate risk

To control the exchange rate risk, the Bank sets different quotas and stop-loss point for employees with different levels and have annual total loss quota to control the loss in a tolerable range.

The Bank conducts stress testing. The simulated situations are $\pm 5\%$ changes of exchange rate for every currency. The relevant statements are disclosed at sensitivity analysis.

(viii) Equity security risk management

1) Definition of equity security risk

Equity securities risk refers to the risk that the Bank may incur losses in the fair value of its positions or in earnings due to fluctuations in the market prices of equity securities. The primary products involved include stocks, equity-based exchange-traded funds (ETFs), and equity funds.

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2) The intention of equity security price risk management

The intention is to avoid loss and worse financial status due to violent fluctuations of equity security price and increase the effectiveness of capital usage and improve the business.

3) Procedure of equity security price risk management

The Bank sets different investment quotas by industries, enterprises and groups, and monitor the risk value of equity securities and unrealized profit/loss ratio.

4) Measurement method

The control of the equity security price risk is based on the unrealized gain (loss) ratio and the aforementioned investment limitations.

The Bank conducts stress testing every season. The simulated situations are $\pm 20\%$ changes of equity security price. The relevant statements are disclosed at sensitivity analysis.

(ix) Market risk valuation technique

1) Interest rate risk sensitivity

The Bank assumed that other factors did not change and the yield curve of the whole world moves upward by 100 bps at December 31, 2025 and 2024. Under this assumption, the income after tax will decrease \$125 million and \$54 million, respectively; the other comprehensive income will decrease \$26,786 million and \$22,618 million, respectively. If the yield curve moves downward by 100 bps, the income after tax will increase \$133 million and \$54 million, respectively; the other comprehensive income will increase \$28,336 million and \$23,802 million, respectively.

2) Exchange rate risk sensitivity

The Bank assumed that other factors did not change and the foreign currency to New Taiwan Dollars exchange rate appreciated by 5% at December 31, 2025 and 2024. Under this assumption, the income after tax will increase \$928 million and \$973 million, respectively.

If the exchange rate depreciates by 5%, the income after tax will decrease \$928 million and \$973 million, respectively.

3) Equity security price risk sensitivity

The Bank assumes that other factors did not change and the market prices of the equity securities increase by 20% at December 31, 2025 and 2024. Under this assumption, the income after tax will increase \$10,850 million and \$13,197 million, respectively; the other comprehensive income will increase \$34,411 million and \$30,680 million, respectively.

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If the market prices decreases by 20 %, the income after tax will decrease \$10,850 million and \$13,197 million, respectively; the other comprehensive income will decrease \$34,411 million and \$30,680 million, respectively.

- 4) Sensitivity analysis is as follows:

Unit: In million of TWD

December 31, 2025			
Main risk	Range of changes	Amount Influence	
		Equity	Gain or loss
Interest rate risk	Interest rate curve rise 100BPS	(26,786)	(125)
Interest rate risk	Interest rate curve fall 100BPS	28,336	133
Exchange rate risk	Other foreign currency/ TWD rise 5%		928
Exchange rate risk	Other foreign currency / TWD fall 5%		(928)
Price of equity stock risk	Price of equity stock rise 20 %	34,411	10,850
Price of equity stock risk	Price of equity stock fall 20 %	(34,411)	(10,850)

Unit: In million of TWD

December 31, 2024			
Main risk	Range of changes	Amount Influence	
		Equity	Gain or loss
Interest rate risk	Interest rate curve rise 100BPS	(22,618)	(54)
Interest rate risk	Interest rate curve fall 100BPS	23,802	54
Exchange rate risk	Other foreign currency/ TWD rise 5%		973
Exchange rate risk	Other foreign currency / TWD fall 5%		(973)
Price of equity stock risk	Price of equity stock rise 20 %	30,680	13,197
Price of equity stock risk	Price of equity stock fall 20 %	(30,680)	(13,197)

(Continued)

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Notes to the Financial Statements

(x) Information of currency risk concentrate

Net position of major foreign currencies

Unit: In thousand of stated currencies

December 31, 2025		
	Amount in original currency	Amount in New Taiwan Dollars
USD	7,551,038	237,442,385
EUR	679,019	25,082,963
CNY	2,748,119	12,366,537
AUD	587,267	12,367,838
GBP	135,664	5,745,350

Unit: In thousand of stated currencies

December 31, 2024		
	Amount in original currency	Amount in New Taiwan Dollars
USD	6,584,479	215,872,139
EUR	669,438	22,854,618
CNY	3,625,629	16,257,322
AUD	546,574	11,161,048
GBP	68,794	2,832,929

Note 1: The major foreign currencies were the top 5 currencies by position expressed in New Taiwan Dollars after exchange rate conversion.

Note 2: The net position represented the absolute value of each currency.

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All held foreign financial assets and liabilities are classified by currencies and represented using the carrying amounts. The following tables display the information at December 31, 2025 and 2024, respectively.

Unit: In thousand of TWD

December 31, 2025			
Assets	USD to TWD	Other currencies to TWD	Total TWD
Cash and cash equivalents	\$ 34,109,119	22,597,343	56,706,462
Placement with Central Bank and call loans to banks	114,323,389	71,937,525	186,260,914
Financial assets measured at fair value through profit or loss	159,264,584	35,467,973	194,732,557
Financial assets measured at fair value through other comprehensive income	318,897,721	132,633,122	451,530,843
Debt investments measured at amortized cost	101,264,789	16,460,618	117,725,407
Receivables, net	13,173,015	10,876,533	24,049,548
Loans and Discounts, net	126,721,158	105,972,316	232,693,474
Other financial assets, net	252,264	1,896	254,160
Other assets, net	5,508,162	69,450	5,577,612
Total assets	\$ 873,514,201	396,016,776	1,269,530,977
December 31, 2025			
Liabilities	USD to TWD	Other currencies to TWD	Total TWD
Deposits of Central Bank and banks	\$ 37,721,529	85,155,684	122,877,213
Due to Central Bank and banks	1,373,407	-	1,373,407
Financial liabilities measured at fair value through profit or loss	15,877,050	8,534	15,885,584
Bills and bonds sold under repurchase agreement	-	2,821,697	2,821,697
Payables	13,045,774	10,153,914	23,199,688
Current income tax liabilities	13,411	124,407	137,818
Deposits and remittances	945,488,013	231,681,609	1,177,169,622
Other financial liabilities	1,556,770	298,378	1,855,148
Provisions	764	15,055	15,819
Lease liabilities	300,229	326,619	626,848
Other liabilities	1,186,007	98,220	1,284,227
Total liabilities	\$ 1,016,562,954	330,684,117	1,347,247,071

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Notes to the Financial Statements

December 31, 2024			
Assets	USD to TWD	Other currencies to TWD	Total TWD
Cash and cash equivalents	\$ 43,577,246	20,482,887	64,060,133
Placement with Central Bank and call loans to banks	112,997,568	81,368,327	194,365,895
Financial assets measured at fair value through profit or loss	138,552,749	30,309,803	168,862,552
Financial assets measured at fair value through other comprehensive income	251,641,812	105,710,720	357,352,532
Debt investments measured at amortized cost	119,434,079	20,633,074	140,067,153
Receivables, net	10,802,381	2,979,865	13,782,246
Loans and Discounts, net	131,281,692	90,063,560	221,345,252
Other financial assets, net	525,550	1,213	526,763
Other assets, net	4,891,565	173,410	5,064,975
Total assets	\$ 813,704,642	351,722,859	1,165,427,501

December 31, 2024			
Liabilities	USD to TWD	Other currencies to TWD	Total TWD
Deposits of Central Bank and other banks	\$ 46,176,040	74,497,630	120,673,670
Loans from Central Bank and banks	3,278,500	-	3,278,500
Financial liabilities measured at fair value through profit or loss	15,535,299	38,803	15,574,102
Bills and bonds sold under repurchase agreement	14,196,239	1,741,577	15,937,816
Payables	21,205,923	2,534,498	23,740,421
Current income tax liabilities	543	96,560	97,103
Deposits and remittances	905,757,491	195,064,267	1,100,821,758
Other financial liabilities	1,088,757	105,842	1,194,599
Provisions	1,178	23,661	24,839
Lease liabilities	381,910	186,680	568,590
Other liabilities	958,712	85,023	1,043,735
Total liabilities	\$ 1,008,580,592	274,374,541	1,282,955,133

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Notes to the Financial Statements

(xi) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public banks

1) Interest rate sensitivity assets and liabilities analysis (New Taiwan Dollars)

Unit: In thousand of TWD

December 31, 2025					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	\$ 3,516,529,461	571,963,793	179,660,869	416,401,566	4,684,555,689
Interest rate sensitive liabilities	801,293,429	3,131,158,955	389,954,605	112,485,828	4,434,892,817
Interest rate sensitive gap	2,715,236,032	(2,559,195,162)	(210,293,736)	303,915,738	249,662,872
Net worth					532,160,729
Ratio of interest rate sensitive assets to liabilities (%)					105.63
Ratio of interest rate sensitive gap to net worth (%)					46.91

Unit: In thousand of TWD

December 31, 2024					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	\$ 3,550,393,137	540,221,329	115,333,735	363,021,591	4,568,969,792
Interest rate sensitive liabilities	778,091,665	3,248,367,238	302,252,315	78,547,472	4,407,258,690
Interest rate sensitive gap	2,772,301,472	(2,708,145,909)	(186,918,580)	284,474,119	161,711,102
Net worth					493,018,000
Ratio of interest rate sensitive assets to liabilities (%)					103.67
Ratio of interest rate sensitive gap to net worth (%)					32.80

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

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.

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

Note 4: Ratio of interest-rate-sensitivity assets to liabilities=Interest-rate-sensitivity assets/Interest-rate-sensitivity liabilities (in New Taiwan Dollars).

2) Assets and liabilities interest rate sensitivity analysis (United State Dollars)

Unit: In thousand of USD

December 31, 2025					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	\$ 43,341,841	4,541,617	5,319,446	5,973,908	59,176,812
Interest rate sensitive liabilities	33,495,712	10,852,139	4,905,379	-	49,253,230
Interest rate sensitive gap	9,846,129	(6,310,522)	414,067	5,973,908	9,923,582
Net worth					20,012
Ratio of interest rate sensitive assets to liabilities (%)					120.15
Ratio of interest rate sensitive gap to net worth (%)					49,588.16

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Unit: In thousand of USD

December 31, 2024					
Item	1~90 days	91~180 days	181 days to one year	Over one year	Total
Interest rate sensitive assets	\$ 40,007,452	5,603,005	4,159,227	5,181,461	54,951,145
Interest rate sensitive liabilities	34,558,224	7,666,921	3,783,415	-	46,008,560
Interest rate sensitive gap	5,449,228	(2,063,916)	375,812	5,181,461	8,942,585
Net worth					(118,097)
Ratio of interest rate sensitive assets to liabilities (%)					119.44
Ratio of interest rate sensitive gap to net worth (%)					(7,572.24)

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

Note 2: Interest rate sensitivity assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues and costs affected by interest rate changes.

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

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

(f) Other risks

(i) Operational risk and legal risk

The Bank has identified, measured and monitored operational risk and legal risk and also disclosed qualitative and quantitative information in accordance with the “ Information of the Capital Adequacy and the Risk Managements” and the FSC’s requirements.

According to the “ The Explanations and Formats of Calculation of Bank’ s Self- Owned Capital and Risk-Weighted Assets,” operation risks is the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses. As legal risk is part of the operational risk, where it involves legal risk to be reported together with the operation risk to the appropriate management level.

(ii) Compliance risks

To conduct the planning, management and execution of the Bank's legal compliance, the Department of Compliance has set up the Regulations and Guidelines of Legal Compliance, which clearly states the responsibility of the competent unit (Department of Compliance). The Department of Compliance also holds the responsibility of planning, managing and executing the overall legal compliance of the Bank. For instance, the task force should look into potential risks of legal compliance and obtain the opinion and approval of the Department of Compliance before new services and products are introduced to the market or applications are submitted to the authorities for the approval of sales.

In response to continuous changes in external regulations, the Department of Compliance prepared the "Legislation and Amendment of External Financial Regulations Checklist" to make each operation unit recheck their internal guidelines and make necessary adjustments in time. The Department of Compliance passes the information to its employees about the changes in financial regulations related to the the Bank’s operations to lower the risk of legal compliance.

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The Department of Compliance conducts the compliance risk assessment work for the whole bank every year, and submits the assessment results to the Audit Committee, the Board of Directors and the FSC for reference. In addition, based on the results of the compliance risk assessment, the Department of Compliance further analyzes the risk management situation of each relevant unit, supervises the relevant management and improvement plan of compliance risk management, and continuously strengthens the control measures of the whole bank.

The Bank will not only comply with the requirements of the competent authority but also keep collecting domestic and foreign data and refer to the practical practice of other banks to improve the management of compliance risk.

(iii) Money laundering and terrorist financing risks

The Bank has established and amended the related policies and procedures in accordance with the “Money Laundering Control Act” and its related sub-regulations announced by the FSC, as well as the “Template of Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism of Banks” and the 0 suspicious transaction patterns amended or issued by the bankers association of the R.O.C. The Bank took the following actions to combat money laundering and terrorism financing (AML/CFT):

1) Setting up responsible unit and appoint AML/CFT Responsible Officer

The Board of Directors of the Bank appointed the Chief Compliance Officer to serve as AML/CFT Responsible Officer, and set up “AML Center” under The Department of Compliance in January 16, 2017. A Supervisor and a Vice Supervisor are set up in the center, and the Deputy Chief Compliance Officer is appointed to serve as the Supervisor. So far, there are 19 members in the center.

2) Setting up AML/CFT Committee

The Bank sets up “Legal Compliance, Anti-Money Laundering and Combating Terrorism Financing Committee (AML/CFT Committee)” according to the “Regulations for Legal Compliance, Anti-Money Laundering and Combating Terrorism Financing Committee, Bank of Taiwan”. The President is the Chairperson, and the Chief Compliance Officer is the Vice President of the committee. The managers of the 20 other departments also serve as the committee members. The AML/CFT Committee is responsible for examining and supervising AML/CFT related affairs.

3) Optimizing AML/CFT managerial mechanisms

In order to strengthen the Bank’s AML/CFT managerial mechanisms, the Bank has already engaged independent certified public accountant to exam the effectiveness of its AML/CFT managerial mechanism since 2017. The Bank has continuously improved the audit findings provided by the accountant.

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4) Optimizing and Expanding AML/CFT information systems

The Bank will strengthen its policies and procedures regarding ongoing monitoring over accounts and transactions by applying risk-based approach and the assistance of information systems. In order to verify the effectiveness of the systems, consultants were hired to conduct independent tests, regularly review the transaction monitoring threshold setting every year, and continuously optimize the system.

5) Establishing AML/CFT area in its internal information network

In order for its employees to have an immediate access to AML/CFT related information, the Bank sets up an AML/CFT website within its internal network. This measure simplifies the procedures of collecting related information, and is beneficial to the Bank by providing compliance guidance to its employees in their daily operations.

6) Raising awareness about money laundering and terrorism financing

The Bank established an online course, "2025 AML/CFT Program," for staff to improve awareness on AML/CFT. To comply with the amendments related to AML/CFT, the Bank also engaged external experts to hold training for the Bank's responsible officers and supervisors during 2025. Furthermore, the Bank held a "Compliance, AML/CFT Forum" in the north, central, and south of Taiwan to propagate common mistakes in AML/CFT and build awareness on AML/CFT in each staff member.

7) Handling matters related to anti-money laundering (AML) and countering the financing of terrorism (CFT) reporting and filings

Reporting the properties (including its related interests and their locations) designated by the Counter-Terrorism Financing Act and suspicious transactions to Investigation Bureau, the Ministry of Justice.

8) Improving oversight on trade-based money laundering, counter-proliferation financing, and anti-sanctions measures

To control trade-based money laundering, counter-proliferation financing, and anti-sanctions effectively, the Bank set up database of "Countries/regions with Severe AML/CFT Deficiencies as Announced by the FATF" and listed those countries/regions as high-risk countries to control the potential risk of proliferation financing in those regions. Also, the Bank kept purchasing/renting "Maritime Risk Intelligence Database" and "Commodity Price Database" to strengthen its verification on the authentication of cross-border trading and rational pricing of commodities in order to lower the threat of trade-based money laundering and proliferation financing.

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(iv) Emerging risks (Climate change risks)

In 2021, the Bank revised its risk management policy to implement climate change risks into its risk management framework, and established climate change risk identification, as well as reporting mechanism. Since June 2021, the Bank has added the climate change risk to its risk monitoring report, identified risk and checked the impact on “physical risks” and “transition risks”. The responsible personnel reports the assessment of climate change risk and corresponding measures to the risk management committee and the board of directors on a quarterly basis. In addition, “the Climate Change Risk Management Guidelines” were formulated in 2022 to improve the climate change risk management framework.

In November 2021, the FSC announced “the Guidelines on Financial Disclosure of Climate Risk for Domestic Banks”, requiring domestic banks to complete their financial disclosure on climate risks, related to those in the previous year, by the end of June of each year, starting from 2023. In accordance with the regulations issued by the competent authority, the Bank has placed the Bank's 2024 “Task Force on Climate-related Financial Disclosure Report” in the sustainability section of the external website by the end of June 2025.

(g) Transfer of financial assets – transferred financial assets without overall derecognition

The transferred financial assets of the Bank that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under lending agreements. The right to receive cash flow is transferred and reflects the associated liabilities to repurchase transferred financial assets at a fixed price in the future period, the Bank cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Bank still bear the interest rate risks and credit risks, transferred financial assets are not completely derecognized. Analysis of financial assets without overall derecognition and the associated liabilities are as follows:

<u>Type of financial assets</u>	<u>December 31, 2025</u>				
	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of the Financial liability</u>	<u>Fair value of transferred financial assets</u>	<u>Fair value of financial liabilities</u>	<u>Fair value net position</u>
Financial asset measured at fair value through other comprehensive income					
Under repurchase agreements	\$ 4,894,512	4,902,696	4,894,512	4,902,696	(8,184)

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December 31, 2024

<u>Type of financial assets</u>	<u>Carrying amount of the transferred financial assets</u>	<u>Carrying amount of the Financial liability</u>	<u>Fair value of transferred financial assets</u>	<u>Fair value of financial liabilities</u>	<u>Fair value net position</u>
Financial asset measured at fair value through other comprehensive income					
Under repurchase agreements	\$ 18,374,788	17,833,263	18,374,788	17,833,263	541,525

(h) Offsetting of financial assets and financial liabilities

The Bank holds financial instruments which meet Section 42 of the IAS 32 endorsed by FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although the Bank does not engage in transactions that meet the offsetting condition in IFRSs, it has signed the net settlement contracts of similar agreements with counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and financial liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could opt for net settling.

The offsetting information of financial assets and financial liabilities is shown below:

December 31, 2025						
<u>Financial assets under offsetting or general agreement of net amount settlement or similar norms</u>						
	<u>Total recognized financial assets</u>	<u>Total recognized financial liabilities offsetting on the balance sheet</u>	<u>Net amount of financial assets on the balance sheets</u>	<u>Relevant amount not offset on the balance sheet (d)</u>		<u>Net amount</u>
<u>Financial assets</u>	<u>(a)</u>	<u>(b)</u>	<u>(c)=(a)-(b)</u>	<u>Financial instrument (note)</u>	<u>Cash received as collaterals</u>	<u>(e)=(c)-(d)</u>
Derivative financial assets	\$ 21,312,794	-	21,312,794	2,869,303	973,974	17,469,517

December 31, 2025						
<u>Financial liabilities under offsetting or general agreement of net amount settlement or similar norms</u>						
	<u>Total recognized financial liabilities</u>	<u>Total recognized financial assets offsetting on the balance sheet</u>	<u>Net amount of financial liabilities on the balance sheets</u>	<u>Relevant amount not offset on the balance sheet (d)</u>		<u>Net amount</u>
<u>Financial liabilities</u>	<u>(a)</u>	<u>(b)</u>	<u>(c)=(a)-(b)</u>	<u>Financial instrument (note)</u>	<u>Pledged cash Collaterals</u>	<u>(e)=(c)-(d)</u>
Derivative financial liabilities	\$ 10,517,795	-	10,517,795	2,866,445	4,807,594	2,843,756

Note: Master netting arrangements and non-cash financial collaterals are included.

(Continued)

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December 31, 2024						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Total recognized financial assets (a)	Total recognized financial liabilities offsetting on the balance sheet (b)	Net amount of financial assets on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instrument (note)	Cash received as collaterals	
Derivative financial assets	\$ 18,491,233	-	18,491,233	2,872,726	608,395	15,010,112

December 31, 2024						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Total recognized financial liabilities (a)	Total recognized financial assets offsetting on the balance sheet (b)	Net amount of financial liabilities on the balance sheets (c)=(a)-(b)	Relevant amount not offset on the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instrument (note)	Pledged cash Collaterals	
Derivative financial liabilities	\$ 10,722,196	-	10,722,196	2,867,477	3,999,964	3,854,755
Securities sold under repurchase agreements	14,196,239	-	14,196,239	15,326,987	56,390	(1,187,138)
Total	\$ 24,918,435	-	24,918,435	18,194,464	4,056,354	2,667,617

Note: Master netting arrangements and non-cash financial collaterals are included.

(9) Capital Management:

(a) The Target and Procedure of capital management

The Target of capital management is to achieve the authority's requirements for the BIS Capital Adequacy Ratio and to improve the efficiency of capital usage through capital management procedures.

The Bank considers the short-term and long-term capital demand, operating plans and the lowest requirement to the BIS ratio to draft the capital plan. The Bank conducts the stress testing, the simulation analysis periodically, consider the external conditions and other factors, such as potential risks, environment changes of the financial market and other events that will affect the risk tolerable ability to ensure the Bank can maintain sufficient capital while unfavorable events and significant changes to the market occur.

(b) The definition and regulations of capital

The Competent authority of the Bank is the FSC. The Bank follows the "Regulations Governing the Capital Adequacy and Capital Category of Banks" issued by the FSC.

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The term “Ratio of Regulatory Capital to Risk-weighted Assets” shall mean Common Equity Ratio, Tier 1 Capital Ratio, and Total Capital Adequacy Ratio. Except computing the Bank's own ratios, it also calculates the ratios using the financial information according to the IFRS 10. All mentioned ratios should be in conformity with article 5 of the regulations.

(c) Regulatory Capital

The term "Regulatory Capital" shall mean the net Tier 1 Capital and the net Tier 2 Capital according to the Regulations Governing the Capital Adequacy and Capital Category of Banks.”

- (i) The term "Net Tier 1 Capital" shall mean the aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.
- 1) The common equity Tier 1 capital consists of the common equity that reduces intangible assets, the deferred tax assets due to losses from the previous year, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, unamortized losses on sales of non-performing loans, and the statutory adjustment items calculated in accordance with other rules for calculation methods. The common equity tier 1 capital shall mean the sum of the common stock and additional paid-in capital in excess of par- common stock, the capital collected in advance, the capital reserves, the statutory surplus reserves, the special reserves, the accumulated profit or loss, the non-controlling interests and the other items of interest.
 - 2) The range of additional Tier 1 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.
 - a) Non-cumulative perpetual preferred stock and its capital stock premium.
 - b) Non-cumulative perpetual subordinated debts.
 - c) The non-cumulative perpetual preferred stock and its capital stock premium, and the non-cumulative perpetual subordinated debts which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.
- (ii) The range of Tier 2 capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.
- 1) Cumulative perpetual preferred stock and its capital stock premium.
 - 2) Cumulative perpetual subordinated debts.
 - 3) Convertible subordinated debts
 - 4) Long-term subordinated debts
 - 5) Non-perpetual preferred stock and its capital stock premium

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Notes to the Financial Statements

- 6) When the real estate was adopted by the International Financial Reporting Standards for the first time and used the fair value or the re-estimated value as the deemed cost. The difference in amount between the deemed cost and the book value was recognized in retained earnings, the 45% of unrealized gain on Financial asset measured at fair value through other comprehensive income, as well as operational reserves and loan-loss provisions.
- 7) The cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, and the non-perpetual preferred stock and its capital stock premiums which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

When a bank reports its capital adequacy ratio according to the regulations, the competent authority shall examine its capital category in accordance with the provisions of these regulations on the calculation of capital adequacy ratio.

When a bank's capital is graded as inadequate capital, significantly inadequate capital or seriously inadequate capital by the competent authority's examination, the competent authority shall take prompt corrective actions in pursuant to Sections 1 to 3, Paragraph 1, Article 44-2 of the Act.

The government regulations are formulated in accordance with the Basel Accord. The followings are the content of the Basel Accord and the implementation of the Bank.

(i) The First Pillar

The first pillar contains the capital requirements for credit risks, market risks and operation risks.

- 1) Credit risks refer to the default risk resulted from the counterparties. The credit risk is derived from the assets, liabilities or off-balance sheet items. There are two measurement methods, the Standardized Approach and the Internal Ratings-Based Approach (the IRB). The Bank uses the Standardized Approach.
- 2) Market risks refer to the loss due to the changes of the market price, such as the changes of the market interest rate, the exchange rate, the stock price and the product price. There are two measurement methods, the Standardized Approach and the Internal Model Approach. The Bank uses the Standardized Approach.
- 3) Operation risks refer that the Bank has loss caused by the internal operations, the employee's faults, the system errors or external events. The operation risks include legal risks but exclude strategy risks and reputation risks. The measurement methods are the Basic Indicator Approach, the Standardized Approach, the Alternative Standardized Approach and the Advanced Measurement Approach. The Bank uses the Standardized Approach.

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Notes to the Financial Statements

(ii) The Second Pillar

The second pillar is used to ensure that each bank has sufficient internal assessment procedures and each bank can understand the capital adequacy through complete risk measurements. At the same time, it also uses proper supervisory operations to ensure the regulatory capital accord with the whole risk characteristics. The Bank reports the capital adequacy measurements and the risk management situations to the competent authority with related information.

(iii) The Third Pillar

The third pillar is related to the market discipline. It requires banks to disclose more information about the risks, the capital and the risk managements according the new Basel Accord in order to increase their information transparency. As a result, the Bank has offered the “Information of the Capital Adequacy and the Risk Managements” in our website to disclose the qualitative data and the quantitative data.

(d) Capital adequacy ratio

Analyze Items		Date	December 31, 2025	December 31, 2024	
Eligible capital	Common stock capital		394,921,144	363,515,922	
	Other tier 1 capital		-	-	
	Tier 2 capital		59,307,159	56,145,664	
	Eligible capital		454,228,303	419,661,586	
Risk assets weighted assets	Credit risk	Standardized approach	2,440,994,543	2,372,591,336	
		Internal rating based approach	-	-	
		Securitization	-	-	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/Alternative standardized approach	69,534,350	93,687,900	
		Advance measurement approach	-	-	
	Market risk	Standardized approach	59,575,150	120,008,725	
		Internal models approach	-	-	
	Total risk weighted assets			2,570,104,043	2,586,287,961
	Capital adequacy ratio			17.67 %	16.23 %
Common stock based capital ratio			15.37 %	14.06 %	
Tier 1 risk based capital ratio			15.37 %	14.06 %	
Leverage ratio			6.28 %	5.76 %	

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Notes to the Financial Statements

Note 1: The calculation of eligible capital, risk-weighted assets, and the total amount of risk exposure shall follow the Regulations Governing the Capital Adequacy and Capital Category of Banks, and Calculation of Equity Capital and Risk Assets.

Note 2: The annual report shall disclose the current and preceding period of BIS ratio. The semi-annual report (beside the current and preceding period) shall disclose the information one year before.

Note 3: The table shall disclose the calculation formula as follows:

1. Equity Capital = shareholders' equity + other tier 1 capital + tier 2 capital
2. Risk-weighted assets = credit risk-weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5
3. Capital adequacy ratio = equity capital / internal models approach
4. Common stock - based capital ratio = shareholders' equity / total risk weighted assets
5. Tier 1 risk based capital ratio = (shareholders' equity + Other tier 1 capital)/ weighted risk
6. Leverage ratio = tier 1 capital / total risk exposure

Note 4: The table may choose not to disclose in Q1 and Q3 financial report.

- (e) Stress test: In addition to the FSC's requirement regarding the stress test to be conducted by the Bank, the Bank also establishes its own stress test policy based on global environment and economic situations. The testing includes the average common equity ratio, the first class capital ratio, the capital adequacy ratio, and the leverage ratio, calculated by the Bank under different assumptions of scenarios, which had been approved by the Bank's Board of Directors and risk management committee.

(10) Related-party Transactions:

- (a) Name of related party and relationship

<u>Name</u>	<u>Relationship</u>
Taiwan Financial Holding Co., Ltd.	Parent company of the Bank
BankTaiwan Life Insurance Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.
BankTaiwan Securities Co., Ltd.	Wholly-owned subsidiary of Taiwan Financial Holding Co., Ltd.
Hua Nan Financial Holdings Co., Ltd.	Investee company of the Bank under the equity method
Tang Eng Iron Works Co., Ltd.	Investee company of the Bank under the equity method
Tai Yi Real Estate Management Co., Ltd.	Investee company of the Bank under the equity method
Taiwan Business Bank Co., Ltd.	Related- Party
Land Bank of Taiwan	Related- Party
The Export-Import Bank of the Republic of China	Related- Party
Cathy United Bank	Related- Party
Chang Hwa Bank	Related- Party

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Notes to the Financial Statements

Name	Relationship
United Taiwan Bank	Related- Party
Central Pictures Corporation	Related- Party
Others	Directors, supervisors, managers and their relatives up to the second degree, affiliates and so on

(b) Key Management Personnel Compensation

The related information about the salaries and bonus for the key management personnel was as follows:

	2025	2024
Short-term employee benefits	<u>\$ 12,136</u>	<u>15,202</u>

(c) Other related-party transactions

(i) Call loans to bank

	December 31, 2025			
	Highest balance	Ending balance	Interest rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	\$ 26,901,504	5,167,485	0.8080~5.0200	400,818
Land Bank of Taiwan	39,735,756	31,922,725	0.8050~5.1300	462,040
Taiwan Business Bank Co., Ltd.	10,932,574	2,201,150	0.0900~5.0300	127,784
Cathy United Bank	15,121,039	314,450	0.1600~4.3800	14,183
The Export-Import Bank of the Republic of China	5,061,200	1,050,000	1.4000~4.8000	42,905
Chang Hwa Bank	25,780,444	7,823,202	0.5000~5.2200	308,156
United Taiwan Bank	2,168,040	<u>1,588,420</u>	2.2100~3.4100	<u>32,451</u>
Total		<u>\$ 50,067,432</u>		<u>1,388,337</u>

	December 31, 2024			
	Highest balance	Ending balance	Interest rate range (%)	Interest income
Hua Nan Financial Holdings Co., Ltd.	\$ 27,107,248	4,772,069	0.7000~5.9300	516,908
Land Bank of Taiwan	28,921,457	8,715,421	0.5500~5.9000	553,353
Taiwan Business Bank Co., Ltd.	19,209,623	1,936,277	0.6000~5.9200	150,661
Cathy United Bank	26,725,930	1,637,580	0.1600~5.3900	81,857
The Export-Import Bank of the Republic of China	5,190,800	1,150,000	0.8250~4.7100	33,474
Chang Hwa Bank	23,805,724	2,693,390	1.0000~7.0000	222,899
United Taiwan Bank	1,587,600	<u>682,800</u>	3.4100~4.3300	<u>38,172</u>
Total		<u>\$ 21,587,537</u>		<u>1,597,324</u>

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Notes to the Financial Statements

(ii) Bills and bonds purchased under resell agreements

Name	December 31, 2025		December 31, 2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance Co., Ltd.	\$ -	-	1,228,385	100.00

(iii) Receivables

Name	December 31, 2025		December 31, 2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 9,237	0.01	5,490	0.01
BankTaiwan Life Insurance Co., Ltd.	73,693	0.12	55,040	0.09
BankTaiwan Securities Co., Ltd.	676	-	655	-
Total	<u>\$ 83,606</u>	<u>0.13</u>	<u>61,185</u>	<u>0.10</u>

(iv) Other assets

Name	December 31, 2025		December 31, 2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd. (prepaid official dividends)	\$ 3,780,000	12.04	3,050,000	10.28
BankTaiwan Life Insurance Co., Ltd.	8,726	0.03	8,386	0.03
BankTaiwan Securities Co., Ltd.	14	-	14	-
Total	<u>\$ 3,788,740</u>	<u>12.07</u>	<u>3,058,400</u>	<u>10.31</u>

(v) Securities lending (classified as other financial assets)

Name	December 31, 2025		December 31, 2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Securities Co., Ltd.	\$ 251,560	1.28	360,635	1.63

(vi) Deposits of banks

Name	December 31, 2025		December 31, 2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hun Nan Financial Holdings Co., Ltd.	\$ 240,581	0.36	328,069	0.48

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(vii) Call loans from banks (recognized as deposit of central bank and other bank)

	December 31, 2025			
	Highest balance	Ending balance	Interest rate range (%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	\$ 17,189,752	7,000,000	1.1200~4.3800	7,021
Land Bank of Taiwan	13,312,836	5,141,887	0.8050~4.8600	30,009
Taiwan Business Bank Co., Ltd.	39,376,074	2,044,662	0.3500~4.2900	26,446
Cathy United Bank	33,300,155	471,675	0.8050~4.5900	42,883
The Export-Import Bank of the Republic of China	1,700,000	-	0.8050~0.8050	200
Chang Hwa Bank	32,067,410	628,900	0.3200~4.5900	43,471
Total		\$ 15,287,124		150,030

	December 31, 2024			
	Highest balance	Ending balance	Interest rate range (%)	Interest expense
Hua Nan Financial Holdings Co., Ltd.	\$ 16,714,343	-	0.7000~5.9000	50,342
Land Bank of Taiwan	11,120,903	2,296,387	0.6800~5.9200	59,311
Taiwan Business Bank Co., Ltd.	1,840,780	-	1.4070~5.5700	1,308
Cathy United Bank	13,716,867	-	0.8050~5.6300	31,353
The Export-Import Bank of the Republic of China	2,600,000	-	0.6800~0.8070	416
Chang Hwa Bank	16,534,689	-	1.3500~5.9000	48,491
Total		\$ 2,296,387		191,221

(viii) Deposits

Name	December 31, 2025		December 31, 2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 1,131,349	0.02	587,674	0.01
BankTaiwan Life Insurance Co., Ltd.	8,646,150	0.17	5,505,167	0.11
BankTaiwan Securities Co., Ltd.	173,906	-	755,015	0.02
Hua Nan Financial Holdings Co., Ltd.	19,869	-	34,276	-
Tang Eng Iron Works Co., Ltd.	-	-	183	-
Total	\$ 9,971,274	0.19	6,882,315	0.14

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(ix) Payables

Name	December 31, 2025		December 31, 2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 250	-	138	-
BankTaiwan Life Insurance Co., Ltd.	2,508	-	1,492	-
BankTaiwan Securities Co., Ltd.	138	-	100	-
Total	<u>\$ 2,896</u>	<u>-</u>	<u>1,730</u>	<u>-</u>

(x) Other liabilities

Name	December 31, 2025		December 31, 2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 3,253	0.04	3,253	0.04
BankTaiwan Life Insurance Co., Ltd.	538	0.01	538	0.01
BankTaiwan Securities Co., Ltd.	1,789	0.02	1,864	0.02
Total	<u>\$ 5,580</u>	<u>0.07</u>	<u>5,655</u>	<u>0.07</u>

(xi) Interest income

Name	2025		2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 680,244	0.50	652,299	0.49
BankTaiwan Life Insurance	14,198	0.01	4,765	-
BankTaiwan Securities Co., Ltd.	13,085	0.01	22,315	0.02
Total	<u>\$ 707,527</u>	<u>0.52</u>	<u>679,379</u>	<u>0.51</u>

(xii) Interest expense

Name	2025		2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 9,140	0.01	4,386	-
BankTaiwan Life Insurance Co., Ltd.	99,393	0.10	78,432	0.08
BankTaiwan Securities Co., Ltd.	4,822	0.01	4,394	-
Total	<u>\$ 113,355</u>	<u>0.12</u>	<u>87,212</u>	<u>0.08</u>

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Notes to the Financial Statements

(xiii) Service fee income

<u>Name</u>	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Percentage of account balance</u>	<u>Amount</u>	<u>Percentage of account balance</u>
BankTaiwan Life Insurance Co., Ltd.	\$ 614,375	11.23	392,662	7.75
BankTaiwan Securities Co., Ltd.	2,565	0.05	3,257	0.06
Total	<u>\$ 616,940</u>	<u>11.28</u>	<u>395,919</u>	<u>7.81</u>

(xiv) Service fee expense

<u>Name</u>	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Percentage of account balance</u>	<u>Amount</u>	<u>Percentage of account balance</u>
BankTaiwan Securities Co., Ltd.	<u>\$ 10,275</u>	<u>0.97</u>	<u>11,048</u>	<u>1.14</u>

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

<u>Name</u>	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Percentage of account balance</u>	<u>Amount</u>	<u>Percentage of account balance</u>
BankTaiwan Life Insurance Co., Ltd.	\$ 775,940	0.66	1,447,319	1.14
BankTaiwan Securities Co., Ltd.	(5,269)	-	(2,032)	-
Total	<u>\$ 770,671</u>	<u>0.66</u>	<u>1,445,287</u>	<u>1.14</u>

(xvi) Other non-interest income (expense)

<u>Name</u>	<u>2025</u>		<u>2024</u>	
	<u>Amount</u>	<u>Percentage of account balance</u>	<u>Amount</u>	<u>Percentage of account balance</u>
Taiwan Financial Holding Co., Ltd.	\$ 43,025	(0.04)	38,233	(0.03)
BankTaiwan Life Insurance Co., Ltd.	31,220	(0.03)	27,741	(0.02)
BankTaiwan Securities Co., Ltd.	33,790	(0.03)	30,035	(0.03)
Total	<u>\$ 108,035</u>	<u>(0.10)</u>	<u>96,009</u>	<u>(0.08)</u>

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(xvii) Other general and administrative expense

Name	2025		2024	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holding Co., Ltd.	\$ 637	0.01	673	0.01

(xviii) Loans

December 31, 2025							
Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and non related parties
				Performing loans	Non-performing loans		
Consumer loans	23 households	10,119	6,268	6,268	-	None	None
House mortgages	249 households	1,023,626	872,658	872,658	-	Land and buildings	None
Short-term loans	Taiwan financial Holding Co., Ltd.	48,300,000	48,300,000	48,300,000	-	None	None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	630,000	-	-	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	76,069	76,069	76,069	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	100,000	100,000	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	2,600,000	1,200,000	1,200,000	-	Land and factory	None
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	1,900,000	1,500,000	1,500,000	-	Land and factory	None
Medium-term secured loans	Central Pictures Corporation	723,000	594,000	594,000	-	Land and factory	None
Medium-term secured loans	Central Pictures Corporation	4,000,000	4,000,000	4,000,000	-	Land and factory	None

December 31, 2024							
Category	House holder amount or name of related party	Highest balance in current period	Ending balance	Status of performance		Type of collateral	Differences in transaction terms between related and non related parties
				Performing loans	Non-performing loans		
Consumer loans	25 households	12,275	7,480	7,480	-	None	None
House mortgages	263 households	1,115,358	887,733	887,733	-	Land and buildings	None
Short-term loans	Taiwan financial Holding Co., Ltd.	36,600,000	36,600,000	36,600,000	-	None	None
Short-term secured loans	BankTaiwan Securities Co., Ltd.	630,000	-	-	-	Government (or financial institutions) guarantee	None
Secured overdrafts loans	Tang Eng Iron Works Co., Ltd.	82,997	72,744	72,744	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	100,000	-	-	-	Land and factory	None
Short-term secured loans	Tang Eng Iron Works Co., Ltd.	3,668,654	1,800,000	1,800,000	-	Land and factory	None
Medium-term secured loans	Tang Eng Iron Works Co., Ltd.	2,000,000	1,400,000	1,400,000	-	Land and factory	None
Medium-term secured loans	Central Pictures Corporation	738,000	723,000	723,000	-	Land and factory	None
Medium-term secured loans	Central Pictures Corporation	4,000,000	4,000,000	4,000,000	-	Land and factory	None

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for disclosure. The disclosure of other loans is sorted by interested parties.

Note 2: Collateral is classified by real estate, short term notes, government bonds, secured or non secured bonds, TSEC and GTSM stocks, non TSEC and non GTSM stocks, and others.

(xix) Derivative financial instruments

December 31, 2025						
Name of related party	Subject	Agreement period	Notional amounts	Current valuation adjustment	Balance sheet	
					Account name	Amount
Bank Taiwan Life Insurance Co., Ltd.	Swap agreement	2019.09.06~2026.03.24	24,895,270	(183,994)	Valuation adjustment of financial assets measured at fair value through profit or loss - swap	333,500
					Valuation adjustment of financial liabilities measured at fair value through profit or loss - swap	(7,320)
December 31, 2024						
Name of related party	Subject	Agreement period	Notional amounts	Current valuation adjustment	Balance sheet	
					Account name	Amount
Bank Taiwan Life Insurance Co., Ltd.	Swap agreement	2019.09.06~2025.07.09	26,571,774	2,802	Valuation adjustment of financial assets measured at fair value through profit or loss - swap	819,599

(xx) Lease

The Bank rented several buildings from its related party, BTLI, to be used as its branch office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$318,145 thousand. For the years ended December 31, 2025 and 2024, the Bank recognized the amount of \$2,092 thousand and \$1,257 thousand as interest expense; \$53,423 thousand and \$48,830 thousand as depreciation expense, respectively. As of December 31, 2025 and 2024, the balance of lease liabilities amounted to \$148,044 thousand and \$101,597 thousand, respectively.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

The Bank rented a building from its related party, BTS, to be used as its branch office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$432 thousand. For the years ended December 31, 2025 and 2024, the Bank recognized the amount of \$1 thousand and \$2 thousand as interest expense and \$85 thousand as depreciation expense for both years. As of December 31, 2025 and 2024, the balance of lease liabilities amounted to \$86 thousand and \$171 thousand, respectively.

The Bank rented a building to its related party, TFH, to be used as its office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$92,783 thousand. For the years ended December 31, 2025 and 2024, the Bank recognized the amount of \$19,517 thousand as rental income for both years.

The Bank rented a building to its related party, BTLI, to be used as its office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$16,140 thousand. For the years ended December 31, 2025 and 2024, the Bank recognized the amount of \$3,228 thousand as rental income for both years.

The Bank rented a building to its related party, BTS, to be used as its office. A lease contract was signed, in which the rental fee was determined based on nearby office rental rates. The total value of the contract was \$55,704 thousand. For the years ended December 31, 2025 and 2024, the Bank recognized the amount of \$10,780 thousand and \$11,090 thousand as rental income, respectively.

(xxi) The price and payment conditions for related-party transactions mentioned above have no significant differences from the conditions for the transactions between the Bank and non-related parties. The expense of database is allocated between the Bank and subsidiaries based on the usage of each company in the group.

(11) Pledged Assets:

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Financial assets measured at fair value through other comprehensive income—bonds	Operating deposit for securities investment trust and consulting	\$ 160,810	155,999
Financial assets measured at amortized cost—bonds	Guarantee deposit for provisional seizure against defaulted loans and others	411,952	369,265
Financial assets measured at amortized cost—bonds	Guarantee deposits for trust business compensation reserve	547,641	546,673
Financial assets measured at amortized cost—bonds	Deposit for bills	51,162	51,747
Financial assets measured at fair value through other comprehensive income – negotiable certificate	Payment and settlement systems of Central Bank	47,403,658	47,411,247
		<u>\$ 48,575,223</u>	<u>48,534,931</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(12) Commitments and Contingencies:

(a) Commitments and contingencies

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Trust liabilities	\$ 1,070,060,565	1,020,299,806
Marketable securities held as custodian	2,707,448,948	2,512,672,694
Goods held in custody	27,087,519	23,862,610
Contract guarantee on behalf of counter parties	1,395,060	1,396,348
Consignment collection	35,286,004	39,775,834
Issuance of New Taiwan Dollars	3,783,150,735	3,711,939,621
Trustee of behalf of Lenders	693,283,856	745,274,437
Registered government bonds for sale	879,665,000	814,727,700
Registered short term bills for sale	303,319,004	295,767,702
Consigned sales of marketable securities	2,000,000	-
Consigned sales of goods	609,918	781,203
Guarantees	75,385,756	87,297,331
Letters of credit	29,033,597	38,501,489
	<u>\$ 9,607,725,962</u>	<u>9,292,296,775</u>

(b) Balance sheet, income statement and details of assets under trust

<u>Trust assets</u>	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Deposits				
Deposits in BOT	\$ 39,306,877	4	41,514,098	4
Deposits in other banks	-	-	8,400	-
Short term investment				
Investment in funds	159,873,340	15	168,510,346	17
Investment in bonds	402,832,410	38	408,015,134	40
Investment in stocks	42,874,917	4	34,922,930	3
Receivables				
Interest receivable	2,822,270	-	2,852,359	-
Cash dividend receivable	3,627	-	1,799	-
Receivables from trading securities	142,955	-	112,850	-
Real estate				
Land	29,914,387	3	30,880,354	3
Buildings	337,400	-	330,501	-
Construction in progress	33,861,710	3	26,633,057	3
Marketable securities under custody	<u>358,090,672</u>	<u>33</u>	<u>306,517,978</u>	<u>30</u>
Total of trust assets	<u>\$ 1,070,060,565</u>	<u>100</u>	<u>1,020,299,806</u>	<u>100</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Trust liabilities	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Payables				
Payables from trading securities	\$ 161,801	-	122,245	-
Payables from management fee	6,225	-	5,694	-
Payables from supervision fee	1,336	-	1,194	-
Bonds sold under repurchase agreements	1,208,333	-	212,769	-
Interest payables	2,530	-	578	-
Other payables	639	-	633	-
Tax payable	99	-	93	-
Securities held in custody payable	358,090,672	33	306,517,978	30
Trust capital				
Money trust	422,376,483	39	434,958,813	43
Marketable securities trust	627,529	-	570,877	-
Real estate investment trust	65,782,614	6	61,984,196	6
Other reserve and accumulated income (loss)				
Accumulated income (loss)	189,085,976	18	199,412,408	20
Deferred unrealized income (loss)	818,729	1	11,259,809	1
Current income (loss)	31,897,599	3	5,252,519	-
Total of trust liabilities	<u>\$ 1,070,060,565</u>	<u>100</u>	<u>1,020,299,806</u>	<u>100</u>

Note: Including fund and bond investments of the offshore branch amounting to \$274,740 thousand and \$350,761 thousand as of December 31, 2025 and 2024, respectively.

Details of trust	December 31, 2025	December 31, 2024
Deposits		
Deposits in the Bank	\$ 39,306,877	41,514,098
Deposits in other banks	-	8,400
Short term investment		
Investment in funds	159,873,340	168,510,346
Investment in bonds	402,832,410	408,015,134
Investment in stocks	42,874,917	34,922,930
Real estate		
Land	29,914,387	30,880,354
Buildings	337,400	330,501
Construction in progress	33,861,710	26,633,057
Marketable securities under custody	358,090,672	306,517,978
Total	<u>\$ 1,067,091,713</u>	<u>1,017,332,798</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

Income statement for assets under trust	2025	2024
Trust revenue		
Capital interest revenue	\$ 16,354,965	15,549,254
Cash dividend revenue	448,357	707,100
Donation revenue	122,631	107,432
Realized capital gain – shares	515,782	169,507
Unrealized capital gain – shares	6,663,759	-
Realized capital gain – fund	2,449,309	1,942,236
Unrealized capital gain – fund	4,619	5,256
Realized capital gain – bond	-	6,303
Realized gain on property exchange	1,425,454	1,322,722
Income from beneficiary certificates	4,832,128	4,476,217
Other revenue	235	11
Total trust revenue	<u>32,817,239</u>	<u>24,286,038</u>
Trust expense		
Capital management fee	337,595	346,935
Tax expense	10,612	9,951
Interest expense	40,694	1,684
Supervisory fee	866	1,352
Storage fee	18,354	18,969
Commission fee	21	143
Donation cost	440,398	568,804
Unrealized capital loss – shares	-	18,053,303
Realized capital loss – bond	42,370	-
Realized foreign exchange losses	817	4,567
Other expense	27,913	27,811
Total trust expense	<u>919,640</u>	<u>19,033,519</u>
Net income	<u>\$ 31,897,599</u>	<u>5,252,519</u>

(13) Profitability:

Item		December 31, 2025		December 31, 2024	
		Before adjusting	After adjusting	Before adjusting	After adjusting
Return on total assets (Note 6)	Before income tax	0.49	0.60	0.51	0.62
	After income tax	0.42	0.52	0.45	0.56
Return on net worth (Note 7)	Before income tax	6.37	7.06	6.92	7.70
	After income tax	5.48	6.17	6.23	7.01
Profit margin		45.97		47.35	

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

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

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

Note 3: Profit margin=Income after income tax/Total operating revenues.

Note 4: Income before (after) income tax is the income for the whole current year.

Note 5: The above profitability ratios are at annual rates.

Note 6: Return on total assets – after adjusting means assets excluding the short-term advances and long-term receivables resulted from government policies, and the assets of government employees insurance department; it also refers to income before (after) tax, plus, excess preferential interest expense.

Note 7: Return on net worth after adjusting means income before (after) tax, plus, excess preferential interest expense.

(14) Losses Due to Major Disasters: None.

(15) Subsequent events: None.

(16) Other:

- (a) The employee benefit expenses, depreciation, depletion and amortization, categorized by function, were as follows:

By nature	By function	2025			2024		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses							
Salaries		67,540	12,964,766	13,032,306	63,708	12,633,855	
Labor and health insurances		123,143	588,450	711,593	120,605	589,775	
Pensions		3,260	1,110,962	1,114,222	3,231	1,076,466	
Director and supervisor compensation payment		-	3,117	3,117	-	2,491	
Others		2,605,523	438,897	3,044,420	2,419,698	364,161	
Depreciation expenses		75,400	1,742,372	1,817,772	66,021	1,712,877	
Amortization expenses		-	477,905	477,905	-	482,808	

The average number of employees for the years ended December 31, 2025 and 2024 were 8,213 and 8,250, respectively. And among them, directors without employee position were 12 and 11, respectively.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(b) Financial Statements Audited adjustment

The accounting records for the year ended December 31, 2024, have been audited and examined by the MoA, and the resulting adjustments are summarized as follows:

(i) Audit matters:

<u>Balance Sheet</u>	<u>As Previously Reported December 31, 2024</u>	<u>Adjustments — Increase (Decrease)</u>	<u>As Audited by the MoA, December 31, 2024</u>
Assets			
Current income tax assets	\$ 962,558	(177,042)	785,516
Deferred tax assets	481,325	(9,603)	471,722
Liabilities			
Current Income Tax Liabilities	3,800,494	(6,806)	3,793,688
Stockholders' equity			
Unappropriated retained earnings	49,037,831	(174,400)	48,863,431
Other equity	92,532,613	(5,439)	92,527,174
<u>Income statement</u>	<u>As Previously Reported 2024</u>	<u>Adjustments — Increase (Decrease)</u>	<u>As Audited by the MoA, 2024</u>
Income tax expenses	\$ 3,040,695	174,400	3,215,095
Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	15,168	5,439	20,607

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(ii) Audit entries:

Item	Adjustment accounts	Amount revised by the MoA		Explanation of revision by the MoA
1.	Current income tax liabilities	\$ 8,031		MoA adjusted taxable income based on the adjustment entry from the accountant of Los Angeles branch.
	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income - income tax	4,032		
	Income tax expenses	25,938		
	Deferred tax assets		6,855	
	Current income tax assets		31,146	
2.	Income tax expenses	\$ 145,896		MoA adjusted taxable income based on the adjustment entry from the accountant of Hong Kong branch.
	Current income tax assets		145,896	
3.	Current Income Tax Liabilities	\$ 1,374		MoA adjusted taxable income based on the adjustment entry from the accountant of South Africa branch.
	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income - income tax	1,407		
	Deferred tax assets		2,748	
	Income tax expenses		33	
4.	Income tax expenses	\$ 2,599		MoA adjusted taxable income.
	Current income tax liabilities		2,599	

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(c) Supplementary information for government employees' insurance department

(i) Balance sheets

Government employees' insurance department																				
	December 31, 2025	December 31, 2024																		
Cash and cash equivalents	\$ 48,574,602	49,410,925																		
Financial assets measured at fair value through profit or loss	491,385,722	385,846,990																		
Debt investments measured at amortized cost	140,891,914	143,644,992																		
Receivables, net	13,081,147	12,928,828																		
Property and equipment, net	4,430	5,893																		
Intangible assets, net	3,160	4,484																		
Other assets, net	832,438	839,777																		
Total assets	\$ 694,773,413	592,681,889																		
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">Government employees ' insurance department</th> </tr> <tr> <th style="width: 60%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">December 31, 2025</th> <th style="text-align: center; border-bottom: 1px solid black;">December 31, 2024</th> </tr> </thead> <tbody> <tr> <td>Payables</td> <td style="text-align: right;">\$ 226,108</td> <td style="text-align: right;">40,720</td> </tr> <tr> <td>Provisions</td> <td style="text-align: right;">694,543,380</td> <td style="text-align: right;">592,641,158</td> </tr> <tr> <td>Other liabilities</td> <td style="text-align: right; border-bottom: 1px solid black;">3,925</td> <td style="text-align: right; border-bottom: 1px solid black;">11</td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 694,773,413</td> <td style="text-align: right; border-bottom: 3px double black;">592,681,889</td> </tr> </tbody> </table>			Government employees ' insurance department				December 31, 2025	December 31, 2024	Payables	\$ 226,108	40,720	Provisions	694,543,380	592,641,158	Other liabilities	3,925	11	Total liabilities	\$ 694,773,413	592,681,889
Government employees ' insurance department																				
	December 31, 2025	December 31, 2024																		
Payables	\$ 226,108	40,720																		
Provisions	694,543,380	592,641,158																		
Other liabilities	3,925	11																		
Total liabilities	\$ 694,773,413	592,681,889																		

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(ii) Income statement

	Government employees' insurance department	
	<u>2025</u>	<u>2024</u>
Net interest income	\$ 5,329,033	5,174,544
Service fee expenses	(29,670)	(25,030)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	111,192,614	103,823,219
Foreign exchange gain (loss)	(4,960,606)	9,852,451
Impairment reversal gain and impairment loss of assets	3,364	(750)
Premium income	23,309,852	24,150,409
Government subsidy (note)	10,757,943	9,964,949
Insurance payments	(43,453,558)	(37,072,910)
Provision for insurance premium reserve	(101,902,222)	(115,619,590)
Miscellaneous expense	(92,104)	(92,373)
Miscellaneous revenue	<u>7,144</u>	<u>19,893</u>
Net revenue	<u>161,790</u>	<u>174,812</u>
Bad debt expenses and reserve for guarantees	<u>(36)</u>	<u>(993)</u>
Employee benefits	138,529	146,610
Depreciation and amortization expenses	3,410	7,756
Other general and administrative expenses	<u>19,815</u>	<u>19,453</u>
	<u>161,754</u>	<u>173,819</u>
Net income	<u>\$ -</u>	<u>-</u>

Note: According to Government Employees and School Staff Insurance Act, if GESSI experiences a loss, the loss before May 30, 1999, would be covered by the Ministry of Finance; and the loss after that date would be covered by an adjustment of the insurance premium. Besides, according to the same Act, the expenses to carry on government employees and school staff insurance are subsidized by the budget designated by the Ministry of Civil Service.

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

(d) Business combination under common control

The Bank has restated its FY2024 balance sheet and statement of comprehensive income as follows (please refer to Note 1) :

Balance Sheet	December 31, 2024		
	As Previously Reported December 31, 2024	Adjustments	Restated
Assets			
Cash and Cash Equivalents	\$ 113,573,738	30	113,573,768
Receivables, net	59,371,924	12,219	59,384,143
Investments under Equity Method, net	47,992,381	(363,131)	47,629,250
Property and Equipment, net	139,315,115	2,669	139,317,784
Intangible Assets, net	1,265,632	368	1,266,000
Deferred Tax Assets	466,484	5,238	471,722
Other Assets, net	29,655,668	3,046	29,658,714
Liabilities			
Payables	64,050,748	19,659	64,070,407
Current Income Tax Liabilities	3,786,469	7,219	3,793,688
Deposits and Remittances	5,026,329,647	(374,295)	5,025,955,352
Provisions	614,473,247	8,617	614,481,864
Other Liabilities	7,410,231	(761)	7,409,470
2024			
Income Sheet	As Previously Reported 2024	Adjustments	Restated
Interest expense	\$ 96,673,054	(5,092)	96,667,962
Non-interest income, net	24,256,546	88,963	24,345,509
Operating expense	25,889,820	86,250	25,976,070
Income tax expense	3,207,290	7,805	3,215,095
Gains (losses) on remeasurements of defined benefit plans	(155,119)	(3,165)	(158,284)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	501,799	3,165	504,964

(Continued)

BANK OF TAIWAN

Notes to the Financial Statements

(17) Notes to Disclosure Items:

(a) Information on Significant Transactions:

Following the principle of financial report for public bank, the disclosure of information on significant transaction of the Bank during 2025 were as follow:

- (i) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (ii) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (iii) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (iv) Service charge discounts on transactions with related parties in an aggregate amount of NT\$5 million or more:None
- (v) Receivables from related parties with amounts exceeding the lower of NT\$300 million or 10% of the capital stock:None
- (vi) Information on NPL disposal transaction:
 - 1) Summary table of NPL disposal:None
 - 2) Disposal of a single batch of NPL up to NT\$1 billion and information on each transaction:None
- (vii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information:None
- (viii) Other significant transactions that may have substantial influence upon the decisions made by financial report users:None

(b) Information on Investees:

The followings are the information on investees during 2025:

(In Thousands of New Taiwan Dollars)

Name of the investee	Investee Location	Major Operation	% of shares	Original investment amount	Gain(Loss) recognized during the period	Held by the bank and related party at year-end				Notes
						Shares		Subtotal		
								Shares	% of Shares	
Hua Nan Financial Holdings Co., Ltd.	Taipei	Financial Holding	21.23 %	50,178,707	5,610,050	3,489,520	-	3,489,520	25.07 %	
Tang Eng Iron Works Co., Ltd.	Kaohsiung	Iron Industry	21.37 %	486,361	(353,131)	74,802	-	74,802	21.37 %	
Tai Yi Real Estate Management Co., Ltd.	Taipei	Real Estate Service	30.00 %	37,321	16,351	1,500	-	1,500	30.00 %	

Note 1: The shares held or to be held by The Bank or its directors, supervisors, president, vice president and investees held by the affiliates as defined in the Company Act shall be included.

Note 2: 1) The shares to be held shall mean the shares acquired upon conversion, as hypothesized, of equity securities purchased or contracted for derivative products concluded (not yet converted to equity) in accordance with the trading terms and conditions and The Bank's intent to link with the reinvested enterprise's equity for the purpose of reinvestment provided in Article 74 of the Act.

2) The "equity securities" referred to in the preceding paragraph shall mean the valuable securities referred to in Paragraph 1 of Article 11 of the Securities and Exchange Law Enforcement Rules, e.g. convertible corporate bond and warrant.

3) The "derivative products" referred to in the preceding paragraph shall comply with the definition of derivative products referred to in Statement of Financial Accounting Standards No. 34, e.g. stock option.

(c) Information on Investment in Mainland China:

(i) Information on investees' names, locations, etc. in China:

(In Thousands of New Taiwan Dollars)

Investee Company	Main Business	Total Amount of Paid-in Capital	Investment types (Note1)	Accumulated outflow of Investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	Net income from investee	% of shares	Equity in the Earnings (gains) (Note2)	Carrying value as of December 31, 2024	Accumulated inward remittance of earnings as of December 31, 2024
					Outflow	Regain						
Bank of Taiwan, Shanghai Branch	Banking business	4,500,000 CNY1,000,000	(3)	4,500,000 CNY1,000,000	-	-	4,500,000 CNY1,000,000	173,510	100.00 %	173,510	7,323,715	-
Bank of Taiwan, Guangzhou Branch	Banking business	4,500,000 CNY1,000,000	(3)	4,500,000 CNY1,000,000	-	-	4,500,000 CNY1,000,000	147,567	100.00 %	147,567	5,644,723	-
Bank of Taiwan Fuzhou Branch	Banking business	4,500,000 CNY1,000,000	(3)	4,500,000 CNY1,000,000	-	-	4,500,000 CNY1,000,000	145,284	100.00 %	145,284	5,530,668	-

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BANK OF TAIWAN
Notes to the Financial Statements

Note 1: Three types of investments are as follows:

- 1) Direct investment in Mainland China.
- 2) Investment in Mainland China through a company set up in a third region.
- 3) Via overseas branches.

Note 2: The net income from investees is not audited by an independent auditor, yet.

(ii) Limitation on investment in Mainland China:

Unit: In thousands of TWD		
Current period of accumulate investment amount remitting from Taiwan	The rationed investing amount approved by Investment Commission, MOEA	The regulation announced by Investment Commission, MOEA rationed investing amount
13,500,000	13,500,000	322,390,138

(18) Segment Information:

- (a) Bank department: include transacting deposit, loan, and foreign exchange; dispatching, managing, performing TWD and foreign currency; investing in securities, and analyzing, managing interest for loan and deposit, and etc.
- (b) Government employees' insurance department: include managing government employees' insurance business; auditing insurance, cash settlement, and issue business; analyzing, managing, and taking statistics of government employees' insurance business, and etc.
- (c) Department of Procurement: include managing government institutions, public schools, and public enterprises' centralized purchasing business; being agency of government institutions, public schools, and public enterprises for inter-entity supply contract, and etc.
- (d) Department of Precious Metals: include managing gold, silver, precious metals and analyzing customs duty; gold, silver and precious metals intermediary trading, planning, marketing, training, settlement, risk management, assuring and etc.

	2025					Total
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Reconciliation and elimination	
Interest income	\$ 130,807,123	5,329,033	240	4,350	-	136,140,746
Less: interest expense	95,003,883	-	-	-	-	95,003,883
Interest income, net	35,803,240	5,329,033	240	4,350	-	41,136,863
Non-interest income, net	29,075,994	106,205,702	365,913	36,677	-	135,684,286
Other non-interest income	(5,272,961)	(111,372,945)	(12,944)	1,252,159	-	(115,406,691)
Net revenue	59,606,273	161,790	353,209	1,293,186	-	61,414,458
Bad debt expenses and reserve for guarantees	(1,766,414)	(36)	-	-	-	(1,766,450)
Operating expenses	(26,451,194)	(161,754)	(115,673)	(109,677)	-	(26,838,298)
Continuing operating income before income tax	<u>\$ 31,388,665</u>	<u>-</u>	<u>237,536</u>	<u>1,183,509</u>	<u>-</u>	<u>32,809,710</u>
Continuing operating income after income tax	<u>\$ 26,809,044</u>	<u>-</u>	<u>237,536</u>	<u>1,183,509</u>	<u>-</u>	<u>28,230,089</u>
Total assets	<u>\$ 6,161,864,372</u>	<u>694,773,413</u>	<u>3,325,881</u>	<u>4,636,676</u>	<u>(3,659,623)</u>	<u>6,860,940,719</u>
Total Liabilities	<u>\$ 5,625,968,520</u>	<u>694,773,413</u>	<u>3,088,345</u>	<u>3,453,168</u>	<u>(3,659,623)</u>	<u>6,323,623,823</u>

(Continued)

BANK OF TAIWAN
Notes to the Financial Statements

	2024					
	Bank department	Department of Government Employees Insurance	Department of Procurement	Department of Precious Metals	Reconciliation and elimination	Total
Interest income	\$ 128,321,149	5,174,544	410	4,068	-	133,500,171
Less: interest expense	<u>96,667,962</u>	-	-	-	-	<u>96,667,962</u>
Interest income, net	31,653,187	5,174,544	410	4,068	-	36,832,209
Non-interest income, net	33,840,809	113,649,890	349,087	42,221	-	147,882,007
Other non-interest income	<u>(5,358,809)</u>	<u>(118,649,622)</u>	<u>(15,486)</u>	<u>487,419</u>	-	<u>(123,536,498)</u>
Net revenue	60,135,187	174,812	334,011	533,708	-	61,177,718
Bad debt expenses and reserve for guarantees	(3,017,853)	(993)	-	-	-	(3,018,846)
Operating expenses	<u>(25,589,226)</u>	<u>(173,819)</u>	<u>(114,574)</u>	<u>(98,451)</u>	-	<u>(25,976,070)</u>
Continuing operating income before income tax	<u>\$ 31,528,108</u>	<u>-</u>	<u>219,437</u>	<u>435,257</u>	<u>-</u>	<u>32,182,802</u>
Continuing operating income after income tax	<u>\$ 28,313,013</u>	<u>-</u>	<u>219,437</u>	<u>435,257</u>	<u>-</u>	<u>28,967,707</u>
Total assets	<u>\$ 5,983,935,312</u>	<u>592,681,889</u>	<u>3,577,471</u>	<u>2,444,429</u>	<u>296,989</u>	<u>6,582,936,090</u>
Total Liabilities	<u>\$ 5,492,364,320</u>	<u>592,681,889</u>	<u>3,358,034</u>	<u>2,009,172</u>	<u>296,989</u>	<u>6,090,710,404</u>