

China Bills Finance Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
China Bills Finance Corporation

Opinion

We have audited the accompanying financial statements of China Bills Finance Corporation (the "Company"), which comprise the balance sheets as of December 31, 2025 and 2024, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

Estimated Impairment of Financial Guarantee Contracts

As of December 31, 2025, the Company's estimated reserve for losses on guarantee for the Company's financial guarantee contracts entered into with credit clients was \$1,586,500 thousand. In accordance with the requirements of IFRS 9, "Financial Instruments", the Company recognized the reserve for guarantee liabilities based on the assessed and estimated occurrence of expected losses on financial guarantee contracts. In addition, the reserve for guarantee liabilities was calculated and classified in accordance with the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" (Regulations Governing the Procedures for Bad Debt) and related regulations.

Please refer to Notes 4, 5, 21 and 38 (g) for relevant information and accounting policy for financial guarantee contracts.

The Company should assess the classification of credit assets and recognize the reserve for guarantee liabilities in accordance with the "Regulations Governing the Procedures for Bad Debt". The assessment and reservation involve subjective judgment and estimates, which will directly affect the related accrued amounts. Thus, the estimated impairment of financial guarantee contracts is deemed to be a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

1. We understood the relevant internal controls about the estimated impairment of reserve for guarantee liabilities of financial guarantee contracts and we tested the effectiveness of the operation of the controls.
2. We reviewed the management's loss reserves evaluation report of credit assets, checked the completeness of credit assets on the loss reserves evaluation report and evaluated the appropriateness of classification. We also recalculated the amount of reserves for guarantee liabilities shown on the provision for loss reserves evaluation report to confirm the mathematical accuracy of provision for loss reserves.

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 Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China., and for such internal control as management determines is necessary to enable the preparation of 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company'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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Kuan-Hao Lee and Yin-Chou Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2026

Notice to Readers

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

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

CHINA BILLS FINANCE CORPORATION

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

ASSETS	2025		2024	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 368,638	-	\$ 547,603	-
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4 and 7)	-	-	330,000	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 33 and 34)	152,103,636	57	150,478,933	60
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9 and 11)	102,976,196	39	94,715,735	38
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10, 11 and 34)	2,691,954	1	2,190,041	1
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 12 and 35)	4,306,136	2	1,955,700	1
RECEIVABLES, NET (Notes 4 and 13)	1,347,172	1	988,667	-
CURRENT TAX ASSETS (Notes 4 and 31)	331,173	-	436,938	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 14)	120,797	-	79,745	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	155,412	-	155,425	-
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 33)	31,066	-	2,840	-
DEFERRED TAX ASSETS (Notes 4 and 31)	82,112	-	246,561	-
OTHER ASSETS, NET (Notes 17 and 34)	<u>607,563</u>	<u>-</u>	<u>598,721</u>	<u>-</u>
TOTAL	<u>\$ 265,121,855</u>	<u>100</u>	<u>\$ 252,726,909</u>	<u>100</u>
LIABILITIES AND EQUITY				
CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS (Note 18)	\$ 29,965,143	12	\$ 21,105,772	8
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	13,360	-	23,796	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 19, 33 and 35)	204,299,001	77	204,003,192	81
ACCOUNTS PAYABLE (Note 20)	664,458	-	617,981	-
CURRENT TAX LIABILITIES (Notes 4 and 31)	71,901	-	-	-
PROVISIONS (Notes 4, 5 and 21)	1,586,500	1	1,401,077	1
LEASE LIABILITIES (Notes 4, 16 and 33)	31,231	-	2,886	-
DEFERRED TAX LIABILITIES (Notes 4 and 31)	48,366	-	49,002	-
OTHER LIABILITIES	<u>611,447</u>	<u>-</u>	<u>301,039</u>	<u>-</u>
Total liabilities	<u>237,291,407</u>	<u>90</u>	<u>227,504,745</u>	<u>90</u>
EQUITY (Notes 4 and 23)				
Ordinary share	<u>13,429,600</u>	<u>5</u>	<u>13,429,600</u>	<u>5</u>
Capital surplus	<u>16,737</u>	<u>-</u>	<u>15,222</u>	<u>-</u>
Retained earnings				
Legal reserve	9,681,399	4	9,232,120	4
Special reserve	1,731,829	1	1,731,829	1
Unappropriated earnings	<u>1,692,899</u>	<u>-</u>	<u>1,500,528</u>	<u>-</u>
Total retained earnings	<u>13,106,127</u>	<u>5</u>	<u>12,464,477</u>	<u>5</u>
Other equity	<u>1,277,984</u>	<u>-</u>	<u>(687,135)</u>	<u>-</u>
Total equity	<u>27,830,448</u>	<u>10</u>	<u>25,222,164</u>	<u>10</u>
TOTAL	<u>\$ 265,121,855</u>	<u>100</u>	<u>\$ 252,726,909</u>	<u>100</u>

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

CHINA BILLS FINANCE CORPORATION

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

	2025		2024		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
Interest revenue (Notes 4 and 24)	\$ 4,880,942	164	\$ 4,218,835	188	16
Deduct: Interest expense (Notes 4, 24 and 33)	<u>(3,956,930)</u>	<u>(133)</u>	<u>(3,854,075)</u>	<u>(172)</u>	3
Net interest	924,012	31	364,760	16	153
NET REVENUES OTHER THAN INTEREST					
Service fee income, net (Notes 4 and 25)	1,607,919	54	1,379,149	62	17
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 8, 26 and 33)	139,126	5	14,673	1	848
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 27)	316,136	11	407,785	18	(22)
Foreign exchange (losses) gains, net (Notes 4 and 28)	(12,043)	(1)	78,196	3	(115)
Reversal of impairment losses (impairment losses) on financial assets (Notes 4 and 11)	3,530	-	(5,815)	-	161
Other non-interest losses, net	<u>(105)</u>	<u>-</u>	<u>(218)</u>	<u>-</u>	(52)
TOTAL NET REVENUES	<u>2,978,575</u>	<u>100</u>	<u>2,238,530</u>	<u>100</u>	33
PROVISIONS (Notes 4 and 21)	<u>(108,857)</u>	<u>(4)</u>	<u>(27,899)</u>	<u>(1)</u>	290
OPERATING EXPENSES (Notes 4, 29, 30 and 33)					
Employee benefit expenses	(417,612)	(14)	(381,213)	(17)	10
Depreciation and amortization	(26,244)	(1)	(25,722)	(1)	2
Others	<u>(170,435)</u>	<u>(5)</u>	<u>(150,388)</u>	<u>(7)</u>	13
Total operating expenses	<u>(614,291)</u>	<u>(20)</u>	<u>(557,323)</u>	<u>(25)</u>	10
PROFIT BEFORE INCOME TAX	2,255,427	76	1,653,308	74	36
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(459,348)</u>	<u>(16)</u>	<u>(278,973)</u>	<u>(12)</u>	65
NET INCOME FOR THE YEAR	<u>1,796,079</u>	<u>60</u>	<u>1,374,335</u>	<u>62</u>	31

(Continued)

CHINA BILLS FINANCE CORPORATION

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

	2025		2024		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OTHER COMPREHENSIVE (LOSS) INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Notes 4 and 22)	\$ 7,191	-	\$ 23,236	1	(69)
Unrealized losses on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 23)	(51,733)	(1)	(7,481)	(1)	592
Income tax related to items that will not be reclassified subsequently to profit or loss (Notes 4 and 31)	<u>-</u>	<u>-</u>	<u>(4,583)</u>	<u>-</u>	100
Items that will not be reclassified subsequently to profit or loss for the year, net of income tax	<u>(44,542)</u>	<u>(1)</u>	<u>11,172</u>	<u>-</u>	(499)
Items that may be reclassified to profit or loss:					
Unrealized gains or losses on investments in debt instruments at fair value through other comprehensive income (Notes 4 and 23)	2,101,792	71	(161,112)	(7)	1,405
Income tax related to items that may be reclassified subsequently to profit or loss (Notes 4 and 31)	<u>(199,051)</u>	<u>(7)</u>	<u>43,193</u>	<u>2</u>	(561)
Items that may be reclassified subsequently to profit or loss for the year, net of income tax	<u>1,902,741</u>	<u>64</u>	<u>(117,919)</u>	<u>(5)</u>	1,714
Other comprehensive income (loss) for the year, net of income tax	<u>1,858,199</u>	<u>63</u>	<u>(106,747)</u>	<u>(5)</u>	1,841
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,654,278</u>	<u>123</u>	<u>\$ 1,267,588</u>	<u>57</u>	188

(Continued)

CHINA BILLS FINANCE CORPORATION

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

	2025		2024		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 32)					
Basic	\$ 1.34		\$ 1.02		
Diluted	\$ 1.34		\$ 1.02		

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

(Concluded)

CHINA BILLS FINANCE CORPORATION

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

	Ordinary Share Capital (Notes 4 and 23)	Capital Surplus (Notes 4 and 23)	Retained Earnings (Notes 4 and 23)			Other Equity (Notes 4 and 23) Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE ON JANUARY 1, 2024	\$ 13,429,600	\$ 13,509	\$ 8,810,708	\$ 1,731,829	\$ 1,404,707	\$ (457,129)	\$ 24,933,224
Legal reserve	-	-	421,412	-	(421,412)	-	-
Special reserve	-	-	-	-	-	-	-
Cash dividends distributed	-	-	-	-	(980,361)	-	(980,361)
Unclaimed dividends	-	1,713	-	-	-	-	1,713
Net income for the year ended December 31, 2024	-	-	-	-	1,374,335	-	1,374,335
Other comprehensive income (loss) for the year ended December 31, 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,653</u>	<u>(125,400)</u>	<u>(106,747)</u>
Total comprehensive income (loss) for the year ended December 31, 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,392,988</u>	<u>(125,400)</u>	<u>1,267,588</u>
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,606</u>	<u>(104,606)</u>	<u>-</u>
BALANCE ON DECEMBER 31, 2024	13,429,600	15,222	9,232,120	1,731,829	1,500,528	(687,135)	25,222,164
Legal reserve	-	-	449,279	-	(449,279)	-	-
Cash dividends distributed	-	-	-	-	(1,047,509)	-	(1,047,509)
Unclaimed dividends	-	1,515	-	-	-	-	1,515
Net income for the year ended December 31, 2025	-	-	-	-	1,796,079	-	1,796,079
Other comprehensive income for the year ended December 31, 2025	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,191</u>	<u>1,851,008</u>	<u>1,858,199</u>
Total comprehensive income for the year ended December 31, 2025	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,803,270</u>	<u>1,851,008</u>	<u>3,654,278</u>
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,111)</u>	<u>114,111</u>	<u>-</u>
BALANCE ON DECEMBER 31, 2025	<u>\$ 13,429,600</u>	<u>\$ 16,737</u>	<u>\$ 9,681,399</u>	<u>\$ 1,731,829</u>	<u>\$ 1,692,899</u>	<u>\$ 1,277,984</u>	<u>\$ 27,830,448</u>

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

CHINA BILLS FINANCE CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(In Thousands of New Taiwan Dollars)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,255,427	\$ 1,653,308
Adjustments for:		
Depreciation expenses	23,088	22,331
Amortization expenses	3,156	3,391
(Reversal) recognized of expected credit impairment loss	(3,530)	5,815
Net (gain) loss on valuation of financial assets and liabilities at fair value through profit or loss	(1,728)	55,747
Interest expense	3,956,930	3,854,075
Interest revenue	(4,880,942)	(4,218,835)
Dividend revenues	(217,711)	(210,332)
Net change in reserve for losses on guarantees	185,423	30,000
Loss (gain) on disposal of property and equipment	167	(57)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,633,411)	(32,412,370)
Financial assets at fair value through other comprehensive income	(6,206,872)	1,024,803
Investments in debt instruments at amortized cost	(498,193)	-
Securities purchased under resell agreements	(2,350,436)	909,325
Receivables and non-accrual loans	(180,917)	791,049
Other financial assets	(41,052)	(20,367)
Other assets	(2,390)	1,735
Securities sold under repurchase agreements	295,809	26,735,175
Payables	78,977	32,387
Provisions for employee benefits	-	(5,845)
Other liabilities	310,396	84,311
Interest received	4,699,710	4,054,951
Dividend received	217,647	215,332
Interest paid	(3,987,139)	(3,836,331)
Income tax paid	<u>(316,920)</u>	<u>(345,636)</u>
Net cash used in operating activities	<u>(8,294,511)</u>	<u>(1,576,038)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(8,144)	(19,784)
Proceeds from disposal of property and equipment	366	426
Decrease in refundable deposits	43	62
Increase in other assets	<u>(2,460)</u>	<u>(479)</u>
Net cash used in investing activities	<u>(10,195)</u>	<u>(19,775)</u>
		(Continued)

CHINA BILLS FINANCE CORPORATION

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

	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans from banks and overdrafts on banks	\$ 8,859,371	\$ 3,202,262
Repayment of the principal portion of lease liabilities	(16,121)	(16,229)
Cash dividend paid	<u>(1,047,509)</u>	<u>(980,361)</u>
Net cash generated from financing activities	<u>7,795,741</u>	<u>2,205,672</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(508,965)	609,859
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>877,603</u>	<u>267,744</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 368,638</u>	<u>\$ 877,603</u>

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets on December 31, 2025 and 2024:

	2025	2024
Cash and cash equivalents in the balance sheets	\$ 368,638	\$ 547,603
Due from the Central Bank and call loans to banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>-</u>	<u>330,000</u>
Cash and cash equivalents at the end of the year	<u>\$ 368,638</u>	<u>\$ 877,603</u>

The accompanying notes are an integral part of the financial statements. (Concluded)

CHINA BILLS FINANCE CORPORATION

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

1. GENERAL INFORMATION

China Bills Finance Corporation (the “Company”) was incorporated in October 1978 in accordance with the Company Law and other related laws. The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”). As of December 31, 2025, the Company’s headquarters was located in Taipei, with five branches in Banqiao, Taoyuan, Taichung, Tainan and Kaohsiung.

The Company’s main business scope includes: (a) certifying and underwriting of short-term bills and bank debentures; (b) brokering or undertaking proprietary trading of short-term bills, bank debentures, government and corporate bonds, and foreign bonds; (c) guaranteeing short-term bills; (d) providing financial consulting services to enterprises; (e) processing interbank call loans; (f) equity investments; (g) fixed-income security trading; (h) foreign-currency bills investment; and (i) doing other businesses as authorized by relevant authorities.

As of December 31, 2025 and 2024, the Company had a total of 166 and 167 employees, respectively.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on February 26, 2026.

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

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

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

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

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

Amendments to IFRS 9 and IFRS 7 “Amendments to the
Classification and Measurement of Financial Instruments”

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

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

- a) If a financial asset contains a contingent feature that could change the timing or amount of contractual cash flows and the contingent event itself does not relate directly to changes in basic lending risks and costs (e.g., whether the debtor achieves a contractually specified reduction in carbon emissions), the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding if, and only if,
 - In all possible scenarios (before and after the occurrence of a contingent event), the contractual cash flows are solely payments of principal and interest on the principal amount outstanding; and
 - In all possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.
- b) To clarify that a financial asset has non-recourse features if an entity’s ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.
- c) To clarify that the characteristics of contractually linked instruments include a prioritization of payments to the holders of financial assets using multiple contractually linked instruments (tranches) established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of cash shortfalls from the underlying pool between the tranches.

2) The amendments to the application guidance of derecognition of financial liabilities

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

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

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

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

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

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

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

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

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e., the Company’s share of the gain or loss is eliminated.

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

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

- To classify items of income and expenses included presented in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories, the Company shall assess whether it has specified main business activities of investing in particular types of assets and providing financing to customers.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.

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

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, and net defined benefit liabilities (assets) which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

Classification of Current and Non-current Assets and Liabilities

The operating cycle in the bills finance industry cannot be clearly identified; thus, accounts included in the financial statements of the Company were not classified as current or noncurrent. Nevertheless, accounts are properly categorized by the nature of each account and are sequenced by their liquidity.

Foreign Currencies

Monetary transactions in foreign currencies are recognized at the spot exchange rates at the dates of the transactions. On the settlement of the transactions, the gain or loss resulting from the application of exchange rates different from those used on initial recognition are recognized in profit or loss in the settlement period.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and time deposits with original maturities less than three months. In terms of statements of cash flows, cash and cash equivalents include due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7 as endorsed by the FSC.

Securities Purchased/Sold Under Resell/Repurchase Agreements

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

In the case of outright sale of government bonds purchased under resell agreements, the Company recognizes on financial liabilities at fair value through profit or loss of outright sale, and recognizes the realized gain or loss when government bonds purchased under resell agreements are replenished in the settlement period.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

a. Financial assets

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

1) Measurement category

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

a) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and remeasurement gains or losses on such financial assets (including any dividends or interest earned) are recognized in profit or loss. Fair value is determined in the manner described in Note 37.

b) Investments in debt instruments at FVTOCI

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

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

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

c) Investments in equity instruments at FVTOCI

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

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

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

d) Financial assets at amortized cost

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

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

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

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

- i. Purchased or originated credit-impaired financial asset, for which interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii. Financial asset that has subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

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

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, as well as contract assets.

The Company always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

- a) Internal or external information show that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

In addition to evaluating impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, the Company will evaluate impairment loss, under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt” issued by the authorities and the Company’s provision procedures, and recognize the higher of allowance of and debts between the above regulations expect.

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

Credits deemed uncollectible may be written off upon approval by the board of directors.

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, and remeasurement gains or losses on such financial liabilities (including any dividends or interest paid) are recognized in profit or loss. Fair value is determined in the manner described in Note 37.

b) Financial guarantee contracts

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

- i. The amount of the loss allowance determined in accordance with IFRS 9; and
- ii. The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts, assessment is also performed under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt” issued by the authorities, and the higher adequacy provision between the above regulations is recognized.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange swap contracts, interest rate swaps and convertible bond asset swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

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

e. Modification of financial instruments

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

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

Non-accrual Loans

Under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” issued by the Financial Supervisory Commission, receivables and the balances of guaranteed and endorsed credits that are unpaid within six months after maturity are transferred to non-accrual loans.

Property and Equipment

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

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

If the Company is under a contract for which the unavoidable costs of meeting contract obligations exceed the economic benefits expected to be received from the contract, the contract is considered onerous. The present obligations arising under this onerous contract are recognized and related provisions are set made.

Revenue Recognition

Service fee income is recognized when a major part of the earnings process has been completed and cash has been collected. Interest revenues are recorded on an accrual basis.

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

Interest revenue from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest revenue is accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable.

Leases

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

The Company as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Employee and Retirement Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Taxation

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

a. Current tax

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

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

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

b. Deferred tax

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

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

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

Deferred tax liabilities and assets are measured using applicable tax rates and laws that have been enacted or substantially enacted by the end of the reporting period in which the liability is settled or the asset realized. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers economic environment implications and inflation and interest rate fluctuations when making its critical accounting estimates on the cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Financial Guarantee Contracts

In accordance with the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt”, the Company’s assessment of the adequacy of reserve for guarantee liabilities is focused on whether or not, guarantee liabilities and related cash outflows are likely to occur. Evidence for making such judgment include observable data indicating adverse movement in payment status of the debtor or industry news relevant to the debtor’s financial position. The Company periodically reviews judgment factors and assumptions in order to minimize the difference between estimated loss and actual loss.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2025	2024
Checking accounts and demand deposits	\$ 368,638	\$ 547,603

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

	December 31	
	2025	2024
Call loans to banks	\$ <u>-</u>	\$ <u>330,000</u>

As of December 31, 2024, the latest due date of the Company's call loans to banks was January 2, 2025, with an annual interest rate of 0.805%

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2025	2024
Financial assets mandatorily classified as at fair value through profit or loss		
Derivative financial instruments		
Currency swap contracts	\$ 254	\$ -
Futures margins	44,475	38,407
Non-derivative financial instruments		
Investment in short-term bills	136,431,021	138,688,078
Bond investments	2,953,064	1,718,356
Domestic quoted shares	45,984	85,376
Securities investment trust funds	23,012	1,693
Fixed-rate commercial paper	14,010	11,960
Benchmark interest rate commercial paper	161,472	211,070
Beneficiary securities	37,564	496,830
Hybrid financial assets		
Convertible bond asset swap contracts	<u>12,392,780</u>	<u>9,227,163</u>
Financial assets at fair value through profit or loss	<u>\$ 152,103,636</u>	<u>\$ 150,478,933</u>
Financial liabilities held for trading		
Derivative financial instruments		
Purchase commitment contracts	\$ 2,217	\$ 10,103
Currency swap contracts	11,143	12,125
Non-derivative financial instruments		
Fixed-rate commercial paper	-	613
Benchmark interest rate commercial paper	<u>-</u>	<u>955</u>
Financial liabilities at fair value through profit or loss	<u>\$ 13,360</u>	<u>\$ 23,796</u>

The contract amounts (or notional amounts) of outstanding derivative financial instruments as of December 31, 2025 and 2024 were as follows:

	December 31	
	2025	2024
Convertible bond asset swap contracts	\$ 12,344,600	\$ 9,204,600
Purchase commitment contracts	4,250,000	6,450,000
Currency swap contracts	1,886,280	1,147,335
Futures contracts	84,883	-

The Company used transactions of derivative financial instruments to acquire fixed returns and reduce the cash flow risk arising from interest rate and exchange rate fluctuations.

As of December 31, 2025 and 2024, the face values of financial assets at fair value through profit or loss under repurchase agreements were \$114,625,200 thousand and \$114,562,700 thousand, respectively.

The profit and loss arising from financial assets and liabilities at fair value through profit and loss in 2025 and 2024 were as follows:

	For the Year Ended December 31	
	2025	2024
<u>Financial assets at fair value through profit or loss</u>		
Realized profit	\$ 173,882	\$ 125,971
Valuation loss	<u>(8,708)</u>	<u>(66,182)</u>
	<u>\$ 165,174</u>	<u>\$ 59,789</u>
<u>Financial liabilities at fair value through profit or loss</u>		
Realized loss	\$ (36,484)	\$ (55,551)
Valuation profit	<u>10,436</u>	<u>10,435</u>
	<u>\$ (26,048)</u>	<u>\$ (45,116)</u>

Refer to Note 34 for information relating to the financial assets at FVTPL pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2025	2024
Investments in equity instruments	\$ 1,595,785	\$ 1,241,937
Investments in debt instruments	<u>101,380,411</u>	<u>93,473,798</u>
	<u>\$ 102,976,196</u>	<u>\$ 94,715,735</u>

a. Investments in equity instruments

	December 31	
	2025	2024
Domestic investments		
Listed shares and emerging market shares	\$ 1,063,297	\$ 747,522
Unlisted shares	426,888	388,965
Beneficiary securities on real estate investment trust	<u>105,600</u>	<u>105,450</u>
	<u>\$ 1,595,785</u>	<u>\$ 1,241,937</u>

As of December 31, 2025 and 2024 domestic unlisted shares held by the Company were as follows:

	December 31	
	2025	2024
<u>Domestic unlisted shares</u>		
Taiwan Depository and Clearing Corporation	\$ 211,990	\$ 188,002
Taiwan Futures Exchange Corporation	137,546	127,138
Taiwan Asset Management Corporation	77,352	73,825
Core Pacific City Corporation	<u>-</u>	<u>-</u>
	<u>\$ 426,888</u>	<u>\$ 388,965</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

The Company adjusted the capital adequacy ratio by disposal of shares classified as at FVTOCI. For the years ended December 31, 2025 and 2024, the fair value of shares disposed which classified as at FVTOCI were \$2,906,493 thousand and \$4,050,479 thousand and the accumulated (losses) gains related to the sold assets were \$(114,111) thousand and \$104,606 thousand which were transferred from other equity to retained earnings, respectively.

Dividends of \$214,873 thousand and \$206,994 thousand were recognized during 2025 and 2024, and those related to investments held at the end of the reporting period were \$134,371 thousand and \$67,843 thousand, respectively.

b. Investments in debt instruments

	December 31	
	2025	2024
<u>Domestic investments</u>		
Government bonds	\$ 4,808,942	\$ 4,770,811
Corporate bonds	67,266,145	61,338,769
Bank debentures	2,547,231	1,880,826
<u>Foreign investments</u>		
Overseas government bonds	2,322,795	2,130,459
Overseas corporate bonds	5,815,210	6,590,341
Overseas bank debentures	<u>18,620,088</u>	<u>16,762,592</u>
	<u>\$ 101,380,411</u>	<u>\$ 93,473,798</u>

Refer to Note 11 for information relating to the credit risk and impairment assessment about these investments in debt instruments at FVTOCI.

As of December 31, 2025 and 2024, the face value of financial instruments at FVTOCI under repurchase agreements was \$84,933,357 thousand and \$86,340,485 thousand, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2025	2024
<u>Domestic investments</u>		
Government bonds	<u>\$ 2,691,954</u>	<u>\$ 2,190,041</u>
a. Refer to Note 11 for information relating to the credit risk management and impairment assessment of investments in debt instruments at amortized cost.		
b. Refer to Note 34 for information relating to the investments in debt instruments at amortized cost pledged as security.		

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

December 31, 2025

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 100,363,807	\$ 2,691,954
Less: Allowance for impairment loss	<u>(20,354)</u>	<u>-</u>
Amortized cost	100,343,453	<u>\$ 2,691,954</u>
Adjustment to fair value	<u>1,036,958</u>	
	<u>\$ 101,380,411</u>	

December 31, 2024

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 94,562,516	\$ 2,190,041
Less: Allowance for impairment loss	<u>(23,884)</u>	<u>-</u>
Amortized cost	94,538,632	<u>\$ 2,190,041</u>
Adjustment to fair value	<u>(1,064,834)</u>	
	<u>\$ 93,473,798</u>	

The Company invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company’s exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Company has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

In determining the expected credit losses for debt instrument investments, the Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast in estimating 12-month or lifetime expected credit losses.

The Company's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECLs - credit-impaired

The gross carrying amounts of debt instrument investments by credit category were as follows:

Category	December 31	
	2025	2024
Performing	\$ 103,055,761	\$ 96,752,557
Doubtful	-	-
In default	-	-

The movements of the allowance for impairment loss of investments in debt instruments at FVTOCI were as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit - Impaired)	In Default (Lifetime ECLs - Credit - Impaired)
Balance on January 1, 2025	\$ 23,884	\$ -	\$ -
From performing to doubtful	-	-	-
New financial assets purchased	6,186	-	-
Derecognition	(6,574)	-	-
Change in model or risk parameters	(2,767)	-	-
Change in exchange rates or others	<u>(375)</u>	<u>-</u>	<u>-</u>
Balance on December 31, 2025	<u>\$ 20,354</u>	<u>\$ -</u>	<u>\$ -</u>
Balance on January 1, 2024	\$ 18,069	\$ -	\$ -
From performing to doubtful	(236)	236	-
New financial assets purchased	8,214	-	-
Derecognition	(2,415)	(1,253)	-
Change in model or risk parameters	(451)	1,017	-
Change in exchange rates or others	<u>703</u>	<u>-</u>	<u>-</u>
Balance on December 31, 2024	<u>\$ 23,884</u>	<u>\$ -</u>	<u>\$ -</u>

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

As of December 31, 2025 and 2024, bonds and bills in the amounts of \$4,306,136 thousand and \$1,955,700 thousand purchased were under resell agreements were in the amounts of \$4,317,700 thousand and \$1,960,890 thousand before March 2026 and April 2025, respectively.

As of December 31, 2025 and 2024, bonds and bills purchased under resell agreements were sold under repurchase agreements in the face values of \$3,684,000 thousand and \$2,027,900 thousand, respectively.

13. RECEIVABLES, NET

	December 31	
	2025	2024
Interest receivables, net	\$ 1,154,176	\$ 983,853
Receivables on bond sales	159,733	4,313
Receivables on settlement of asset swap	33,199	501
Dividend receivable	<u>64</u>	<u>-</u>
	<u>\$ 1,347,172</u>	<u>\$ 988,667</u>

14. OTHER FINANCIAL ASSETS, NET

	December 31	
	2025	2024
Repurchase agreement margins	<u>\$ 120,797</u>	<u>\$ 79,745</u>

15. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Transportation Equipment	Machinery and Computer Equipment	Office and Other Equipment	Lease Improvement	Equipment under Installation and Construction in Progress	Total
<u>Cost</u>								
Balance on January 1, 2024	\$ 83,337	\$ 94,259	\$ 10,567	\$ 49,805	\$ 18,025	\$ 7,485	\$ -	\$ 263,478
Additions	-	333	2,005	12,049	235	-	5,162	19,784
Reclassification	-	1,732	-	1,881	506	-	(5,162)	(1,043)
Disposals	<u>-</u>	<u>-</u>	<u>(1,554)</u>	<u>(162)</u>	<u>(725)</u>	<u>-</u>	<u>-</u>	<u>(2,441)</u>
Balance on December 31, 2024	<u>\$ 83,337</u>	<u>\$ 96,324</u>	<u>\$ 11,018</u>	<u>\$ 63,573</u>	<u>\$ 18,041</u>	<u>\$ 7,485</u>	<u>\$ -</u>	<u>\$ 279,778</u>
<u>Accumulated depreciation</u>								
Balance on January 1, 2024	\$ -	\$ 56,841	\$ 7,729	\$ 34,447	\$ 15,162	\$ 5,787	\$ -	\$ 119,966
Disposals	-	-	(1,295)	(121)	(656)	-	-	(2,072)
Depreciation expense	<u>-</u>	<u>1,752</u>	<u>770</u>	<u>3,562</u>	<u>249</u>	<u>126</u>	<u>-</u>	<u>6,459</u>
Balance on December 31, 2024	<u>\$ -</u>	<u>\$ 58,593</u>	<u>\$ 7,204</u>	<u>\$ 37,888</u>	<u>\$ 14,755</u>	<u>\$ 5,913</u>	<u>\$ -</u>	<u>\$ 124,353</u>
Net amount on December 31, 2024	<u>\$ 83,337</u>	<u>\$ 37,731</u>	<u>\$ 3,814</u>	<u>\$ 25,685</u>	<u>\$ 3,286</u>	<u>\$ 1,572</u>	<u>\$ -</u>	<u>\$ 155,425</u>
<u>Cost</u>								
Balance on January 1, 2025	\$ 83,337	\$ 96,324	\$ 11,018	\$ 63,573	\$ 18,041	\$ 7,485	\$ -	\$ 279,778
Additions	-	-	2,396	2,885	2,863	-	-	8,144
Disposals	<u>-</u>	<u>-</u>	<u>(2,281)</u>	<u>(93)</u>	<u>(1,284)</u>	<u>-</u>	<u>-</u>	<u>(3,658)</u>
Balance on December 31, 2025	<u>\$ 83,337</u>	<u>\$ 96,324</u>	<u>\$ 11,133</u>	<u>\$ 66,365</u>	<u>\$ 19,620</u>	<u>\$ 7,485</u>	<u>\$ -</u>	<u>\$ 284,264</u>

(Continued)

	Land	Buildings	Transportation Equipment	Machinery and Computer Equipment	Office and Other Equipment	Lease Improvement	Equipment under Installation and Construction in Progress	Total
<u>Accumulated depreciation</u>								
Balance on January 1, 2025	\$ -	\$ 58,593	\$ 7,204	\$ 37,888	\$ 14,755	\$ 5,913	\$ -	\$ 124,353
Disposals	-	-	(1,901)	(73)	(1,151)	-	-	(3,125)
Depreciation expense	-	1,906	1,048	4,055	501	114	-	7,624
Balance on December 31, 2025	<u>\$ -</u>	<u>\$ 60,499</u>	<u>\$ 6,351</u>	<u>\$ 41,870</u>	<u>\$ 14,105</u>	<u>\$ 6,027</u>	<u>\$ -</u>	<u>\$ 128,852</u>
Net amount on December 31, 2025	<u>\$ 83,337</u>	<u>\$ 35,825</u>	<u>\$ 4,782</u>	<u>\$ 24,495</u>	<u>\$ 5,515</u>	<u>\$ 1,458</u>	<u>\$ -</u>	<u>\$ 155,412</u>

(Concluded)

The above items of property and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	5-55 years
Transportation equipment	3-5 years
Machinery and computer equipment	3-8 years
Office and other equipment	3-8 years
Lease improvement	5 years

There were no property and equipment pledged by the Company to secure its borrowing or issued guarantees.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2025	2024
<u>Carrying amounts</u>		
Buildings	\$ 30,607	\$ 1,343
Transportation equipment	<u>459</u>	<u>1,497</u>
	<u>\$ 31,066</u>	<u>\$ 2,840</u>
<u>For the Year Ended December 31</u>		
	2025	2024
Additions to right-of-use assets	<u>\$ 43,690</u>	<u>\$ 1,598</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 14,426	\$ 14,735
Transportation equipment	<u>1,038</u>	<u>1,137</u>
	<u>\$ 15,464</u>	<u>\$ 15,872</u>

Except for the aforementioned additions and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2025 and 2024.

b. Lease liabilities

	December 31	
	2025	2024
Carrying amounts	\$ <u>31,231</u>	\$ <u>2,886</u>

Discount rates for lease liabilities were as follows:

	December 31	
	2025	2024
Buildings	1.729%-2.294%	1.729%
Transportation equipment	2.616%-2.761%	2.616%-2.761%

c. Other lease information

	For the Year Ended December 31	
	2025	2024
Expenses relating to short-term leases	\$ <u>-</u>	\$ <u>-</u>
Expenses relating to low-value asset leases	\$ <u>792</u>	\$ <u>723</u>
Total cash outflow for leases	\$ <u>(16,914)</u>	\$ <u>(16,952)</u>

17. OTHER ASSETS, NET

	December 31	
	2025	2024
Refundable deposits	\$ 565,494	\$ 565,537
Prepaid pensions cost	36,689	23,414
Long-term prepaid expenses	3,064	3,760
Prepaid expenses	2,177	5,034
Others	<u>139</u>	<u>976</u>
	\$ <u>607,563</u>	\$ <u>598,721</u>

As of December 31, 2025 and 2024, the refundable deposits were as follows:

	December 31	
	2025	2024
Deposits placed with the Over the Counter (OTC) exchange for OTC transactions	\$ 5,000	\$ 5,000
Deposits placed with bank overdrafts	525,000	525,000
Others	<u>35,494</u>	<u>35,537</u>
	\$ <u>565,494</u>	\$ <u>565,537</u>

The refundable deposits above were deposited in cash.

18. CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS

As of December 31, 2025 and 2024, the balances of call loans from banks and overdrafts on banks amounted to \$29,965,143 thousand and \$21,105,772 thousand, respectively, with interest rate ranges from 1.43%-4.18% and 1.63%-5.20%, and the latest due date were January 2026 and January 2025, respectively.

As of December 31, 2025 and 2024, the credit lines of call loans from banks and overdrafts on banks were \$169,895,750 thousand and \$154,376,550 thousand, respectively.

19. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As of December 31, 2025 and 2024, bonds and bills in the amounts of \$204,299,001 thousand and \$204,003,192 thousand, respectively, had been sold under repurchase agreements for \$204,634,946 thousand and \$204,379,625 thousand before their maturities in October 2026 and October 2025, respectively.

20. PAYABLES

	December 31	
	2025	2024
Dividend payable	\$ 164	\$ 155
Employee awards payable	174,598	153,364
Withholding tax payable held by prior parties	79,497	65,392
Interest payables	184,012	214,997
Compensation to directors and employees	69,755	42,392
Payable for shares purchased	69,797	55,807
Other service charge payable	-	4,671
Others	<u>86,635</u>	<u>81,203</u>
	<u>\$ 664,458</u>	<u>\$ 617,981</u>

21. PROVISIONS

	December 31	
	2025	2024
Reserve for losses on guarantees	<u>\$ 1,586,500</u>	<u>\$ 1,401,077</u>

Reversals (provisions) were as follows:

	For the Year Ended December 31	
	2025	2024
Amounts collected from prior years' write-off	\$ 76,566	\$ 2,101
Amounts provisioned for loss on guarantees	<u>(185,423)</u>	<u>(30,000)</u>
	<u>\$ (108,857)</u>	<u>\$ (27,899)</u>

22. RETIREMENT BENEFITS PLANS

a. Defined contribution plans

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

The total expenses recognized in profit or loss for the years ended December 31, 2025 and 2024 amounted to \$9,338 thousand and \$9,132 thousand, respectively, were the contributions payable by the Company to the LPA plan at the specified rates.

According to the Company's retirement policies, when the managers meet the criteria stated in the retirement policies, the pension costs payable are calculated based on the total number of years of employment, in accordance with the LPA and Labor Standards Act.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standard Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts within the range of 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the pension fund balance is inadequate for the payment of the retirement benefits of employees who will qualify for retirement in the next year, the Company is required to fund the difference through an appropriation that should be made by the end of March of the next year. The pension fund is managed by the Bureau of Labor (the "Bureau") under Ministry of Labor; the Company has no right to influence the Bureau's fund investment policy and strategy.

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans was as follows:

	December 31	
	2025	2024
Present value of defined benefit obligation	\$ 163,803	\$ 174,368
Fair value of plan assets	<u>(200,492)</u>	<u>(197,782)</u>
Net defined benefit assets (classified under prepaid pension cost)	<u>\$ (36,689)</u>	<u>\$ (23,414)</u>

Movements of the net defined benefit (asset) liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit (Asset) Liability
Balance on January 1, 2024	<u>\$ 192,728</u>	<u>\$ (186,883)</u>	<u>\$ 5,845</u>
Service cost			
Current service cost	630	-	630
Net interest expense (revenue)	<u>2,129</u>	<u>(2,123)</u>	<u>6</u>
Recognized in profit or loss	<u>2,759</u>	<u>(2,123)</u>	<u>636</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(16,352)	(16,352)
Actuarial profit - changes in financial assumptions	(4,972)	-	(4,972)
Actuarial profit - experience adjustments	<u>(1,912)</u>	<u>-</u>	<u>(1,912)</u>
Recognized in other comprehensive income	<u>(6,884)</u>	<u>(16,352)</u>	<u>(23,236)</u>
Contributions from the employer	-	(6,659)	(6,659)
Benefits paid	<u>(14,235)</u>	<u>14,235</u>	<u>-</u>
Balance on December 31, 2024	<u>174,368</u>	<u>(197,782)</u>	<u>(23,414)</u>
Service cost			
Current service cost	618	-	618
Net interest expense (revenue)	<u>2,566</u>	<u>(2,969)</u>	<u>(403)</u>
Recognized in profit or loss	<u>3,184</u>	<u>(2,969)</u>	<u>215</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,277)	(13,277)
Actuarial profit - changes in financial assumptions	1,463	-	1,463
Actuarial profit - experience adjustments	<u>4,623</u>	<u>-</u>	<u>4,623</u>
Recognized in other comprehensive income	<u>6,086</u>	<u>(13,277)</u>	<u>(7,191)</u>
Contributions from the employer	-	(6,299)	(6,299)
Benefits paid	<u>(19,835)</u>	<u>19,835</u>	<u>-</u>
Balance on December 31, 2025	<u>\$ 163,803</u>	<u>\$ (200,492)</u>	<u>\$ (36,689)</u>

The Company is exposed to the following risks on its defined benefit plan:

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

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

	December 31	
	2025	2024
Discount rates	1.375%	1.500%
Expected rates of salary increase	2.500%	2.500%

If there is a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2025	2024
Discount rates		
0.25% increase	\$ (2,908)	\$ (3,202)
0.25% decrease	\$ 2,986	\$ 3,291
Expected rates of salary increase		
0.25% increase	\$ 2,900	\$ 3,199
0.25% decrease	\$ (2,838)	\$ (3,128)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation because it is unlikely that the change in assumptions would occur independently of each other as some of the assumptions may be correlated.

	December 31	
	2025	2024
The expected contributions to the plan for the next year	\$ 6,456	\$ 6,825
The average duration of the defined benefit obligation	7.2 years	7.5 years

23. EQUITY

a. Ordinary share

	December 31	
	2025	2024
Number of shares authorized (in thousands)	1,678,700	1,678,700
Shares authorized	\$ 16,787,000	\$ 16,787,000
Number of shares issued and fully paid (in thousands)	1,342,960	1,342,960
Shares issued	\$ 13,429,600	\$ 13,429,600

b. Capital surplus

	December 31	
	2025	2024
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital</u>		
Treasury share transactions	\$ 2,474	\$ 2,474
<u>May only be used to offset a deficit</u>		
Unclaimed dividends	<u>14,263</u>	<u>12,748</u>
	<u>\$ 16,737</u>	<u>\$ 15,222</u>

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the annual net income, less accumulated losses, should be appropriated as follows:

- 1) Legal reserve, 30%;
- 2) Special reserve, if needed; and
- 3) Dividends.

The shareholders of the Company held their meeting on June 14, 2024, and in that meeting, resolved the amendments to the Company's Articles. The amendments explicitly stipulate that the Company's dividends should not be appropriated less than 20% of the aforementioned balance.

The Company's dividend policy is as follows:

- 1) The Company distributes a portion of the reserves in accordance with regulations, and the Company cannot distribute dividends if it has no earnings in the current period.
- 2) The Company is in a fiercely competitive financial industry, and its industrial growth has slowed down. As a result, dividends are distributed not only principally in cash, but also in stock and should be at least 40% of total dividends.
- 3) The Company has the right to adjust its dividend policy in accordance with economic conditions, industry developments, and the Company's demand for funds.

Information on the employees' compensation and remuneration of directors proposed by the Company's board of directors is referred to in Note 29.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient.

The appropriations of earnings for 2024 and 2023 which had been approved in the shareholders' meeting on June 13, 2025 and June 14, 2024, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2024	2023	2024	2023
Legal reserve	\$ 449,279	\$ 421,412		
Cash dividends	1,047,509	980,361	\$ 0.78	\$ 0.73

On February 26, 2026, the Board of Directors of the Company proposed the appropriation of the 2025 earnings and the dividends per share as follows:

	Appropriation	Dividends Per
	of Earnings	Share (NT\$)
	For the Year	For the Year
	Ended	Ended
	December 31,	December 31,
	2025	2025
Legal reserve	\$ 506,705	
Cash dividends	1,208,664	\$0.90

d. Other equity items

Unrealized valuation gain/loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2025	2024
Balance on January 1	\$ (687,135)	\$ (457,129)
Recognized during the period		
Unrealized gain or loss		
Debt instruments	2,007,534	77,057
Equity instruments	(51,733)	(7,481)
Adjustments of expected credit losses in debt instruments	(3,530)	5,815
Reclassification adjustments		
Disposal of investments in debt instruments	(101,263)	(200,791)
Other comprehensive income recognized in the period	1,851,008	(125,400)
Cumulative unrealized gain on equity instruments transferred to retained earnings due to disposal	114,111	(104,606)
Balance on December 31	\$ 1,277,984	\$ (687,135)

24. NET INTEREST

	For the Year Ended December 31	
	2025	2024
Interest revenue		
Bonds	\$ 2,212,876	\$ 2,003,129
Short-term bills	2,247,564	1,958,031
Convertible bond asset swap	356,754	204,646
Securities purchased under resell agreements	52,043	34,048
Others	<u>11,705</u>	<u>18,981</u>
	<u>4,880,942</u>	<u>4,218,835</u>
Interest expense		
Bonds sold under repurchase agreements	(1,893,593)	(2,006,086)
Bills sold under repurchase agreements	(1,591,835)	(1,382,107)
Call loans from banks	(440,487)	(452,614)
Convertible bond asset swap	(30,064)	(12,970)
Lease liabilities	(776)	(174)
Others	<u>(175)</u>	<u>(124)</u>
	<u>(3,956,930)</u>	<u>(3,854,075)</u>
	<u>\$ 924,012</u>	<u>\$ 364,760</u>

25. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2025	2024
Service fee income		
Guarantee business	\$ 870,297	\$ 763,589
Underwriting business	633,315	517,568
Others	<u>120,541</u>	<u>122,952</u>
	<u>1,624,153</u>	<u>1,404,109</u>
Service charge		
Others	<u>(16,234)</u>	<u>(24,960)</u>
	<u>\$ 1,607,919</u>	<u>\$ 1,379,149</u>

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

	For the Year Ended December 31	
	2025	2024
Short-term bills	\$ 39,036	\$ 46,499
Bonds	118,636	57,539
Stocks and mutual funds	(6,624)	8,773
Derivative financial instruments	<u>(11,922)</u>	<u>(98,138)</u>
	<u>\$ 139,126</u>	<u>\$ 14,673</u>

27. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2025	2024
Government bonds	\$ 4,322	\$ 12,645
Corporate bonds	4,661	4,278
Bank debentures	92,280	183,868
Dividend revenues	<u>214,873</u>	<u>206,994</u>
	<u>\$ 316,136</u>	<u>\$ 407,785</u>

28. FOREIGN EXCHANGE GAINS (LOSSES), NET

	For the Year Ended December 31	
	2025	2024
Gross amount of foreign currency exchange gains	\$ 83,276	\$ 103,330
Gross amount of foreign currency exchange losses	<u>(95,319)</u>	<u>(25,134)</u>
Net foreign exchange gains or losses	<u>\$ (12,043)</u>	<u>\$ 78,196</u>

29. EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2025	2024
Employee benefit		
Salaries and wages (include employees' compensation)	\$ 313,882	\$ 291,911
Labor insurance and national health insurance	16,362	16,076
Remuneration of directors	42,782	29,449
Pension (Note 22)	9,553	9,768
Others	35,033	34,009
Depreciation	23,088	22,331
Amortization	3,156	3,391

If the Company has profit in the year, the profit shall be reserved as employees' compensation and remuneration of directors and resolved with the consent of the majority of the directors present at the meeting attended by more than two-thirds of the total directors. In accordance with the amendments to the Securities and Exchange Act in August 2024, the shareholders of the Company resolved the amendments to the Company's Articles at their 2025 regular meeting. Stipulating that the remuneration allocated to frontline employees shall not be less than a designated allocation of the total employee compensation fund. However, in case of accumulated losses, profit shall first be reserved to cover the losses.

The Company's compensation policy is as follows:

- a. Employees: 1% to 2.5% of the profit; the remuneration allocated to frontline employees shall be no less than 15% of the designated allocation.
- b. Directors: 2.5% of the profit as an upper limit. The independent directors do not participate in assignment of remuneration.

The profit mentioned above is net profit before income tax without employee’s compensation and remuneration of directors.

The employees’ compensation may be distributed by stock or cash. The remuneration of directors should only be distributed by cash. The appropriations of earnings for employees’ compensation and the remuneration of directors should be approved by the Company’s board of directors and reported to the shareholders in their meeting.

For the years ended December 31, 2025 and 2024, the accrual rates and amounts of employees’ compensation and remuneration of directors were as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
Employees’ compensation	1.50%	1.25%
Remuneration of directors	1.50%	1.25%

	<u>For the Year Ended December 31</u>	
	2025	2024
Employees’ compensation	<u>\$ 34,878</u>	<u>\$ 21,196</u>
Remuneration of directors	<u>\$ 34,878</u>	<u>\$ 21,196</u>

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

The employees’ compensation and remuneration of directors for 2024 and 2023 resolved by the Company’s board of directors on March 21, 2025 and February 27, 2024, respectively, were as below:

	<u>For the Year Ended December 31</u>	
	2024	2023
Employees’ compensation	<u>\$ 21,196</u>	<u>\$ 15,536</u>
Remuneration of directors	<u>\$ 21,196</u>	<u>\$ 15,536</u>

There is no material difference between the actual amounts of employees’ compensation and remuneration of directors paid in 2023 and 2024 and the amounts recognized in the financial statements for the year ended December 31, 2024.

On February 26, 2026, the Board of Directors of the Company resolved to distribute the 2025 employee compensation and director remuneration as follows:

	<u>For the Year Ended December 31, 2025</u>
Employees’ compensation	<u>\$ 34,878</u>
Remuneration of directors	<u>\$ 34,878</u>

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

30. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2025	2024
Taxation	\$ 93,775	\$ 82,054
Postage expenses	15,219	14,027
Stocks service fee	4,673	6,164
Annual fee and allocated	6,388	5,825
Commissioned investigation expense	5,281	5,343
Others	<u>45,099</u>	<u>36,975</u>
	<u>\$ 170,435</u>	<u>\$ 150,388</u>

31. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2025	2024
Current tax		
In respect of the current year	\$ 509,020	\$ 224,911
Income tax on unappropriated earnings	40	28,991
Adjustments for prior year	(14,474)	-
Deferred tax		
In respect of the current year	<u>(35,238)</u>	<u>25,071</u>
Income tax expense recognized in profit or loss	<u>\$ 459,348</u>	<u>\$ 278,973</u>

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

	For the Year Ended December 31	
	2025	2024
Profit before tax	<u>\$ 2,255,427</u>	<u>\$ 1,653,308</u>
Income tax expense calculated at the statutory rate	\$ 451,085	\$ 330,662
Realized gain on investment in equity instruments measured at fair value through other comprehensive income	(22,822)	20,921
Nondeductible expense in determining taxable income	27,721	30,659
Tax-exempt income	18,172	(148,874)
Income tax on unappropriated earnings	40	28,991
Unrecognized deductible temporary differences	(374)	16,614
Adjustments for prior years' tax	<u>(14,474)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 459,348</u>	<u>\$ 278,973</u>

b. Income tax recognized directly in other comprehensive income

	For the Year Ended December 31	
	2025	2024
<u>Deferred tax</u>		
Current period		
Unrealized gains or losses on financial assets at FVTOCI	\$ 199,051	\$ (43,193)
Remeasurement of defined benefit plans	<u>-</u>	<u>4,583</u>
Income tax expense (benefit) recognized in other comprehensive income	<u>\$ 199,051</u>	<u>\$ (38,610)</u>

c. Current tax assets

	December 31	
	2025	2024
Current tax assets		
Tax refund receivable	<u>\$ 331,173</u>	<u>\$ 436,938</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2025

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Financial assets at FVTOCI	\$ 195,139	\$ -	\$ (195,139)	\$ -
Reserve for losses on guarantees	<u>51,422</u>	<u>30,690</u>	<u>-</u>	<u>82,112</u>
	<u>\$ 246,561</u>	<u>\$ 30,690</u>	<u>\$ (195,139)</u>	<u>\$ 82,112</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Financial assets at FVTPL	\$ 44,383	\$ (4,548)	\$ -	\$ 39,835
Financial assets at FVTOCI	-	-	3,912	3,912
Defined benefit obligation	<u>4,619</u>	<u>-</u>	<u>-</u>	<u>4,619</u>
	<u>\$ 49,002</u>	<u>\$ (4,548)</u>	<u>\$ 3,912</u>	<u>\$ 48,366</u>

For the year ended December 31, 2024

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Financial assets at FVTOCI	\$ 151,946	\$ -	\$ 43,193	\$ 195,139
Reserve for losses on guarantees	67,052	(15,630)	-	51,422
Defined benefit obligation	<u>1,169</u>	<u>(1,169)</u>	<u>-</u>	<u>-</u>
	<u>\$ 220,167</u>	<u>\$ (16,799)</u>	<u>\$ 43,193</u>	<u>\$ 246,561</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Financial assets at FVTPL	\$ 36,147	\$ 8,236	\$ -	\$ 44,383
Defined benefit obligation	<u>-</u>	<u>36</u>	<u>4,583</u>	<u>4,619</u>
	<u>\$ 36,147</u>	<u>\$ 8,272</u>	<u>\$ 4,583</u>	<u>\$ 49,002</u>

e. Income tax assessments

The tax returns through 2022, except 2021, have been examined by the tax authorities.

32. EARNINGS PER SHARE

Earnings and weighted average number of ordinary shares used in calculating earnings per share were as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
Earnings used in the computation of basic earnings per share	<u>\$ 1,796,079</u>	<u>\$ 1,374,335</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	2025	2024
Weighted average number of ordinary shares in the computation of basic earnings per share	1,342,960	1,342,960
Effect of potentially dilutive ordinary shares:		
Employees' compensation issued to employees	<u>2,386</u>	<u>1,575</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,345,346</u>	<u>1,344,535</u>

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2025	2024
Basic earnings per share	\$ 1.34	\$ 1.02
Diluted earnings per share	\$ 1.34	\$ 1.02

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in stocks, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

33. RELATED PARTY TRANSACTIONS

- a. The related parties and their relationship with the Company are summarized as follows:

Related Party	Relationship with the Company
O-Bank	Parent of the Company
National Association of Police Friends R.O.C. Criminal Investigation and Prevention Association, R.O.C. (CIPA)	The Company's director is the director of association The Company's director is the director of CIPA
Others	Individuals and close relatives of the Company's key management, related party in substance

- b. The significant transactions and balances with the related parties are summarized as follows:

- 1) Security transactions under repurchase agreements

For the year ended December 31, 2025

Related Party	Securities Sold Under Repurchase Agreements	December 31, 2025	Intervals of Interest Rate	Interest Expense
Others	\$ 1,584,329	\$ 2,840	1.20%-4.50%	\$ 3,403

For the year ended December 31, 2024

Related Party	Securities Sold Under Repurchase Agreements	December 31, 2024	Intervals of Interest Rate	Interest Expense
Others	\$ 757,453	\$ 26,069	0.77%-5.40%	\$ 2,155

2) Bonds and short-term bills purchased

For the year ended December 31, 2025

Related Party	Short-term Bills	Bonds	Total
Others	<u>\$ 9,495</u>	<u>\$ -</u>	<u>\$ 9,495</u>

For the year ended December 31, 2024

Related Party	Short-term Bills	Bonds	Total
Others	<u>\$ 9,194</u>	<u>\$ -</u>	<u>\$ 9,194</u>

3) Bonds and short-term bills sold

For the year ended December 31, 2025

Related Party	Amounts	Gain (Loss) on Disposal of Financial Assets at Fair value Through Profit or Loss
Others	<u>\$ 235,395</u>	<u>\$ 422</u>

For the year ended December 31, 2024

Related Party	Amounts	Gain (Loss) on Disposal of Financial Assets at Fair value Through Profit or Loss
Others	<u>\$ 315,776</u>	<u>\$ 669</u>

4) Lease arrangements

On November 15, 2024, the Company entered into lease agreements and acquired right-of-use assets from O-Bank for the use of O-Bank’s building and parking lots. The lease period is from January 1, 2025 through December 31, 2027, and the monthly rental fee is \$1,101 thousand.

Line Item	Related Party Category/Name	December 31	
		2025	2024
Lease liabilities	Parent company O-Bank	<u>\$ 25,834</u>	<u>\$ -</u>

Related Party Category/Name	For the Year Ended December 31	
	2025	2024
<u>Interest expense</u>		
Parent company		
O-Bank	\$ 721	\$ 96

5) Donations

For the year ended December 31, 2024, the Company's donation expense (recorded under other operating expense) to National Association of Police Friends R.O.C. for fulfilling corporate social responsibility was \$1,000 thousand and \$1,000 thousand, respectively.

c. Compensation of key management personnel

	For the Year Ended December 31	
	2025	2024
Short-term employee benefits	\$ 88,254	\$ 66,544
Post-employment benefits	1,201	997
	<u>\$ 89,455</u>	<u>\$ 67,541</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

34. PLEDGED ASSETS

The following assets were provided as collaterals for call loans from banks and overdrafts:

	December 31		Purposes
	2025	2024	
Financial assets at fair value through profit or loss			
Negotiable certificate of deposits	\$ 704,157	\$ 703,363	Deposits placed with authorities to carry out bills finance businesses
Negotiable certificate of deposits	606,485	1,306,133	Deposits placed with bank overdrafts
Investments in debt instruments at amortized cost			
Government bonds	1,593,808	1,590,292	Credit line for loans
Government bonds	973,216	474,827	Deposits placed with bank overdrafts
Government bonds	89,950	89,944	OTC electronic bond trading reserve
Government bonds	34,980	34,978	Deposits placed with authorities to operate as a security dealer
Other assets - refundable deposits			
Demand deposits	530,000	530,000	Deposits placed with bank overdrafts and OTC electronic bond trading reserve

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2025 and 2024 were as follows:

	For the Year Ended December 31	
	2025	2024
Bonds and bills sold under repurchase agreements (at repurchase price)	\$ 204,634,946	\$ 204,379,625
Bonds and bills purchased under resell agreements (at resell price)	4,317,700	1,960,890
Guaranteed commercial paper	117,478,900	114,281,500
Fixed-rate commercial paper commitments	5,250,000	15,450,000
Benchmark interest rate commercial paper commitments	90,100,000	83,454,600
Purchase commitment contracts	4,250,000	6,450,000
Revolving insurance on commercial paper commitments	1,820,000	1,790,000

36. CAPITAL RISK MANAGEMENT

a. Overview

The basic goal of the Company’s capital risk management is to maintain the regulatory capital and the capital adequacy ratio based on the minimum requirements of the authorities and the Basel Accords framework. For enhanced risk taking and an efficient and effective resource allocation, the Company evaluates its capital requirement in consideration of the nature of its risks and various risk scenarios.

b. Capital management process

The capital adequacy ratio is maintained by risk management department, fixed income products department and administration department based on the requirements of the authorities, which is reported to the Company’s president in the assets and liabilities committee monthly and to the authorities quarterly.

c. Capital adequacy rate

(Unit: %)

Items		Year	December 31, 2025	December 31, 2024
Eligible capital	Tier 1 capital		\$ 25,448,573	\$ 24,652,399
	Tier 2 capital		-	167,024
	Tier 3 capital		680,930	188,672
	Eligible capital		26,129,503	25,008,095
Risk-weighted assets	Credit risk		133,960,408	125,781,216
	Operational risk		3,690,727	4,071,121
	Market risk		58,734,635	59,727,288
	Total risk-weighted assets		196,385,770	189,579,625
Capital adequacy ratio (Note)			13.31	13.19
Ratio of Tier 1 capital to risk-weighted assets (Note)			12.96	13.00
Ratio of Tier 2 capital to risk-weighted assets (Note)			-	0.09
Ratio of Tier 3 capital to risk-weighted assets (Note)			0.35	0.10
Ratio of common shareholders’ equity to total assets (Note)			5.07	5.31

Note: Formulas used were as follows:

- 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 2) The amount of total assets used in the calculation refers to all assets in the balance sheets.
- 3) The capital adequacy ratios (CARs) should be computed at the end of June and December. The reports of the first-quarter and the third-quarter the CARs disclosed are based on the data of the last preceding period, i.e., the end of December and the end of June, respectively.
- 4) Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Bills Finance Companies” and “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Bills Finance Companies.”

37. FINANCIAL INSTRUMENTS

a. Definitions of the fair value hierarchy

- 1) Level 1 - inputs are quoted prices in active markets (for identical assets or liabilities that the Company can assess at the measurement date). Active markets feature all of the following conditions: (i) the products traded in the market are homogeneous, (ii) market participants anytime in the market, and (iii) price information that is available to the public. The investment in listed shares, beneficiary certificates, convertible bonds and derivative instruments with quoted prices in active markets belong to this level.
- 2) Level 2 - inputs are those other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices). The investments in government bonds, corporate bonds, bank debentures and a part of derivative instruments belong to this level.
- 3) Level 3 - inputs are not based on observable market data (i.e., unobservable inputs). The investment in a part of a derivative instrument, a hybrid asset and an equity instrument belong to this level.

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

Except for the following, financial assets and financial liabilities that are not measured at fair value, e.g., cash and cash equivalents, receivables, other financial assets, net, accounts payable and other financial liabilities, their carrying amounts as recognized in the financial statements approximate their fair values.

December 31, 2025

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Investment in debt instruments at amortized cost	\$ 2,691,954	\$ -	\$ 2,699,552	\$ -	\$ 2,699,552

December 31, 2024

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Investment in debt instruments at amortized cost	\$ 2,190,041	\$ -	\$ 2,169,761	\$ -	\$ 2,169,761

The fair value of the financial assets in the Level 2 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis.

c. Valuation techniques and assumptions applied for the purpose of measuring the fair values

Financial instruments refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with those generally used by other market participants to price financial instruments.

If the market price quotation from a stock exchange, brokers, underwriters, Industrial Trade Unions, pricing service agencies or competent authorities can be frequently obtained on time, and the price represents the actual and frequent transactions at arm’s length, then a financial instrument is deemed to have an active market. If financial instruments do not satisfy the criteria above, they are regarded as not having active market. In general, significant price variance between the purchase price and selling price, or extremely low trading volume are all indicators of an inactive market.

Except for reference to quoted market prices, the fair value of financial instruments may be estimated also through the use of available valuation technique or counterparties. Fair value measured by a valuation technique is estimated by reference to the fair values of other financial instruments with similar terms and characteristics, or by using cash flows discounting method, or using model calculation based on the market information available on the balance sheet date.

Fair values of derivative financial instruments are based on quoted market prices. If quoted market prices are not available, then the fair values are determined by the discounted cash flow method.

d. Fair value of financial instruments measured at fair value on a recurring basis

1) The fair value hierarchy

Item	December 31, 2025			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 45,984	\$ 45,984	\$ -	\$ -
Bonds	2,953,064	361,688	2,591,376	-
Securities investment trust fund	23,012	23,012	-	-
Bills	136,431,021	-	136,431,021	-
Fixed-rate commercial paper	14,010	-	14,010	-
Benchmark interest rate commercial paper	161,472	-	161,472	-
Beneficiary securities	37,564	-	37,564	-
Financial assets at FVTOCI				
Shares	1,490,185	1,063,297	-	426,888
Bonds	101,380,411	-	101,380,411	-
Beneficiary securities on real estate investment trust	105,600	105,600	-	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	12,437,509	44,475	254	12,392,780
Liabilities				
Financial liabilities at fair value through profit or loss	13,360	-	13,360	-

Item	December 31, 2024			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 85,376	\$ 85,376	\$ -	\$ -
Bonds	1,718,356	311,975	1,406,381	-
Securities investment trust fund	1,693	1,693	-	-
Bills	138,688,078	-	138,688,078	-
Fixed-rate commercial paper	11,960	-	11,960	-
Benchmark interest rate commercial paper	211,070	-	211,070	-
Beneficiary securities	496,830	-	496,830	-
Financial assets at FVTOCI				
Shares	1,136,487	747,522	-	388,965
Bonds	93,473,798	-	93,473,798	-
Beneficiary securities on real estate investment trust	105,450	105,450	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	1,568	-	1,568	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	9,265,570	38,407	-	9,227,163
Liabilities				
Financial liabilities at fair value through profit or loss	22,228	-	22,228	-

- 2) The Company had no significant transfers between Levels 1 and 2 for the years ended December 31, 2025 and 2024.
- 3) Reconciliation of Level 3 items of financial instruments

For the year ended December 31, 2025

Financial Assets	Financial Assets at Fair Value Through Profit or Loss Hybrid Financial Assets	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
Balance on January 1, 2025	\$ 9,227,163	\$ 388,965	\$ 9,616,128
Recognized in profit or loss	25,617	-	25,617
Recognized in other comprehensive income (unrealized valuation gain or loss of equity instruments on financial assets at FVTOCI)	-	37,923	37,923
Purchases	8,982,100	-	8,982,100
Sales	(5,842,100)	-	(5,842,100)
Balance on December 31, 2025	<u>\$ 12,392,780</u>	<u>\$ 426,888</u>	<u>\$ 12,819,668</u>

For the year ended December 31, 2024

Financial Assets	Financial Assets at Fair Value Through Profit or Loss Hybrid Financial Assets	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
Balance on January 1, 2024	\$ 4,987,988	\$ 352,583	\$ 5,340,571
Recognized in profit or loss	21,975	-	21,975
Recognized in other comprehensive income (unrealized valuation gain or loss of equity instruments on financial assets at FVTOCI)	-	36,382	36,382
Purchases	12,581,900	-	12,581,900
Sales	<u>(8,364,700)</u>	<u>-</u>	<u>(8,364,700)</u>
Balance on December 31, 2024	<u>\$ 9,227,163</u>	<u>\$ 388,965</u>	<u>\$ 9,616,128</u>

Unrealized gain and loss recognized in profit or loss for the years ended December 31, 2025 and 2024 for the assets held on the balance sheet date amounted to net gain of \$48,180 thousand and \$22,563 thousand, respectively.

4) Quantitative information of Level 3 financial instruments

Level 3 items (those with unobservable inputs) included financial assets at fair value through profit or loss and derivative financial instruments. Level 3 items of the Company contain only one significant unobservable inputs.

The quantitative information of significant unobservable input was as follows:

	Fair Value on December 31, 2025	Valuation Techniques	Significant Unobservable Inputs	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss					
Hybrid financial assets	\$ 12,392,780	Discounted cash flow method	a) Discount rate b) Liquidity risk premium	1.4932%-1.8914% 78BP-307BP	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
Financial assets at fair value through other comprehensive income					
Unlisted shares	426,888	Asset method	a) Lack of liquidity discount b) Lack of control discount	10% 10%	The higher of liquidity and control discount, the lower of fair value.

	Fair Value on December 31, 2024	Valuation Techniques	Significant Unobservable Inputs	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss	\$ 9,227,163	Discounted cash flow method	a) Discount rate b) Liquidity risk premium	1.4722%-1.9109% 66BP-220BP	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
Hybrid financial assets					
Financial assets at fair value through other comprehensive income	388,965	Asset method	a) Lack of liquidity discount b) Lack of control discount	10% 10%	The higher of liquidity and control discount, the lower of fair value.
Unlisted shares					

5) Process for valuation of Level 3 items

The team responsible for financial instrument valuation under the risk management division is responsible for determining fair value based on independent information on the market situation. To confirm the valuation result, the Company periodically reviews the valuation model, conducts back testing, updates valuation model parameters and adjusts each parameter, if necessary.

6) The sensitivity analysis of Level 3 items

The method for measuring the fair value of financial instruments is found to be reasonable. However, measurement parameters are subject to fluctuations or movements. The impact on income and other comprehensive income based on parameter movements was as follows:

Items	Inputs	Discount Rate Movement: Upward/ Downward	Effect on Income		Effect on Other Comprehensive Income	
			Advantages	Disadvantages	Advantages	Disadvantages
December 31, 2025						
Assets						
Hybrid financial assets	Discount rate	Upward 1 BP	\$ -	\$ 1,857	\$ -	\$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	52,702

Items	Inputs	Discount Rate Movement: Upward/ Downward	Effect on Income		Effect on Other Comprehensive Income	
			Advantages	Disadvantages	Advantages	Disadvantages
December 31, 2024						
Assets						
Hybrid financial assets	Discount rate	Upward 1 BP	\$ -	\$ 1,645	\$ -	\$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	48,116

Advantages and disadvantages refer to changes in fair value. The fair value was computed by valuation techniques using unobservable parameters in varying degrees. The table above refers to change in fair value as result of a single input. The correlation and variation of inputs were not considered in the table.

e. Transfers of financial assets

Transferred financial assets not derecognized

Most of the transferred financial assets of the Company that were not fully derecognized were securities sold under repurchase agreements. Under the terms of these transfers, the right to the cash flows of the transferred financial assets would be transferred to other entities, and the associated liabilities of the Company's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. Since the Company is restricted from using, selling, or pledging the transferred financial assets within the transaction period, and is still exposed to interest rate risks and credit risks on these assets, the transferred financial assets were not fully derecognized.

The financial assets that were not fully derecognized and the associated financial liabilities were as follows:

December 31, 2025

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at FVTPL		
Bills sold under repurchase agreements	\$ 112,285,644	\$ 112,474,231
Bonds sold under repurchase agreements	1,897,340	1,872,617
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	86,676,898	86,226,419
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	3,539,824	3,725,734

December 31, 2024

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at FVTPL		
Bills sold under repurchase agreements	\$ 112,980,317	\$ 113,093,346
Bonds sold under repurchase agreements	1,229,865	1,218,518
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	85,932,922	87,656,951
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	1,914,275	2,034,377

f. Offsetting financial assets and financial liabilities

Certain transactions of the Company covered by enforceable master netting agreements or similar agreements, or under similar repurchase agreements may not meet all offsetting criteria under IFRSs. However, in these transactions, financial liabilities are allowed to be offset against financial assets when any of the counterparties specifies to settle at net amounts. If no counterparty specifies to settle at net amounts, the transactions will be settled at gross amounts instead. One of the counterparties can decide to settle at net amounts if the other party of the transaction defaults.

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

December 31, 2025

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 44,729	\$ -	\$ 44,729	\$ -	\$ -	\$ 44,729

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivative financial instruments	\$ 11,143	\$ -	\$ 11,143	\$ -	\$ -	\$ 11,143
Repurchase agreements	204,299,001	-	204,299,001	204,399,706	-	(100,705)
	\$ 204,310,144	\$ -	\$ 204,310,144	\$ 204,399,706	\$ -	\$ (89,562)

December 31, 2024

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 38,407	\$ -	\$ 38,407	\$ -	\$ -	\$ 38,407

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivative financial instruments	\$ 12,125	\$ -	\$ 12,125	\$ -	\$ -	\$ 12,125
Repurchase agreements	204,003,192	-	204,003,192	202,057,379	-	1,945,813
	\$ 204,015,317	\$ -	\$ 204,015,317	\$ 202,057,379	\$ -	\$ 1,957,938

Note: Included non-cash financial collaterals.

38. FINANCIAL RISK MANAGEMENT

a. Overview

The main goals of risk management, besides meeting the requirements of authorities, are to manage risk assets and liabilities systematically, avoid financial crisis and pursue sustainable development. To attain these goals, the Company runs various risk management systems and promotes a culture toward risk management, with the approval of the board of directors and management. The Company's risk management process covers various aspects of its operations and involves the efficient disclosure and control of operating risks through the implementation of procedures for risk identification, measurement, reporting, handling, and supervision.

b. Risk management framework and process

The board of directors occupies the highest level in the Company's risk management framework and supervises the implementation of risk management procedures. The general manager leads the business risk management and financial asset and liability management committee; the business evaluation committee and investment evaluation committee, which are under the president, deal with market, credit, and operational risks; and the internal auditing office supervises risk control.

The Company's risk management process involves the formulation of risk management policies and the implementation of risk management procedures, which consist of identifying, valuating, monitoring and reporting of risks. The board of directors determines the Company's risk threshold and sets authorization levels on risk acceptance, and the risk management department identifies and monitors various kinds of risks and reports these risks to the management for decision making.

c. Financial risk management policy

1) Credit risk

The Company manages credit quality of bills, bonds, equity investments and derivatives to maintain possible losses and liquidity risk arising from credit risk. The Company prepares a variety of report forms focusing on credit conditions, statics of business, risk exposure, risk management and reports to the management and the authority regularly.

2) Market risk

The Company evaluates market risk factors affecting bills, bonds, equity investments and derivatives for the impact of these factors on the Company's net worth and profit and loss and takes measures to control market risk. The management division summarizes stop-loss control report forms and makes daily reports to the management for ongoing risk supervision. It also summarizes value at risk, conclusions of interest rate stress tests and status of profit and loss on financial assets and gives related updates to the financial asset and liability management committee.

3) Operational risk

The operating, financial and information technology divisions conduct thorough general self-inspections once every six months and special self-inspection every month. The internal auditing office does a routine audit and a special audit at least annually of the operating, financial and information technology divisions and a special audit at least annually of other management divisions, and monitors the improvement of these divisions on the basis of audit results.

4) Liquidity risk

The fixed return division is in charge of financial gap analysis, and the risk management division is responsible for the daily monitoring of total amounts of liabilities and performing liquidity stress tests regularly to control risk.

d. Resource and definition of risk

1) Credit risk

Credit risk refers to a debtor or a counterparty's failure to meet contract terms or to repay principal and interest. It includes (a) the issuer default risk arising from the Company's guaranteeing of bills and from the brokering and trading of bills and bonds, (b) the counterparty default risk on derivatives, and (c) default risk arising from the Company's own equity investments.

2) Market risk

Market risk pertains to the impact on the Company's net worth and profit and loss of changes in market factors affecting bills, bonds, equity investments and derivatives.

3) Operational risk

Operational risk refers to additional costs or expenses due to operating or internal management negligence or other reasons.

4) Liquidity risk

Liquidity risk pertains to losses the Company may suffer because of failure to finance its operations or to liquidate its assets fast enough to meet matured payment obligations or because of adverse changes in market rates. A liquidity gap occurs when liquid assets are not enough to cover any liabilities incurred by the Company.

e. Hedge policy and supervision

1) Credit risk

The "Loan Review System" is used to monitor debt accounts after the loan approval. In addition, the risk management division and relevant divisions determine the credit limit for each frequent borrower, and this limit is approved by the Company president. These divisions provide credit information periodically on the status of issuers of bonds and shares and guarantors as well as the credit-evaluation of counterparties to commodity derivative transactions so that the Company can measure each credit risk.

2) Market risk

The Company makes hedges against cash flow risks and adverse fluctuations of fair value through single or multiple portfolio hedge instruments to offset the effects of negative interest rate and price changes on the financial assets held by the Company. It uses interest rate swap contracts as hedging instruments and makes hedge effectiveness tests on an ongoing basis.

3) Operational risk

Mutual authentication of transactions is applied, i.e., the business division is responsible for authorizing and approving transactions, and the operating division is responsible for processing and recording transactions. In addition, through enhanced employee training, automation of operating processes and establishing standard operating procedures, the Company reduces operational risk effectively.

4) Liquidity risk

The Company has a mechanism for monitoring liquidity. It has also set up a financial gap limit per period, and the fixed return division is responsible for observing this limit. Under an authorized personnel's approval, the Company takes appropriate measures to ensure payment by a counterparty once the financial gap limit is exceeded. For unexpected liquidity risks, the Company has set up an emergency reaction plan.

f. Expected credit losses calculation

In the assessment of impairment and calculation of expected credit losses, the Company considers reasonable and supportable information (that can be obtained without incurring excessive costs or inputs) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Company determines at the reporting date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognizes expected credit losses according to which stage the asset belongs: No significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3).

The definition of each stage and the recognition of expected credit loss are as follows:

	Stage 1	Stage 2	Stage 3
Definition	Financial asset which has low credit risk at reporting date, or there has not been a significant increase in credit risk since initial recognition.	Credit risk of financial asset has significant increase since initial recognition but not impaired.	The credit of financial asset is impaired at reporting date.
Recognition of expected credit loss	12 months expected credit losses	The lifetime expected credit losses (ECLs)	The lifetime expected credit losses (ECLs)

In calculating expected credit losses under IFRS 9, the Company applies key judgment and assumptions as follows:

1) Determination of a significant increase in credit risk after initial recognition

The Company assesses the changes in default risk over the lifetime of credit assets, investments in debt instruments of financial assets at FVTOCI and at amortized cost to determine whether there has been a significant increase in credit risk.

a) Credit business

The main indicators of significant increase in credit risk of the Company's credit business:

- i. The repayment of principal and interest has been 1 to 3 months past due.
- ii. The debtor only pays interest or initiates debt negotiations.
- iii. The debtor was notified as a dishonored account.
- iv. The debtor's loans from other financial institutions have been delayed.
- v. The debtor has other records of bad credit.

b) Bonds and bills investments

Indicators that the Company's bonds and bills investments have significant increase in credit risk are as follows:

- i. The repayment including interests is over 30 days.
- ii. Domestic currency: Credit rating at reporting date compared to initial recognition, the credit rating has decreased from twA to between twA- and twCCC- or from between twA- and twBBB- to between twBB+ and twCCC-.
- iii. Foreign currency: Credit rating at reporting date compared to initial recognition, the credit rating has decreased from Baa3 to between Ba1 and Caa3 or from between Ba1 and Ba3 to between B1 and Caa3.

2) Definition of default and credit-impaired financial assets

a) Credit business

- i. The balance of guarantees and endorsement credits has been 3 months overdue.
- ii. The debtor's loans from other financial institutions have been reclassified as overdue loan or written off as bad debt.
- iii. The debtor has filed for reorganization and bankruptcy.
- iv. The debtor has other records of bad credit.

b) Bonds and bills investments

The Company's bonds and bills investments with any item below are considered as credit-impaired:

- i. The repayment including interests has been 3 months overdue.
- ii. The credit is rated as in default at reporting date.
- iii. The issuer has filed for the bankruptcy, reorganization or other procedure of debt redemptions.

3) Write-off policy

Under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt”, the credit shall be written off as bad debt after deduction of the estimated recoverable portion:

- a) All or part of the debt is unrecoverable due to the dissolution, flight, settlement, bankruptcy or other reason of the debtor.
- b) The debt cannot be repaid, or no financial benefit would accrue from execution after deduction of senior mortgages on the collateral and the property of the primary and secondary debtor.
- c) Where there are no buyers for the collateral and the property of the primary and secondary debtor after being auctioned at successively lower prices, and their assumption would bring no financial benefit for the bills finance company.
- d) More than one year have elapsed since the maturity date of the non-performing or non-accrual credit and collection efforts have failed.
- e) Any uncollateralized non-performing or non-accrual credit shall be written off as bad debt within six months after the maturity date, provided that this requirement shall not apply when it can be proven that a claim against the property of the primary or secondary debtor would yield benefit.

4) Measurement of expected credit losses

The model of expected credit losses is composed of probability of default, loss given default, and exposure at default.

a) Credit business

i. Probability of default:

- i) Stage 1: Number of declining client in the current year ÷ number of client at the beginning of the year. The average of the current evaluation period is the probability of default since 2015.
- ii) Stage 2: Number of default client in the current year ÷ number of Stage 2 client at the beginning of the year. The average of the current evaluation period is the probability of default since 2015. However, under the conservative principle, the higher rate between Stage 1 and Stage 2 will be used to calculate the expected credit losses.

ii. Loss given default (1 - Recovery rate), the way to calculate recovery rate is as follows:

To calculate 5 years recovery rate, the Company uses the effective interest rate (average of issued interest rate in primary market in the current year) to discount the client's recovery amount who defaulted from 2008.

iii. Exposure at default: The amount of self-guarantee, which is an off balance sheet item and calculated by commercial paper guarantee contracts.

b) Bonds and bills investments

- i. Probability of default: Adopt data of external credit ratings.
- ii. Loss given default: Basel of credit risk of internal ratings, the loss given default based on foundation approach.
- iii. Exposure at default: Total book cost (including interest receivables).

5) Consideration of forward-looking information

a) Credit business

- i. Refer to major message of Market Observation Post System and external credit ratings.
- ii. The Company's credit contracts are all within a year, which adequately considered the comprehensive forward-looking information of clients' background, financial situation, operation performance, investment performance, repayment ability, peer comparison, and industry development of internal credit process and internal credit rating.

b) Bonds and bills investments

The rating is forward-looking according to rating criteria refer to institution of external rating.

g. Material financial risk

1) Credit risk

The financial instruments held by the Company may give rise to losses if counterparties fail to meet their contract obligations. Thus, when guaranteeing commercial paper, the Company makes a careful credit evaluation, and if necessary, requires issuers to offer adequate collaterals. Collaterals are often cash, realty, securities or other assets. If counterparties default, the Company may compulsorily execute its rights to claim the collaterals to lower its credit risks effectively. However, in the disclosure of the maximum exposure to credit risks, the fair value of collaterals is not included.

For commercial paper, the Company may need to pay the paper holders on maturity if the issuers default. Thus, the contractual amounts do not represent actual future cash flows.

Assuming that a credit is completely used and the collaterals lose their values, the credit risk amount equals the contract amount, and a maximum exposure risk may arise.

- a) The balances of commercial paper guarantee contracts, amounts used of guarantee contracts and ratios of guarantees with collateral, which are considered as off-balance sheet risks of the Company has are as follows:
 - i. As of December 31, 2025 and 2024, guarantees with collateral accounted for 65.04% and 61.95%, respectively, of the total guarantees given by the Company.
 - ii. As of December 31, 2025 and 2024, balances of commercial paper guarantee contracts, which were off-balance sheet risks owned by the Company amounted to \$219,663 million and \$215,498 million (amounts used of guarantee contracts were \$117,479 million and \$114,282 million), respectively.

- iii. The maximum exposures to credit risks on balance-sheet assets, without consideration of the related guarantees, approximate the assets' carrying amounts. Refer to notes in the financial statements.
- iv. The movements in reserve of guarantee liabilities

The movements in reserve of guarantee liabilities were as follows:

For the year ended December 31, 2025

	Stage 1 Performing (12-month ECLs)	Stage 2 Doubtful (Lifetime ECLs- Assessment Collectively)	Stage 3 Doubtful (Lifetime ECLs- Assessment Individually)	Recognition of Impairment under IFRS 9	Recognition of Impairment Difference under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	Total
Balance on January 1	\$ 9,099	\$ 9	\$ -	\$ 9,108	\$ 1,391,969	\$ 1,401,077
Changes from credit assets recognized at the beginning of the period						
The impairment allowance for credit assets derecognized in the current period	(2,032)	-	-	(2,032)	-	(2,032)
Originated or purchased new credit assets	2,261	-	-	2,261	-	2,261
Recognition of impairment difference under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	-	-	-	-	186,089	186,089
Changes of model/risk parameter	(893)	(2)	-	(895)	-	(895)
Balance on December 31	<u>\$ 8,435</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 8,442</u>	<u>\$ 1,578,058</u>	<u>\$ 1,586,500</u>

For the year ended December 31, 2024

	Stage 1 Performing (12-month ECLs)	Stage 2 Doubtful (Lifetime ECLs- Assessment Collectively)	Stage 3 Doubtful (Lifetime ECLs- Assessment Individually)	Recognition of Impairment under IFRS 9	Recognition of Impairment Difference under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	Total
Balance on January 1	\$ 9,199	\$ 9	\$ -	\$ 9,208	\$ 1,361,869	\$ 1,371,077
Changes from credit assets recognized at the beginning of the period						
The impairment allowance for credit assets derecognized in the current period	(2,509)	-	-	(2,509)	-	(2,509)
Originated or purchased new credit assets	3,371	-	-	3,371	-	3,371
Recognition of impairment difference under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	-	-	-	-	30,100	30,100
Changes of model/risk parameter	(962)	-	-	(962)	-	(962)
Balance on December 31	<u>\$ 9,099</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 9,108</u>	<u>\$ 1,391,969</u>	<u>\$ 1,401,077</u>

v. Exposure to credit risk

The amounts of the Company’s maximum exposure to credit risk and impairment allowance were as follows:

December 31, 2025

	On- and off- Balance Sheet Credit Assets				
	Stage 1	Stage 2	Stage 3		Total
	Performing (12-month ECLs)		Doubtful (Lifetime ECLs)	Credit Impairment of Purchase	
Rating level					
Internal rating 1-2	\$ 117,452,950	\$ 83,100	\$ -	\$ -	\$ 117,536,050
Internal rating 3-4	-	-	-	-	-
Defect	-	-	-	-	-
Total book value	<u>\$ 117,452,950</u>	<u>\$ 83,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,536,050</u>
Impairment allowance	\$ 8,435	\$ 7	\$ -	\$ -	\$ 8,442
Recognition of impairment under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	1,494,964	83,094	-	-	1,578,058
	<u>\$ 1,503,399</u>	<u>\$ 83,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,586,500</u>

December 31, 2024

	On- and off- Balance Sheet Credit Assets				
	Stage 1	Stage 2	Stage 3		Total
	Performing (12-month ECLs)		Doubtful (Lifetime ECLs)	Credit Impairment of Purchase	
Rating level					
Internal rating 1-2	\$ 114,245,338	\$ 91,600	\$ -	\$ -	\$ 114,336,938
Internal rating 3-4	-	-	-	-	-
Defect	-	-	-	-	-
Total book value	<u>\$ 114,245,338</u>	<u>\$ 91,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,336,938</u>
Impairment allowance	\$ 9,099	\$ 9	\$ -	\$ -	\$ 9,108
Recognition of impairment under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt”	1,300,378	91,591	-	-	1,391,969
	<u>\$ 1,309,477</u>	<u>\$ 91,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,401,077</u>

- vi. The amounts of the Company's maximum exposure to credit risk of financial instruments were not applicable regulations of impairment and as follows:

	December 31	
	2025	2024
<u>Financial assets at fair value through profit or loss</u>		
Derivative financial instruments		
Currency swap contracts	\$ 254	\$ -
Futures margins	44,475	38,407
Non-derivative financial instruments		
Investment in short-term bills	136,431,021	138,688,078
Bond investments	2,953,064	1,718,356
Domestic quoted shares	45,984	85,376
Securities investment trust funds	23,012	1,693
Fixed-rate commercial paper	14,010	11,960
Benchmark interest rate commercial paper	161,472	211,070
Beneficiary securities	37,564	496,830
Hybrid financial assets		
Convertible bond asset swap contracts	<u>12,392,780</u>	<u>9,227,163</u>
	<u>152,103,636</u>	<u>150,478,933</u>
<u>Financial assets at FVTOCI</u>		
Investments in equity instruments	<u>1,595,785</u>	<u>1,241,937</u>
	<u>\$ 153,699,421</u>	<u>\$ 151,720,870</u>

b) Concentration of credit risk

Significant concentration of credit risk occurs when counterparties to financial asset transactions are individuals or a group of individuals engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The check for significant concentration of credit risk includes the nature of a counterparty's operating activity. Transactions the Company engaged in do not significantly concentrate on the same counterparty or customer.

As of December 31, 2025 and 2024, the Company's concentrations of credit risk arising from guaranteeing commercial paper were as follows (in millions of New Taiwan dollars):

i. By industry

	December 31			
	2025		2024	
Industry Sector	Carrying Amounts	Maximum Amounts Exposed to Credit Risk	Carrying Amounts	Maximum Amounts Exposed to Credit Risk
Finance and insurance	\$ 37,945	\$ 37,945	\$ 38,436	\$ 38,436
Real estate	33,114	33,114	31,129	31,129
Manufacturer	15,836	15,836	16,697	16,697
Wholesaling and retailing	5,072	5,072	5,790	5,790
Others	<u>25,512</u>	<u>25,512</u>	<u>22,230</u>	<u>22,230</u>
	<u>\$ 117,479</u>	<u>\$ 117,479</u>	<u>\$ 114,282</u>	<u>\$ 114,282</u>

ii. By collateral

Collateral Sector	December 31			
	2025		2024	
	Carrying Amounts	% to Total	Carrying Amounts	% to Total
Without collateral	\$ 41,067	34.96	\$ 43,481	38.05
With collateral				
Real estate	47,400	40.34	42,216	36.94
Shares	23,233	19.78	24,324	21.29
Bonds	4,205	3.58	2,759	2.41
Notes	765	0.65	915	0.80
Personal estate	809	0.69	587	0.51
	<u>\$ 117,479</u>	<u>100.00</u>	<u>\$ 114,282</u>	<u>100.00</u>

c) Credit quality

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, refundable deposits, operating deposits and clearing and settlement funds are regarded as very low credit risk owing to the good credit rating of counterparties. Except for the above, the risk levels of the Company’s financial assets were as follows:

- i. Low risk: Credit quality and contractual capacity is above average.
- ii. Medium risk: Credit quality and contractual capacity is average.
- iii. High risk: Credit quality and contractual capacity is lower than average.
- iv. Each of these levels has internal and external credit rating equivalents in the following table. The “Risk Level” and “Rating” are not highly associated. This table is used for similarity matrix.

Risk Level	Rating
Low risk	twAAA to twBBB-
Medium risk	twBB+ to twBB
High risk	twBB- to twC

2) Market risk

Market risk refers to interest rate risk and fluctuation in shares price risk. The Company weighs market risk mainly by profit and loss analysis, through which profits and losses are evaluated individually on the basis of the nature of financial assets, such as interest rate futures, shares index futures and options. Other financial assets, such as interest rate swaps, convertible bond asset swaps and bond options, are evaluated by their theoretical prices and reference prices published by the authorities. The Company also observes daily the fluctuation of profits and losses on the financial assets. In addition, interest rate risk commodities are reviewed using sensitivity analysis tools which include duration, DV01, etc.

The Company enters into interest rate swap contracts to hedge against the future cash flow risk arising from floating interest rate assets and liabilities, which are exposed to market rate fluctuations, and manages risk from changes in fair value by using factor sensitivity measures. For related information, refer to Note 39.

The sensitivity analysis of interest rate-sensitive commodities assuming a 0.01% fluctuation in market rates is as follows:

December 31, 2025			
Financial Asset	Face Value	Average Duration (Year)	Influence to Fair Value Per 0.01 Fluctuation in Market Value
Bills	\$ 136,952,350	0.1406	\$ 1,918
Bonds	118,064,630	3.4963	39,958
December 31, 2024			
Financial Asset	Face Value	Average Duration (Year)	Influence to Fair Value Per 0.01 Fluctuation in Market Value
Bills	\$ 139,126,838	0.1312	\$ 1,820
Bonds	108,029,871	3.6145	37,835

3) Liquidity risk

- a) There is no liquidity risk arising from non-performance of contractual obligations because capital and working capital are sufficient to cover all the contractual obligations. In addition, liquidity risk is quite low since cash requirement is not material on the maturity dates of derivative financial instruments.

The basic rule for the Company’s operating and management activities is to handle assets and liabilities in the order of their maturities, considering the interest-rate and liquidity gap; however, assets and liabilities cannot be completely matched because of the differences in types and uncertainty of transaction terms, and these differences may affect profits and losses. The Company evaluates liquidity by maturity analysis, which is shown in the following table:

	December 31, 2025						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
<u>Assets</u>							
Cash and cash equivalents	\$ 368,638	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 368,638
Financial assets at FVTPL	70,736,745	55,421,328	8,971,501	9,061,820	7,880,453	31,789	152,103,636
Securities purchased under resell agreements	3,444,667	873,033	-	-	-	-	4,317,700
Receivables	511,490	299,729	216,366	241,980	54,500	-	1,324,065
Financial assets at FVTOCI	499,914	848,300	2,970,867	9,981,950	59,367,200	29,307,965	102,976,196
Investment in debt instruments at amortized cost	-	4,000	6,000	25,000	1,907,250	917,750	2,860,000
Other financial assets	-	-	-	-	120,797	-	120,797
Refundable deposits	-	-	-	-	-	565,494	565,494
	<u>75,561,454</u>	<u>57,446,390</u>	<u>12,164,734</u>	<u>19,310,750</u>	<u>69,330,200</u>	<u>30,822,998</u>	<u>264,636,526</u>
<u>Liabilities</u>							
Call loans from banks and overdrafts on banks	29,965,143	-	-	-	-	-	29,965,143
Financial liabilities at fair value through profit or loss	-	195	404	35	1,583	-	2,217
Securities sold under repurchase agreements	171,421,324	31,185,446	1,863,400	164,776	-	-	204,634,946
Accounts payable	170,836	153,731	57,323	69,905	40,637	-	492,432
Lease liabilities	-	4,027	2,801	8,690	16,478	-	31,996
	<u>201,557,303</u>	<u>31,343,399</u>	<u>1,923,928</u>	<u>243,406</u>	<u>58,698</u>	<u>-</u>	<u>235,126,734</u>
Net liquidity gap	<u>\$ (125,995,849)</u>	<u>\$ 26,102,991</u>	<u>\$ 10,240,806</u>	<u>\$ 19,067,344</u>	<u>\$ 69,271,502</u>	<u>\$ 30,822,998</u>	<u>\$ 29,509,792</u>

December 31, 2024							
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
<u>Assets</u>							
Cash and cash equivalents	\$ 547,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 547,603
Due from the Central Bank and call loans to banks	330,000	-	-	-	-	-	330,000
Financial assets at FVTPL	64,655,729	67,786,904	5,296,078	5,739,166	7,001,056	-	150,478,933
Securities purchased under resell agreements	1,309,233	571,328	80,329	-	-	-	1,960,890
Receivables	308,811	306,262	168,695	193,184	-	-	976,952
Financial assets at FVTOCI	499,977	164,115	3,833,100	5,612,444	61,387,808	23,218,291	94,715,735
Investment in debt instruments at amortized cost	2,500	-	-	25,000	1,590,000	717,500	2,335,000
Other financial assets	-	-	-	-	79,745	-	79,745
Refundable deposits	-	-	-	-	-	565,537	565,537
	<u>67,653,853</u>	<u>68,828,609</u>	<u>9,378,202</u>	<u>11,569,794</u>	<u>70,058,609</u>	<u>24,501,328</u>	<u>251,990,395</u>
<u>Liabilities</u>							
Call loans from banks and overdrafts on banks	21,105,772	-	-	-	-	-	21,105,772
Financial liabilities at fair value through profit or loss	-	37	354	1,205	10,075	-	11,671
Securities sold under repurchase agreements	175,824,223	26,783,586	1,715,491	56,325	-	-	204,379,625
Accounts payable	253,151	41,734	83,806	-	34,023	-	412,714
Lease liabilities	-	727	638	1,085	476	-	2,926
	<u>197,183,146</u>	<u>26,826,084</u>	<u>1,800,289</u>	<u>58,615</u>	<u>44,574</u>	<u>-</u>	<u>225,912,708</u>
Net liquidity gap	<u>\$ (129,529,293)</u>	<u>\$ 42,002,525</u>	<u>\$ 7,577,913</u>	<u>\$ 11,511,179</u>	<u>\$ 70,014,035</u>	<u>\$ 24,501,328</u>	<u>\$ 26,077,687</u>
December 31, 2025							
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
<u>Currency swap</u>							
Inflow	<u>\$ 1,873,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,873,230</u>
Outflow	<u>\$ 1,884,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,884,119</u>
December 31, 2024							
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
<u>Currency swap</u>							
Inflow	<u>\$ 1,133,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,133,647</u>
Outflow	<u>\$ 1,145,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,145,772</u>

b) Maturity analysis of off-balance sheet items

The following table shows the Company’s maturity analysis of off-balance sheet items based on residual maturity from the balance-sheet date to the contract maturity date. The amounts of guaranteed and endorsed commercial paper are included in accordance with the earliest date of performance obligation.

	1 Month	Over 1 Month - 3 Months	Over 3 Months - 6 Months	Over 6 Months - 1 Year	Over 1 Year	Total
<u>December 31, 2025</u>						
Off-balance sheet item						
Guaranteed commercial paper	\$ 27,292,200	\$ 85,160,500	\$ 4,943,100	\$ 83,100	\$ -	\$ 117,478,900
<u>December 31, 2024</u>						
Off-balance sheet item						
Guaranteed commercial paper	29,149,500	82,890,200	2,155,500	86,300	-	114,281,500

4) Foreign exchange risk

- Foreign exchange risk faced by the Company refers to movements in fair values of foreign currency denominated assets less foreign currency denominated liability plus derivative position as a result of exchange rate fluctuations that may result in losses to the Company.
- In terms of foreign exchange risk management, the Company mainly supervises position limits and loss limits on relevant businesses. Related control measures include daily supervision on exposure position, price assessment, and control over loss limits; and reporting to the Asset and Liability Management Committee monthly.

c) Company's foreign exchange risk exposure

	December 31, 2025
	USD
Cash and cash equivalents	\$ 23,170
Financial assets at FVTPL	71,490
Financial assets at FVTOCI	26,758,108
Receivables, net	310,985
Other financial assets	<u>120,785</u>
Total assets	<u>27,284,538</u>
Overdrafts on banks and call loans from banks	1,905,143
Securities sold under repurchase agreements	23,269,182
Accounts payable	<u>73,471</u>
Total liabilities	<u>25,247,796</u>
On-balance sheet foreign exchange gap	<u>\$ 2,036,742</u>
Off-balance sheet currency swaps	<u>\$ (1,886,280)</u>
Exchange rate to NTD	<u>31,438</u>
Foreign exchange gain	<u>\$ (12,043)</u>
	December 31, 2024
	USD
Cash and cash equivalents	\$ 49,532
Financial assets at FVTPL	33,666
Financial assets at FVTOCI	25,483,392
Receivables, net	300,405
Other financial assets	<u>79,756</u>
Total assets	<u>25,946,751</u>
Call loans from banks and overdrafts on banks	1,635,772
Securities sold under repurchase agreements	23,970,057
Accounts payable	<u>85,460</u>
Total liabilities	<u>25,691,289</u>
On-balance sheet foreign exchange gap	<u>\$ 255,462</u>
Off-balance sheet currency swaps	<u>\$ (1,147,335)</u>
Exchange rate to NTD	<u>32,781</u>
Foreign exchange gain	<u>\$ 78,196</u>

d) Sensitivity analysis

Risky Financial Instruments of Primary Market	Extent of Variation	December 31, 2025	
		Effect on Profit or Loss	Effect on Other Comprehensive Income
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB appreciated by 1%	\$ 1,433	\$ -
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB depreciated by 1%	(1,433)	-

Risky Financial Instruments of Primary Market	Extent of Variation	December 31, 2024	
		Effect on Profit or Loss	Effect on Other Comprehensive Income
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB appreciated by 1%	\$ 7,039	\$ -
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB depreciated by 1%	(7,039)	-

5) Equity securities risk management

- a) The Company's equity securities market risk comprises the risk of individual equity security arising from the security's market price changes and the general market risk coming from overall equity securities market price changes.
- b) For equity securities risk management, the Company has set trading strategies for three categories of positions: (a) positions held for selling and earning capital gains in the short-term; (b) positions held for earning dividends; (c) positions held for earning capital gains derived from stocks that price in on promising industries or robust profitability in the long-term, and (d) setting annual loss limits to the tolerable scopes.
- c) Related control measures include: Daily market price valuation to control loss limits and monthly reporting to the Risk Management Committee.

39. DISCLOSURES IN CONFORMITY WITH THE REGULATIONS GOVERNING THE PREPARATION OF FINANCIAL REPORTS BY PUBLICLY HELD BILLS FINANCE COMPANIES

a. Asset quality

Item \ Year	December 31, 2025	December 31, 2024
Balance of guarantees and endorsement credits overdue within 3 months	\$ -	\$ -
Nonperforming debts (include overdue receivables)	-	-
Credits under observation	-	-
Overdue receivables	-	-
Ratio of nonperforming debts	0.00%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,422,628	1,386,494
Actual provision for credit losses and reserve for losses on guarantees	1,586,500	1,401,077

b. The principal operation

Item \ Year	December 31, 2025	December 31, 2024
Balance of guarantees and endorsement securities	\$ 117,478,900	\$ 114,281,500
Ratio of guarantees and endorsement securities to net worth	4.94	4.84
Short-term bills and bonds sold under repurchase agreements	\$ 204,634,946	\$ 204,379,625
Ratio of short-term bills and bonds sold under repurchase agreements to net worth	8.60	8.66

c. Concentrations of credit extensions

Unit: %

Item \ Year	December 31, 2025		December 31, 2024	
Credit to common interest party	\$ -		\$ -	
Ratio of credit extensions to common interest parties	-		-	
Ratio of credit extensions secured by pledged shares	19.78		21.29	
Loan concentration by industry (ratio of top three industry to which credit line issued to credit extension balance)	Type of Industry	%	Type of Industry	%
	Finance and insurance industry	32.30	Finance and insurance industry	33.63
	Real estate industry	28.19	Real estate industry	27.24
	Manufacturing industry	13.48	Manufacturing industry	14.61

- Note 1: Ratio of credit extensions to common interest parties: Credit to common interest party ÷ Total credit.
- Note 2: Ratio of credit extensions secured by pledged shares: Credit with shares pledged ÷ Total credit.
- Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable).

d. Concentrations of assets, liabilities and off-balance sheet items

Information on the concentrations of assets, liabilities and off-balance sheet items is shown in Note 38.

e. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

	December 31			
	2025		2024	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents, other assets - refundable deposits	\$ 881,299	0.56	\$ 927,926	0.56
Due from the Central Bank and call loans to banks	904	0.80	163,197	1.25
Financial assets at fair value through profit or loss - bonds and bills	139,040,158	1.64	127,701,464	1.56
Financial assets at fair value through other comprehensive income - bonds	96,511,883	2.22	93,770,216	2.05
Financial assets at fair value through profit or loss - hybrid financial assets	10,746,299	3.32	7,567,269	2.70
Investments in debt instruments at amortized cost	2,590,747	1.43	2,188,303	1.41
Securities purchased under resell agreements	4,487,376	1.16	3,796,191	0.89
<u>Interest-bearing liabilities</u>				
Due to other banks	24,629,950	1.79	22,800,902	1.98
Bank overdraft	5,870	2.38	5,230	2.38
Securities sold under repurchase agreements	203,723,660	1.73	188,654,082	1.80

f. Information on interest rate sensitivity

December 31, 2025

In Millions of New Taiwan Dollars, %

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 128,092	\$ 10,848	\$ 16,996	\$ 104,626	\$ 260,562
Interest rate-sensitive liabilities	232,248	1,853	163	-	234,264
Interest rate sensitivity gap	(104,156)	8,995	16,833	104,626	26,298
Net worth					27,830
Ratio of interest rate-sensitive assets to liabilities					111.23
Ratio of interest rate sensitivity gap to net worth					94.50

December 31, 2024

In Millions of New Taiwan Dollars, %

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 133,001	\$ 8,816	\$ 10,812	\$ 95,999	\$ 248,628
Interest rate-sensitive liabilities	223,351	1,703	55	-	225,109
Interest rate sensitivity gap	(90,350)	7,113	10,757	95,999	23,519
Net worth					25,222
Ratio of interest rate-sensitive assets to liabilities					110.45
Ratio of interest rate sensitivity gap to net worth					93.25

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

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

g. Table of funding sources used

December 31, 2025

In Millions of New Taiwan Dollars

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Cash used in	Bills	\$ 67,338	\$ 54,731	\$ 7,875	\$ 6,487	\$ -
	Bonds	500	848	2,973	10,509	104,626
	Due from banks	369	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	3,436	870	-	-	-
	Total	71,643	56,449	10,848	16,996	104,626
Cash provided by	Borrowing	29,965	-	-	-	-
	Securities sold under repurchase agreements	171,184	31,099	1,853	163	-
	Eligible capital	-	-	-	-	27,830
	Total	201,149	31,099	1,853	163	27,830
Net cash flows		(129,506)	25,350	8,995	16,833	76,796
Accumulated cash flows		(129,506)	(104,156)	(95,161)	(78,328)	(1,532)

December 31, 2024

In Millions of New Taiwan Dollars

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Cash used in	Bills	\$ 61,813	\$ 67,674	\$ 4,432	\$ 4,769	\$ -
	Bonds	596	164	4,304	6,043	95,999
	Due from banks	548	-	-	-	-
	Call loans	330	-	-	-	-
	Securities purchased under resell agreements	1,307	569	80	-	-
	Total	64,594	68,407	8,816	10,812	95,999
Cash provided by	Borrowing	21,106	-	-	-	-
	Securities sold under repurchase agreements	175,566	26,679	1,703	55	-
	Eligible capital	-	-	-	-	25,222
	Total	196,672	26,679	1,703	55	25,222
Net cash flows		(132,078)	41,728	7,113	10,757	70,777
Accumulated cash flows		(132,078)	(90,350)	(83,237)	(72,480)	(1,703)

h. Matters requiring special notation

Items	Period	December 31, 2025	December 31, 2024
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor		None	None
Within the past year, a fine was levied on CBF for violations of the Act Governing Bills Finance Business and the other laws		None	None
Within the past year, misconduct occurred, resulting in the Financial Supervisory Commission's imposing strict corrective measures on CBF		None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT\$50 million		None	None
Other		None	None

Note: The term "within the past year" means one year before the balance sheet date.

40. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2025

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Call loans from banks and overdrafts on banks	\$ 21,105,772	\$ 8,859,371	\$ -	\$ -	\$ 29,965,143
Lease liabilities	<u>2,886</u>	<u>(16,121)</u>	<u>43,690</u>	<u>776</u>	<u>31,231</u>
	<u>\$ 21,108,658</u>	<u>\$ 8,843,250</u>	<u>\$ 43,690</u>	<u>\$ 776</u>	<u>\$ 29,996,374</u>

For the year ended December 31, 2024

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Call loans from banks and overdrafts on banks	\$ 17,903,510	\$ 3,202,262	\$ -	\$ -	\$ 21,105,772
Lease liabilities	<u>17,343</u>	<u>(16,229)</u>	<u>1,598</u>	<u>174</u>	<u>2,886</u>
	<u>\$ 17,920,853</u>	<u>\$ 3,186,033</u>	<u>\$ 1,598</u>	<u>\$ 174</u>	<u>\$ 21,108,658</u>

41. INFORMATION ON SIGNIFICANT TRANSACTIONS AND INVESTEEES AND PROPORTIONATE SHARE IN INVESTEEES

a. Related information of significant transactions for the year ended December 31, 2025:

- 1) Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: None
- 2) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None
- 3) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None

- 4) Allowance of service fees to related parties amounting to at least NT\$5 million: None
 - 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 6) Sale of nonperforming loans: None
 - 7) Information on asset securitization under the “Regulations for Financial Asset Securitization”: None
 - 8) Intercompany relationships and significant intercompany transactions: None
 - 9) Other significant transactions which may affect the decisions of users of financial reports: None
- b. Name, locations and other information on investees: None
- c. Investment in Mainland China: None
- d. Information on major shareholders: Listing of all shareholders with ownership of 5% or greater showing the name of the shareholder, number of shares owned, and percentage of ownership of each shareholder: Table 1.

42. OPERATING SEGMENTS

The information reported to the Company’s chief operating decision makers for the assessment of segment performance focuses mainly on types of goods or services delivered or provided. The Company’s reportable segments are as follows:

Segment Revenues and Results

An analysis of the Company’s revenues and results by reportable segment is as follows:

	Segment Revenues and Results				
	For the Year Ended December 31, 2025				
	Headquarters				
	Bills and Bonds	Equity Products	Others	Branches	Total
Bills	\$ 1,269,094	\$ -	\$ -	\$ 1,062,791	\$ 2,331,885
Bonds	233,944	65,403	-	179,909	479,256
Shares and beneficiary certificates	-	177,871	22,608	-	200,479
Derivatives	(45,425)	352,308	-	-	306,883
Others	(331,275)	-	(35)	-	(331,310)
Gain from reportable segments	1,126,338	595,582	22,573	1,242,700	2,987,193
Net revenues other than interest	(12,148)	-	-	-	(12,148)
Impairment loss on assets	3,530	-	-	-	3,530
(Provision) reversal	(108,897)	-	-	40	(108,857)
Operating expenses	(279,146)	(46,206)	-	(288,939)	(614,291)
Income before income tax	<u>\$ 729,677</u>	<u>\$ 549,376</u>	<u>\$ 22,573</u>	<u>\$ 953,801</u>	<u>\$ 2,255,427</u>

Segment Revenues and Results					
For the Year Ended December 31, 2024					
Headquarters					
	Bills and Bonds	Equity Products	Others	Branches	Total
Bills	\$ 1,255,340	\$ -	\$ -	\$ 779,534	\$ 2,034,874
Bonds	(78,945)	68,859	-	149,523	139,437
Shares and beneficiary certificates	-	186,027	19,101	-	205,128
Derivatives	(135,141)	226,621	-	-	91,480
Others	<u>(304,552)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(304,552)</u>
Gain from reportable segments	736,702	481,507	19,101	929,057	2,166,367
Net revenues other than interest	79,193	-	-	(1,215)	77,978
Impairment loss on assets	(5,815)	-	-	-	(5,815)
(Provision) reversal	(29,069)	-	-	1,170	(27,899)
Operating expenses	<u>(256,050)</u>	<u>(45,014)</u>	<u>-</u>	<u>(256,259)</u>	<u>(557,323)</u>
Income before income tax	<u>\$ 524,961</u>	<u>\$ 436,493</u>	<u>\$ 19,101</u>	<u>\$ 672,753</u>	<u>\$ 1,653,308</u>

Segment result is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The Company's branches in Banqiao, Taoyuan, Taichung, Tainan and Kaohsiung are categorized as single segment because they have the same type of products or services.

Segment Assets		
December 31		
	2025	2024
Headquarters	\$ 211,458,035	\$ 201,980,349
Branches	87,814,077	74,015,020
Write-off of internal transactions	<u>(34,150,257)</u>	<u>(23,268,460)</u>
Total assets	<u>\$ 265,121,855</u>	<u>\$ 252,726,909</u>

TABLE 1

CHINA BILLS FINANCE CORPORATION

**INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2025**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
O-Bank	380,981,600	28.36
PJ Asset Management Co., Ltd.	228,147,000	16.98
He Zhu Investment Co., Ltd.	77,084,000	5.73

- Note 1: The information on major shareholders in this table is derived from Taiwan Depository and Clearing Corporation for shareholders holding more than 5% of the Company’s ordinary shares and preferred stocks that have been delivered without physical registration (including treasury shares) on the last business day of the current quarter. The share capital recorded in the Company’s financial report and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.
- Note 2: According the above information, the delivery of shares to the trust by shareholders is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, shareholders who acquire more than 10% of shareholding have to disclose their insider ownerships, including their own shares held, delivery to the trust and shares that have the right to make decisions on trust property. Refer to the information on filing of insider ownership declaration at the Market Observation Post System website of the Taiwan Stock Exchange.

CHINA BILLS FINANCE CORPORATION

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CHINA BILLS FINANCE CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2025

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

Items	Description	Amounts
Checking accounts		\$ 244,810
Demand deposits	Including US\$737 thousand @31.438 and RMB0.465 thousand @4.5014	<u>123,828</u>
		<u>\$ 368,638</u>

CHINA BILLS FINANCE CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

Items	Description	Total Face Value/Share	Rate (%)	Acquisition Cost	Fair Value		Change in Fair Value Belong to Credit Risk	Remark
					Unit Price	Amount		
Bills								
Negotiable certificate of deposits	90 days and below	2,155,000	1.28-1.67	\$ 2,155,000	100.01	\$ 2,155,248	\$ -	
	91 day-180 days	1,000,000	1.45-1.46	1,000,000	100.03	1,000,349	-	
	181 days to 1 year	3,950,000	1.22-1.40	3,950,000	100.03	3,951,199	-	Note 4
Commercial paper 1	90 days and below	57,150	2.48-3.12	56,901	99.66	56,954	-	
Commercial paper 2	90 days and below	120,265,600	1.42-2.26	119,868,953	99.66	119,857,129	-	
	91 day-180 days	6,941,500	1.47-1.83	6,879,787	99.04	6,874,587	-	
	181 days to 1 year	2,583,100	1.70-2.02	2,539,060	98.16	2,535,555	-	
				<u>\$ 136,449,701</u>		<u>136,431,021</u>	-	Note 1
Bonds								
Corporate bonds								
More than 1 year and less than 5 years	Interest payment annually, principal and interest payment date from June 20, 2028 to December 3, 2030	1,500,000	1.57-2.08	\$ 1,500,000	100.63	1,509,504	-	
More than 5 years and less than 10 years	Interest payment annually, principal and interest payment date from December 3, 2032 to December 16, 2035	1,050,000	1.60-3.80	<u>1,050,000</u>	100.01	<u>1,050,083</u>	-	
				<u>\$ 2,550,000</u>		<u>2,559,587</u>	-	Note 1
Overseas government bonds								
More than 5 years and less than 10 years	Interest payment semi-annually, principal and interest payment date on August 15, 2035	31,438	4.25	<u>\$ 31,981</u>	101.12	<u>31,789</u>	-	
Convertible bonds								
More than 1 year and less than 5 years	Interest payment annually, principal and interest payment date from August 15, 2027 to November 25, 2030	319,800	-	<u>\$ 338,922</u>	113.10	<u>361,688</u>	-	
Beneficiary securities								
More than 1 year and less than 5 years	Interest payment monthly, principal and interest payment date on April 15, 2029	37,653	1.42	<u>\$ 37,653</u>	99.77	<u>37,564</u>	-	
Shares		267 thousand shares		<u>\$ 44,138</u>		<u>45,984</u>	-	
Securities investment trust funds		834 thousand units		<u>\$ 22,642</u>		<u>23,012</u>	-	
Fixed-rate commercial paper								
	Within 6 months	2,500,000				83	-	
	Between 1 year (not included) and 3 years	2,750,000				<u>13,927</u>	-	
						<u>14,010</u>	-	Note 2
Benchmark interest rate commercial paper								
	Within 6 months	16,750,000				3,735	-	
	Between 6 months (not included) and 1 year	10,900,000				14,443	-	
	Between 1 year (not included) and 3 years	50,950,000				121,854	-	
	Between 3 years (not included) and 5 years	11,500,000				<u>21,440</u>	-	
						<u>161,472</u>	-	Notes 2 and 3 (Continued)

Items	Description	Total Face Value/Share	Rate (%)	Acquisition Cost	Fair Value		Change in Fair Value Belong to Credit Risk	Remark
					Unit Price	Amount		
Hybrid financial assets								
Convertible bond asset swap contracts	1 year and below	517,700		\$ 517,700		\$ 519,912	\$ -	
	Between 1 year (not included) and 5 years	11,826,900		<u>11,826,900</u>		<u>11,872,868</u>	<u>-</u>	Notes 1 and 2
				<u>\$ 12,344,600</u>		<u>12,392,780</u>	<u>-</u>	
Derivative financial instruments								
Currency swap contracts	Within 6 months	628,760				254	-	
Futures margins		-				<u>44,475</u>	<u>-</u>	
						<u>44,729</u>	<u>-</u>	
						<u>\$ 152,103,636</u>	<u>\$ -</u>	

Note 1: The face value of financial assets at fair value through profit or loss under repurchase agreements was \$114,625,200 thousand.

Note 2: Total carrying value is the contract of notional amount.

Note 3: Benchmark interest rate commercial paper will be repriced before issued, the valuation amount is the same as the fair value.

Note 4: The information on pledged assets is in Note 34.

(Concluded)

CHINA BILLS FINANCE CORPORATION

**STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Items	Description	Face Value/ Notional Amount	Fair Value
Currency swap contracts	Within 6 months	\$ 1,257,520	\$ 11,143
Purchase commitment contracts	Within 6 months	2,850,000	599
	Between 6 months (not included) and 1 years	900,000	35
	Between 1 year (not included) and 3 years	<u>500,000</u>	<u>1,583</u>
		<u>\$ 5,507,520</u>	<u>\$ 13,360</u>

CHINA BILLS FINANCE CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Items	Description	Total Face Value/Share	Rate (%)	Acquisition Cost	Accumulated Impairment Loss	Fair Value		Remark
						Unit Price	Amount	
Government bonds								
1 year and below	Interest payment annually, principal and interest payment date on October 16, 2026	550,000	0.76	\$ 550,000	\$ -	99.43	\$ 546,860	
Between 1 year (not included) and 5 years	Interest payment annually, principal and interest payment date from January 17, 2028 to March 12, 2030	2,850,000	0.808-1.59	2,851,701	-	97.13-100.83	2,817,658	
Between 5 years (not included) and 10 years	Interest payment annually, principal and interest payment date from October 17, 2032 to February 13, 2035	1,250,000	1.5-1.875	1,254,600	-	100.95-103.9	1,264,182	
More than 20 years	Interest payment annually, principal and interest payment date on December 23, 2051	200,000	1.125	<u>198,850</u>	<u>-</u>	90.12	<u>180,242</u>	
Government bonds total				<u>4,855,151</u>	<u>-</u>		<u>4,808,942</u>	Note
Bank debentures								
Between 1 year (not included) and 5 years	Interest payment annually, principal and interest payment date from March 20, 2028 to July 22, 2030	1,800,000	0.88-2.00	1,800,651	141	97.24-101.47	1,785,477	
Between 5 years (not included) and 10 years	Interest payment annually, principal and interest payment date from May 7, 2031 to October 14, 2035	730,000	1.85-3.00	<u>730,474</u>	<u>377</u>	100.68-107.71	<u>761,754</u>	
Bank debentures total				<u>2,531,125</u>	<u>518</u>		<u>2,547,231</u>	Note
Corporate bonds								
1 year and below	Interest payment annually, principal and interest payment date from January 13, 2026 to December 19, 2026	13,700,000	0.45-1.77	13,698,741	1,462	99.09-100.25	13,629,032	
Between 1 year (not included) and 5 years	Interest payment semi to annually, principal and interest payment date from July 11, 2026 to December 23, 2030	40,432,500	0.48-2.25	40,414,304	3,126	95.6-102.29	40,357,071	
Between 5 years (not included) and 10 years	Interest payment annually, principal and interest payment date from December 31, 2030 to August 26, 2035	12,145,000	1.72-4	<u>12,156,170</u>	<u>3,200</u>	99.75-117.44	<u>13,280,042</u>	
Corporate bonds total				<u>66,269,215</u>	<u>7,788</u>		<u>67,266,145</u>	Note
Overseas government bonds								
Between 1 year (not included) and 5 years	Interest payment semi-annually, payment date from April 16, 2029 to April 16, 2030	1,446,148	3.25-4.5	1,492,272	1,566	94.56-100.72	1,416,003	
Between 5 years (not included) and 10 years	Interest payment semi-annually, principal and interest payment date from May 15, 2034 to August 15, 2035	754,512	4.25-5.625	779,720	79	101.12-106.15	782,553	
Between 10 years (not included) and 20 years	Interest payment semi-annually, principal and interest payment date on May 15, 2044	125,752	4.625	<u>133,135</u>	<u>-</u>	98.8	<u>124,239</u>	
Overseas government bonds total				<u>2,405,127</u>	<u>1,645</u>		<u>2,322,795</u>	Note

(Continued)

Items	Description	Total Face Value/Share	Rate (%)	Acquisition Cost	Accumulated Impairment Loss	Fair Value		Remark
						Unit Price	Amount	
Overseas bank debentures								
1 year and below	Interest payment semi-annually and quarterly, principal and interest payment date from April 12, 2026 to July 21, 2026	62,876	3.477-3.75	\$ 62,986	\$ 27	99.75-99.84	\$ 62,749	
Between 1 year (not included) and 5 years	Interest payment semi-annually and quarterly, principal and interest payment date from February 1, 2027 to October 22, 2030	3,961,188	2.013-6.316	3,989,957	1,847	90.9-105.49	3,911,974	
Between 5 years (not included) and 10 years	Interest payment semi-annually and quarterly, principal and interest payment date from January 14, 2031 to November 6, 2035	13,706,968	2.08-7.003	13,808,061	5,294	87.48-114.88	14,179,199	
Between 10 years (not included) and 20 years	Interest payment semi-annually, principal and interest payment date on January 9, 2036	440,132	5.862	<u>456,599</u>	<u>155</u>	105.91-105.92	<u>466,166</u>	
Overseas bank debentures total				<u>18,317,603</u>	<u>7,323</u>		<u>18,620,088</u>	Note
Overseas corporate bonds								
1 year and below	Interest payment semi-annually, principal and interest payment date from September 23, 2026 to September 26, 2026	62,876	3-3.2	62,800	27	99.15-99.3	62,390	
Between 1 year (not included) and 5 years	Interest payment semi-annually, principal and interest payment date from June 15, 2028 to November 16, 2030	4,605,667	2.172-6.45	4,643,801	2,369	92.36-107.61	4,472,055	
Between 5 years (not included) and 10 years	Interest payment semi-annually, principal and interest payment date from January 8, 2031 to November 1, 2035	1,257,520	2.3-6.342	<u>1,278,985</u>	<u>684</u>	93.17-109.94	<u>1,280,765</u>	
Overseas corporate bounds total				<u>5,985,586</u>	<u>3,080</u>		<u>5,815,210</u>	Note
Listed shares		5,096		<u>1,033,329</u>			<u>1,063,297</u>	
		thousand shares						
Beneficiary securities on real estate investment trust		15,000		<u>150,000</u>			<u>105,600</u>	
Unlisted shares								
Taiwan Asset Management Corporation		6,000		60,000			77,352	
		thousand shares						
Core Pacific City Corporation		49		71,287			-	
		thousand shares						
Taiwan Depository and Clearing Corporation		5,074		27,230			211,990	
		thousand shares						
Taiwan Futures Exchange Corporation		3,247		<u>9,000</u>			<u>137,546</u>	
		thousand shares						
				<u>167,517</u>			<u>426,888</u>	
				<u>\$ 101,714,653</u>	<u>\$ 20,354</u>		<u>\$ 102,976,196</u>	

Note: The face value of financial assets at FVTOCI under repurchase agreements was \$84,933,357 thousand.

(Concluded)

CHINA BILLS FINANCE CORPORATION

STATEMENT OF INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

Items	Description	Number of Sheets	Total Face Value/Share	Rate (%)	Accumulated Impairment Loss	Unamortized (Discount) Premium	Carrying Amount	Remark
Government bonds								
Between 1 year (not included) and 5 years	Interest payment annually, principal and interest payment date from September 23, 2027 to March 12, 2030		\$ 1,800,000	1.25-1.50	\$ -	\$ (6,217)	\$ 1,793,783	
Between 5 years (not included) and 10 years	Interest payment annually, principal and interest payment date from January 10, 2033 to February 13, 2035		<u>900,000</u>	1.25-1.50	<u>-</u>	<u>(1,829)</u>	<u>898,171</u>	
			<u>\$ 2,700,000</u>		<u>\$ -</u>	<u>\$ (8,046)</u>	<u>\$ 2,691,954</u>	

Note: The information on pledged assets is in Note 34.

CHINA BILLS FINANCE CORPORATION

STATEMENT OF SECURITIES PURCHASED UNDER RESELL AGREEMENTS

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Items	Face Value	Amounts
30 days and below	\$ 1,429,100	\$ 1,430,874
31 days to 60 days	1,350,000	1,284,021
61 days to 90 days	1,713,000	1,491,241
Over 91 days	<u>100,000</u>	<u>100,000</u>
	<u>\$ 4,592,100</u>	<u>\$ 4,306,136</u>

Note: Securities purchased under resell agreements were sold under repurchase agreements in the face values of \$3,684,000 thousand.

CHINA BILLS FINANCE CORPORATION

STATEMENT OF CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

Name	Balance, End of Year	Contract Period	Call Loans Period	Range of Interest Rate	Loan Commitments	Guarantee or Collateral
Call loans from banks						
Bank of Taiwan	\$ 8,330,000	January 1, 2025 to December 31, 2025	December 15, 2025 to January 5, 2026	1.435%-1.455%	\$ 14,000,000	Note
First Commercial Bank	6,880,000	January 1, 2025 to December 31, 2025	December 15, 2025 to January 15, 2026	1.435%-1.455%	10,000,000	No
Taipei Fubon Bank	3,650,000	October 1, 2025 to September 30, 2026	December 15, 2025 to January 13, 2026	1.43%-1.455%	4,000,000	No
Shin Kong Commercial Bank	2,500,000	January 1, 2025 to January 31, 2026	December 23, 2025 to January 8, 2026	1.43%	3,443,140	No
Chang Hwa Commercial Bank	2,000,000	January 1, 2025 to February 28, 2026	December 16, 2025 to January 14, 2026	1.44%	2,314,380	No
King’s Town Bank	2,000,000	January 1, 2025 to December 31, 2025	December 18, 2025 to January 15, 2026	1.43%-1.44%	3,285,950	No
Taiwan Cooperative Bank	1,500,000	September 2, 2025 to September 1, 2026	December 26, 2025 to January 5, 2026	1.43%	3,000,000	No
Taiwan Business Bank	500,000	January 1, 2025 to December 31, 2025	December 23, 2025 to January 6, 2026	1.43%	11,600,000	No
Agricultural Bank	500,000	January 1, 2025 to December 31, 2025	December 23, 2025 to January 6, 2026	1.435%	3,300,000	No
LINE Bank	200,000	April 1, 2025 to March 31, 2026	December 23, 2025 to January 6, 2026	1.43%	1,000,000	No
KGI Bank Co., Ltd.	<u>1,905,143</u>	January 1, 2025 to December 31, 2025	December 24, 2025 to January 7, 2026	4.15%-4.18%	<u>3,500,000</u>	No
	<u>\$ 29,965,143</u>				<u>\$ 59,443,470</u>	

Note: The financial assets at fair value through profit or loss \$1,593,808 thousand negotiable certificate of deposits was pledged as the guaranteed credit line for loan of NT\$2,000,000 thousand granted by Bank of Taiwan.

CHINA BILLS FINANCE CORPORATION

STATEMENT OF SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Items	Carrying Value	Turnover
30 days and below	\$ 170,748,496	\$ 171,184,029
31 days to 60 days	24,868,589	25,224,968
61 days to 90 days	5,718,961	5,874,519
91 days to 180 days	1,760,310	1,852,528
Over 181 days	<u>146,201</u>	<u>162,957</u>
	<u>\$ 203,242,557</u>	<u>\$ 204,299,001</u>

CHINA BILLS FINANCE CORPORATION

**STATEMENT OF GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE
THROUGH PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Items	Amounts
Dividends revenue	<u>\$ 2,838</u>
Gain (loss) on disposal of financial assets and liabilities at fair value through profit or loss	
Short-term bills	94,607
Bonds	93,347
Stocks and mutual funds	(6,581)
Derivative financial instruments	<u>(46,813)</u>
	<u>134,560</u>
Gain (loss) on valuation of financial assets and liabilities at fair value through profit or loss	
Short-term bills	(55,571)
Bonds	25,289
Stocks and mutual funds	(2,881)
Derivative financial instruments	<u>34,891</u>
	<u>1,728</u>
	<u>\$ 139,126</u>

CHINA BILLS FINANCE CORPORATION

STATEMENT OF EMPLOYEE BENEFIT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

Items	Employee Benefits Expenses	Other Non-interest Gains	Other Operating Expenses	Total	Remark
Salaries and wages	\$ 313,882	\$ -	\$ -	\$ 313,882	
Labor insurance and national health insurance	16,362	-	-	16,362	
Pension	9,553	-	-	9,553	
Remuneration to directors	42,782	-	-	42,782	
Others	<u>35,033</u>	<u>-</u>	<u>-</u>	<u>35,033</u>	Note 1
	<u>\$ 417,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,612</u>	

Note 1: The amount of each item in others does not exceed 5% of the account balance.

Note 2: For the years ended December 31, 2025 and 2024, the Company had 169 and 166 average employees of which there were both 8 non-employee directors.

Note 3: The average employee benefits expense for the current year was \$2,328 thousand [(Total personnel expenses - Remuneration to directors) ÷ (Total employees - Non-employee directors)]

The average employee benefits expense for the prior year was \$2,226 thousand [(Total personnel expenses for the prior year - Remuneration to directors) ÷ (Total employees for the prior year - Non-employee directors)]

Note 4: The average salaries and wages for the current year was \$1,950 thousand [Total salaries and wages ÷ (Total employees - Non-employee director)]

The average salaries and wages for the prior year was \$1,848 thousand [Total salaries and wages for the prior year ÷ (Total employees for the prior year - Non-employee directors)]

Note 5: The change in the average salaries and wages is 5.52% Increase. [(Total average salaries and wages - The average salaries and wages for the prior year) ÷ The average salaries and wages for the prior year]

Note 6: As of December 31, 2025 and 2024, there is no remuneration for supervisor since the Company did not designate the supervisor.

(Continued)

Note 7: The Company's policy on compensation and remuneration (including directors, supervisors, managers and employees) are as follow:

In addition to the monthly remuneration and transportation allowance (to be paid subject to the actual attendance of meeting), the remuneration of directors would be allocated pursuant to the articles of incorporation, subject to the profit status for the year, and the allocation, if any, shall be reported to the remuneration committee, and approved upon resolution made by the directors' meeting and reported to the shareholders' meeting. Notwithstanding, independent directors should be excluded from the allocation of remuneration.

The remuneration to the Company's chairman, president, vice presidents and managers should be subject to the review and approval by the remuneration committee on a yearly basis.

Compensation of employees is decided according to the Company's personnel administration regulation. The determination of the compensation is based on the average level of the domestic financial industry. The Company responds to the transformation in the industrial environment (future risks) and implements the spirit of bonus and performance linkage by assessing the differential contribution and individual performance of employees. The trading and non-trading business performance bonus is allocated depending on the profitability of the year to encourage employees to develop work potential and pursue outstanding performance.

(Concluded)

China Bills Finance Corporation

**Securities Department Disclosure
Years Ended December 31, 2025 and 2024**

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

BALANCE SHEETS

DECEMBER 31, 2025 AND 2024

(In Thousands of New Taiwan Dollars)

ASSETS	2025		2024	
	Amount	%	Amount	%
CURRENT ASSETS				
Financial assets at fair value through profit or loss - current (Notes 4 and 6)	\$ 15,423,363	12	\$ 11,476,011	10
Bonds purchased under resell agreements (Notes 4 and 10)	4,306,136	4	1,955,700	2
Receivable, net (Note 4)	1,066,341	1	755,926	1
Current tax assets (Note 4)	-	-	272,880	-
Total current assets	<u>20,795,840</u>	<u>17</u>	<u>14,460,517</u>	<u>13</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 7, 9 and 15)	101,380,411	81	93,473,798	85
Financial assets at amortized cost - non-current (Notes 4, 8, 9 and 15)	2,691,954	2	2,190,041	2
Other financial assets, net (Note 4)	120,797	-	5,880	-
Refundable deposits	<u>5,926</u>	<u>-</u>	<u>79,745</u>	<u>-</u>
Total non-current assets	<u>104,199,088</u>	<u>83</u>	<u>95,749,464</u>	<u>87</u>
TOTAL	<u>\$ 124,994,928</u>	<u>100</u>	<u>\$ 110,209,981</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 4 and 6)	\$ 11,143	-	\$ 12,125	-
Bonds sold under repurchase agreements (Notes 4 and 11)	91,824,770	74	90,909,846	83
Accounts payable, net	215,797	-	212,550	-
Current tax liabilities	<u>88,678</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>92,140,388</u>	<u>74</u>	<u>91,134,521</u>	<u>83</u>
NON-CURRENT LIABILITIES				
Internal office accounts (Note 14)	<u>30,634,748</u>	<u>24</u>	<u>18,978,738</u>	<u>17</u>
Total liabilities	<u>122,775,136</u>	<u>98</u>	<u>110,113,259</u>	<u>100</u>
EQUITY				
Appropriated working capital (Note 1)	<u>550,000</u>	<u>-</u>	<u>550,000</u>	<u>1</u>
Retained earnings				
Special reserve	71,306	-	71,306	-
Unappropriated earnings	<u>565,441</u>	<u>1</u>	<u>345,112</u>	<u>-</u>
Total retained earnings	<u>636,747</u>	<u>1</u>	<u>416,418</u>	<u>-</u>
Other equity	<u>1,033,045</u>	<u>1</u>	<u>(869,696)</u>	<u>(1)</u>
Total equity	<u>2,219,792</u>	<u>2</u>	<u>96,722</u>	<u>-</u>
TOTAL	<u>\$ 124,994,928</u>	<u>100</u>	<u>\$ 110,209,981</u>	<u>100</u>

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

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

	2025		2024	
	Amount	%	Amount	%
REVENUES AND GAINS				
Gains on sale of securities held for operations - dealing	\$ 147,802	5	\$ 231,233	9
Interest revenue (Notes 4 and 12)	2,621,673	93	2,241,823	91
Recognized (reversal) of impairment loss (Notes 4 and 9)	3,530	-	(5,815)	-
Gains (losses) on securities held for operations - dealing (Note 4)	52,294	2	(73,099)	(3)
Foreign exchange gains or losses, net (Note 4)	<u>(12,043)</u>	<u>-</u>	<u>78,196</u>	<u>3</u>
Total revenues and gains	<u>2,813,256</u>	<u>100</u>	<u>2,472,338</u>	<u>100</u>
EXPENSES AND LOSSES				
Service charge (Note 4)	(11,300)	(1)	(11,966)	-
Interest expense (Notes 4 and 13)	(1,923,657)	(68)	(2,019,056)	(82)
Employee benefit expenses (Note 4)	(64,167)	(2)	(40,782)	(2)
Other operating expenses	<u>(54,526)</u>	<u>(2)</u>	<u>(43,599)</u>	<u>(2)</u>
Total expenses and losses	<u>(2,053,650)</u>	<u>(73)</u>	<u>(2,115,403)</u>	<u>(86)</u>
INCOME BEFORE INCOME TAX	759,606	27	356,935	14
INCOME TAX (EXPENSE) (Note 4)	<u>(194,165)</u>	<u>(7)</u>	<u>(11,823)</u>	<u>-</u>
NET INCOME FOR THE YEAR	<u>565,441</u>	<u>20</u>	<u>345,112</u>	<u>14</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Item that may be reclassified to profit or loss:				
Unrealized gains or losses on investments in debt instruments at fair value through other comprehensive income (Note 4)	2,101,792	75	(161,112)	(7)
Income tax related to items that may be reclassified to profit or loss (Note 4)	<u>(199,051)</u>	<u>(7)</u>	<u>43,193</u>	<u>2</u>
Other comprehensive income (loss) for the year, net of income tax	<u>1,902,741</u>	<u>68</u>	<u>(117,919)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,468,182</u>	<u>88</u>	<u>\$ 227,193</u>	<u>9</u>

CHINA BILLS FINANCE CORPORATION

SECURITIES DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

1. GENERAL INFORMATION

The Department obtained from the competent authority the approval for its proprietary trading of government bonds on July 12, 1997. The Department obtained from the competent authority the corporate bonds of proprietary business license to deal corporate bonds on July 28, 2003. The Department obtained from the competent authority the proprietary business license to deal bonds and securitization commodity (limited to fixed-income security) on May 17, 2007.

As of December 31, 2025 and 2024, the Department had working capital of \$550,000 thousand.

As of December 31, 2025 and 2024, the Department had 26 and 18 employees included adjunct employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on February 26, 2026.

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

The Department application of new, amended and revised standards and interpretations is the same as disclosed in the Company's financial statements for the year ended December 31, 2025.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The Company's dual status of securities firm's segment assets, liabilities, revenues and expenses, which be identified and be reasonable attribution of items is the calculation basis.

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets;

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

Bonds Purchased/Sold Under Resell/Repurchase Agreements

Bonds purchased under resell agreements and bonds sold under repurchase agreements are treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized on an accrual basis.

Financial Instruments

Financial assets and financial liabilities are recognized when the Department becomes a party to the contractual provisions of the instruments.

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

- a. Financial assets

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

1) Measurement category

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

a) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified, or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and remeasurement gains or losses on such financial assets (including any dividends or interest earned) are recognized in profit or loss.

b) Investments in debt instruments at FVTOCI

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

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

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

c) Financial assets at amortized cost

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

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

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

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

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

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

2) Impairment of financial assets

The Department recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, as well as contract assets.

The Department always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Department recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Department measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 90 days past due unless the Department has reasonable and corroborative information to support a more lagged default criterion.

In addition to evaluating impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, the Department will evaluate impairment loss, under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt” issued by the authorities and the Department’s provision procedures, and recognize the higher of allowance of and debts between the above regulations expect.

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

Credits deemed uncollectible may be written off upon approval by the board of directors.

3) Derecognition of financial assets

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

On the full derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Financial liabilities

1) Subsequent measurement

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

Financial liabilities held for trading are stated at fair value, and remeasurement gains or losses on such financial liabilities are recognized in profit or loss.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

c. Derivative financial instruments

The Department enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange swap contracts, interest rate swaps and convertible bond asset swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

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

d. Modification of financial instruments

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

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

Revenue Recognition

Interest revenues are estimated on an accrual basis.

Interest revenue from a financial asset is recognized when it is probable that the economic benefits will flow to the Department and the amount of income can be measured reliably. Interest revenue is accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable.

Employee Benefits

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

Taxation

Income tax expense for the period is shared pro rata on gain of reportable segments.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Department considers economic environment implications and inflation and interest rate fluctuations when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2025	2024
Financial assets mandatorily classified as at fair value through profit or loss		
Derivative financial instruments		
Currency swap contracts	\$ 254	\$ -
Futures margins	39,701	33,662
Non-derivative financial instruments		
Bond investments	2,953,064	1,718,356
Beneficiary securities	37,564	496,830
Hybrid financial assets		
Convertible bond asset swap contracts	<u>12,392,780</u>	<u>9,227,163</u>
Financial assets at fair value through profit or loss	<u>\$ 15,423,363</u>	<u>\$ 11,476,011</u>

(Continued)

	December 31	
	2025	2024
<u>Financial liabilities held for trading</u>		
Derivative financial instruments		
Currency swap contracts	\$ 11,143	\$ 12,125
Financial liabilities at fair value through profit or loss	\$ 11,143	\$ 12,125
		(Concluded)

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2025 and 2024 were as follows:

	December 31	
	2025	2024
Convertible bond assets swap contracts	\$ 12,344,600	\$ 9,204,600
Currency swap contracts	1,886,280	1,147,335
Futures contracts	84,883	-

As of December 31, 2025 and 2024, the face value of financial instruments at fair value through profit or loss under repurchase agreements was \$1,868,400 thousand and \$1,202,800 thousand, respectively.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2025	2024
<u>Domestic investments</u>		
Government bonds	\$ 4,808,942	\$ 4,770,811
Corporate bonds	67,266,145	61,338,769
Bank debentures	2,547,231	1,880,826
<u>Overseas investments</u>		
Overseas government bonds	2,322,795	2,130,459
Overseas corporate bonds	5,815,210	6,590,341
Overseas bank debentures	18,620,088	16,762,592
	<u>\$ 101,380,411</u>	<u>\$ 93,473,798</u>

Refer to Note 9 for information relating to the credit risk and impairment assessment about these investments in debt instruments at FVTOCI.

As of December 31, 2025 and 2024, the face value of financial instruments at FVTOCI under repurchase agreements was \$84,933,357 thousand and \$86,340,485 thousand, respectively.

8. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2025	2024
<u>Domestic investments</u>		
Government bonds	\$ 2,691,954	\$ 2,190,041
a. Refer to Note 9 for information relating to the credit risk management and impairment assessment about these investment in debt instruments at amortized cost.		
b. Refer to Note 15 for information relating to the investments in debt instruments at amortized cost pledged as security.		

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

December 31, 2025

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 100,363,807	\$ 2,691,954
Less: Allowance for impairment loss	(23,354)	-
Amortized cost	100,343,453	\$ 2,691,954
Adjustment to fair value	1,036,958	
	\$ 101,380,411	

December 31, 2024

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 94,562,516	\$ 2,190,041
Less: Allowance for impairment loss	(23,884)	-
Amortized cost	94,538,632	\$ 2,190,041
Adjustment to fair value	(1,064,834)	
	\$ 93,473,798	

The Department invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Department’s exposure and the external credit ratings are continuously monitored. The Department reviews changes in bond yield and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Department has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

In determining the expected credit losses for debt instrument investments, the Department considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast in estimating 12-month or lifetime expected credit losses.

The Department’s current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECLs - credit-impaired

The gross carrying amounts of debt instrument investments by credit category and the corresponding expected loss rates were as follows:

Category	December 31	
	2025	2024
Performing	\$ 103,055,761	\$ 96,752,557
Doubtful	-	-
In default	-	-

The movements of the allowance for impairment loss of investments in debt instruments at FVTOCI and amortized cost were as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	In Default (Lifetime ECLs - Credit- impaired)
Balance on January 1, 2025	\$ 23,884	\$ -	\$ -
Financial assets changed from normal to abnormal	-	-	-
New financial assets purchased	6,186	-	-
Derecognition	(6,574)	-	-
Change in model or risk parameters	(2,767)	-	-
Change in exchange rates or others	(375)	-	-
Balance on December 31, 2025	<u>\$ 20,354</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	In Default (Lifetime ECLs - Credit- impaired)
Balance on January 1, 2024	\$ 18,069	\$ -	\$ -
Financial assets changed from normal to abnormal	(236)	236	-
New financial assets purchased	8,214	-	-
Derecognition	(2,415)	(1,253)	-
Change in model or risk parameters	(451)	1,017	-
Change in exchange rates or others	<u>703</u>	<u>-</u>	<u>-</u>
Balance on December 31, 2024	<u>\$ 23,884</u>	<u>\$ -</u>	<u>\$ -</u> (Concluded)

10. BONDS PURCHASED UNDER RESELL AGREEMENTS

As of December 31, 2025 and 2024, bonds in the amounts of \$4,306,136 thousand and \$1,955,700 thousand purchased were under resell agreements were in the amounts of \$4,317,700 thousand and \$1,960,890 thousand before March 2026 and April 2025, respectively.

As of December 31, 2025 and 2024, bonds purchased under resell agreements were sold under repurchase agreements in the face values of \$3,684,000 thousand and \$2,027,900 thousand, respectively.

11. BONDS SOLD UNDER REPURCHASE AGREEMENTS

As of December 31, 2025 and 2024, bonds in the amounts of \$91,824,770 thousand and \$90,909,846 thousand had been sold under repurchase agreements for \$92,054,670 thousand and \$91,166,431 thousand before their maturities in October 2026 and October 2025, respectively.

12. INTEREST REVENUE

	For the Year Ended December 31	
	2025	2024
Bonds	\$ 2,212,876	\$ 2,003,129
Convertible bonds asset swap	356,754	204,646
Bonds purchased under resell agreements	<u>52,043</u>	<u>34,048</u>
	<u>\$ 2,621,673</u>	<u>\$ 2,241,823</u>

13. INTEREST EXPENSE

	For the Year Ended December 31	
	2025	2024
Bonds sold under repurchase agreements	\$ 1,893,593	\$ 2,006,086
Convertible bonds asset swap	<u>30,064</u>	<u>12,970</u>
	<u>\$ 1,923,657</u>	<u>\$ 2,019,056</u>

14. RELATED PARTY TRANSACTIONS

a. The related parties and their relationship with the Department are summarized as follows:

Related Party	Relationship with the Department
China Bills Financial Corporation (China Bills)	Headquarters of the Department

b. The significant transactions and balances with the related parties are summarized as follows:

Related Party	Item	December 31	
		2025	2024
China Bills	Internal office accounts	<u>\$ 30,634,748</u>	<u>\$ 18,978,738</u>

15. PLEDGED ASSETS

The following assets were provided as collaterals for call loans from banks and overdrafts:

	December 31		Purposes
	2025	2024	
Investments in debt instruments at amortized cost			
Governments bonds	\$ 1,593,808	\$ 1,590,292	Credit lines for loans
Governments bonds	973,216	474,827	Deposits placed with bank overdrafts
Governments bonds	89,950	89,944	OTC electronic bond trading reserve
Governments bonds	34,980	34,978	Deposits placed with authorities to operate as a security dealer

16. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Department as of December 31, 2025 and 2024 were as follows:

	December 31	
	2025	2024
Bonds sold under repurchase agreements (at repurchase price)	\$ 92,054,670	\$ 91,166,431
Bonds purchased under resell agreements (at resell price)	4,317,700	1,960,890

17. SIGNIFICANT LOSSES FROM DISASTERS: NONE

18. SIGNIFICANT EVENTS AFTER REPORTING PERIOD: NONE

19. FINANCIAL INSTRUMENTS

The objectives of and policies of financial instruments follows the rules of the Company. Refer to the Company's financial statements for the year ended December 31, 2025.

20. FINANCIAL RISK MANAGEMENT

The objectives of and policies of financial risk management follows the rules of the Company. Refer to the Company's financial statements for the year ended December 31, 2025.

21. INFORMATION ON SIGNIFICANT TRANSACTIONS WITH INVESTEEES AND PROPORTIONATE SHARE IN INVESTEEES

- a. Related information on significant transactions for the year ended December 31, 2024:
 - 1) Financing provided to others: None
 - 2) Endorsements/guarantees provided: None
 - 3) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 4) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 5) Service fees to related parties amounting to at least NT\$5 million: None
 - 6) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 7) Intercompany relationships and significant intercompany transactions: None
- b. Information on investees: None
- c. Information on establishment of foreign branches and representatives abroad: None
- d. Investment in Mainland China: None
- e. Information on major shareholders: Listing of all shareholders with ownership of 5% or greater showing the name of the shareholder, number of shares owned, and percentage of ownership of each shareholder: Table 1.

22. OPERATING SEGMENTS: NONE

TABLE 1

CHINA BILLS FINANCE CORPORATION

**INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2025**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
O-Bank	380,981,600	28.36
PJ Asset Management Co., Ltd.	228,147,000	16.98
He Zhu Investment Co., Ltd.	77,084,000	5.73

- Note 1: The information on major shareholders in this table is derived from Taiwan Depository and Clearing Corporation for shareholders holding more than 5% of the Company’s ordinary shares and preferred stocks that have been delivered without physical registration (including treasury shares) on the last business day of the current quarter. The share capital recorded in the Company’s financial report and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.
- Note 2: According the above information, the delivery of shares to the trust by shareholders is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, shareholders who acquire more than 10% of shareholding have to disclose their insider ownerships, including their own shares held, delivery to the trust and shares that have the right to make decisions on trust property. Refer to the information on filing of insider ownership declaration at the Market Observation Post System website of the Taiwan Stock Exchange.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS)
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Items	Description	Face Value	Rate (%)	Acquisition Cost	Fair Value		Change in Fair Value Belong to Credit Risk	Remark
					Unit Price	Total Amount		
Bonds								
Corporate bonds								
B99515	Expiration date: December 16, 2035	\$ 850,000	3.70	\$ 850,000	100.01	\$ 850,089	\$ -	
B86414	Expiration date: June 20, 2028	300,000	2.08	300,000	101.26	303,770	-	
B9AW03	Expiration date: October 29, 2030	300,000	1.78	300,000	100.00	300,014	-	
B83426	Expiration date: December 11, 2029	200,000	2.06	200,000	101.62	203,244	-	
B402BR	Expiration date: September 15, 2030	200,000	2.02	200,000	100.89	201,781	-	
Others	Expiration date from: October 8, 2028 to October 23, 2035	<u>700,000</u>		<u>700,000</u>		<u>700,689</u>	-	Note 2
		<u>2,550,000</u>		<u>2,550,000</u>		<u>2,559,587</u>	-	Note 1
Convertible bonds								
31312	Expiration date: August 5, 2030	50,000		55,156	126.00	63,000	-	
62745	Expiration date: November 13, 2030	33,000		35,640	139.55	46,052	-	
36872	Expiration date: October 2, 2028	30,000		31,127	109.90	32,970	-	
64512	Expiration date: February 27, 2028	30,000		30,900	97.75	29,325	-	
35513	Expiration date: October 28, 2028	20,500		23,308	136.00	27,880	-	
30322	Expiration date: November 25, 2030	26,000		27,053	96.00	24,960	-	
Others	Expiration date from: August 15, 2027 to September 9, 2030	<u>130,300</u>		<u>135,738</u>		<u>137,501</u>	-	Note 2
		<u>319,800</u>		<u>338,922</u>		<u>361,688</u>	-	Note 1
Foreign government bonds								
US91282CNTT 4.25 35	Expiration date: August 15, 2035	<u>31,438</u>		<u>31,981</u>	101.12	<u>31,789</u>	-	
Beneficiary securities								
01113S	Expiration date: April 15, 2029	<u>37,653</u>	1.42	<u>37,653</u>	99.77	<u>37,564</u>	-	Note 1
Hybrid financial assets								
Yulon 3 Asset Swap	Expiration date: May 25, 2026	1,080,000	2.80-3.25	1,080,000		1,081,561	-	
Yulon Finance 2 Asset Swap	Expiration date: November 20, 2026	796,400	3.00	796,400		799,099	-	
Others	Expiration date from: January 25, 2026 to December 12, 2028	<u>10,468,200</u>		<u>10,468,200</u>		<u>10,512,120</u>	-	Note 2
		<u>12,344,600</u>		<u>12,344,600</u>		<u>12,392,780</u>	-	Note 1
		<u>\$ 15,283,491</u>		<u>\$ 15,303,156</u>		<u>\$ 15,383,408</u>	<u>\$ -</u>	

Note 1: The face value of financial assets at fair value through profit or loss under repurchase agreements was \$1,868,400 thousand.

Note 2: The amount of each item in others does not exceed 5% of the account balance.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - DERIVATIVE
FINANCIAL INSTRUMENTS
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

Items	Description	Fair Value	Remark
Derivative financial assets			
Currency swap contracts	Within 6 months	\$ 254	Note
Futures			
Futures exchange margins - owned fund		<u>39,701</u>	
		<u>\$ 39,955</u>	

Note: The notional principal amount totaled NT\$628,760 thousand.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENT OF BONDS PURCHASED UNDER RESELL AGREEMENTS
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

Client Name	Transaction Condition			Bonds		Turnover
	Start Date	Expiration Date	Rate (%)	Item	Face Value	
King’s Town Bank	December 22, 2025	February 24, 2026	1.19-1.20	A05111	\$ 1,180,000	\$ 1,180,000
King’s Town Bank	December 1, 2025	January 27, 2026	1.19-1.20	A06104	640,000	645,719
Sunny Bank	August 13, 2025	February 9, 2026	1.20-1.23	A99107	429,100	429,519
Weitai International Corporation Pty Ltd	October 27, 2025	January 23, 2026	2.30	B99004	400,000	360,000
Artemis Investment Co., Ltd.	November 17, 2025	January 13, 2026	2.20	B99509	300,000	255,000
Sunny Bank	December 1, 2025	January 29, 2026	1.18-1.19	A99104	200,000	201,157
Artemis Investment Co., Ltd.	November 3, 2025	January 13, 2026	2.20	B99412	150,000	128,742
Artemis Investment Co., Ltd.	December 3, 2025	January 13, 2026	2.20	B99410	110,000	93,500
Others					<u>1,183,000</u>	<u>1,012,499</u>
Total (Note)					<u>\$ 4,592,100</u>	<u>\$ 4,306,136</u>

Note: Bonds purchased under resell agreements were sold under repurchase agreements in the face values of \$3,684,000 thousand.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Items	Balance on January 1, 2025		Additions		Disposals		Balance on December 31, 2025		Allowance Loss	Guarantee and Collateral	Remark
	Face Value	Fair Value	Face Value	Amounts	Face Value	Amounts	Face Value	Fair Value			
Government bonds	\$ 4,900,000	\$ 4,770,811	\$ 100,000	\$ 185,135	\$ (150,000)	\$ (147,004)	\$ 4,850,000	\$ 4,808,942	\$ -	-	
Overseas government bonds	2,261,889	2,130,459	64,523	192,336	-	-	2,326,412	2,322,795	1,645	-	
Bank debentures	1,900,000	1,880,826	630,000	666,405	-	-	2,530,000	2,547,231	518	-	
Overseas bank debentures	17,017,764	16,762,592	1,153,400	1,857,496	-	-	18,171,164	18,620,088	7,323	-	
Corporate bonds	61,340,000	61,338,769	4,937,500	5,927,376	-	-	66,277,500	67,266,145	7,788	-	
Overseas corporate bonds	<u>7,008,217</u>	<u>6,590,341</u>	<u>-</u>	<u>-</u>	<u>(1,082,154)</u>	<u>(775,131)</u>	<u>5,926,063</u>	<u>5,815,210</u>	<u>3,080</u>	-	
	<u>\$ 94,427,870</u>	<u>\$ 93,473,798</u>	<u>\$ 6,885,423</u>	<u>\$ 8,828,748</u>	<u>\$ (1,232,154)</u>	<u>\$ (922,135)</u>	<u>\$ 100,081,139</u>	<u>\$ 101,380,411</u>	<u>\$ 20,354</u>		Note

Note: The face value of financial assets at FVTOCI under repurchase agreements was \$84,933,357 thousand.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

Items	Balance on January 1, 2025		Additions		Disposals		Balance on December 31, 2025		Allowance Loss	Guarantee and Collateral
	Face Value	Carrying Amount	Face Value	Amounts	Face Value	Amounts	Face Value	Carrying Amount		
Government bonds										
A11108	1,500,000	\$ 1,490,355	-	\$ 3,509	-	\$ -	1,500,000	\$ 1,493,864	\$ -	
A12110	500,000	499,686	-	34	-	-	500,000	499,720	-	
A12201	200,000	200,000	-	-	-	-	200,000	200,000	-	
A14101	-	-	100,000	99,710	-	-	100,000	99,710	-	
A14103	-	-	200,000	198,450	-	-	200,000	198,450	-	
A14104	-	-	200,000	200,210	-	-	200,000	200,210	-	
		<u>\$ 2,190,041</u>		<u>\$ 501,913</u>		<u>\$ -</u>		<u>\$ 2,691,954</u>	<u>\$ -</u>	Note

Note: Refer to Note 15 for the information that the bonds with carrying amount of \$2,691,954 thousand are pledged as credit lines for loans, deposits placed with bank overdrafts, OTC electronic bond trading reserve and deposits placed with authorities to operate as a security dealer.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENT OF BONDS SOLD UNDER REPURCHASE AGREEMENTS
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

Items	Start Date	Expiration Date	Rate (%)	Face Value	Turnover
Government bonds					
A05111	December 22, 2025	February 24, 2026	0.90-1.17	\$ 1,180,000	\$ 1,180,000
HB1307	November 3, 2025	March 13, 2026	0.80-1.29	790,400	803,649
HB0806	September 19, 2025	March 11, 2026	0.75-1.40	636,800	654,229
A06104	December 1, 2025	January 27, 2026	1.14-1.16	640,000	642,730
A13110	August 8, 2025	October 20, 2026	0.92-1.24	550,000	600,973
HB0807	October 13, 2025	May 19, 2026	0.75-1.35	580,500	593,709
HB0803	October 8, 2025	May 21, 2026	0.75-1.35	554,600	565,854
A99107	August 13, 2025	February 9, 2026	0.70-0.82	429,100	437,417
MEX 4/29	November 17, 2025	February 25, 2026	3.65-4.10	438,340	450,408
Others (Note)				<u>2,789,079</u>	<u>2,811,799</u>
				<u>8,588,819</u>	<u>8,740,768</u>
Bank debentures					
Others (Note)				<u>18,272,569</u>	<u>18,225,312</u>
Corporate bonds					
Others (Note)				<u>63,622,369</u>	<u>64,858,690</u>
				<u>\$ 90,483,757</u>	<u>\$ 91,824,770</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

**CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT**

**STATEMENT OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Items	Amounts
Bonds	\$ 2,212,876
Convertible bonds asset swap	356,754
Bonds purchased under resell agreements	<u>52,043</u>
	<u>\$ 2,621,673</u>

**CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT**

**STATEMENT OF INTEREST EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Items	Amounts
Bonds sold under repurchase agreements	\$ 1,893,593
Convertible bonds asset swap	<u>30,064</u>
	<u>\$ 1,923,657</u>