

**Cathay United Bank Co., Ltd. and
Subsidiaries**

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2025 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

CATHAY UNITED BANK CO., LTD.

By:

March 11, 2026

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Cathay United Bank Co., Ltd.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2025 and 2024, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and 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 Consolidated 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 consolidated financial statements of the Company for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Company's consolidated financial statements for the year ended December 31, 2025 is as follows:

Impairment Assessment of Loans

The domestic loans of the Bank, amounting to \$2,679,596,426 thousand, were considered material to the financial statements as a whole. The assessment of impairment of loans involves accounting estimates and management's significant judgment, and since the amount of impairment assessed on loans under the relevant regulations issued by the authorities is substantially larger than those assessed under IFRS 9, we determined the impairment of the loans assessed under the relevant regulations prescribed by the authorities as a key audit matter.

The Bank's management regularly assesses its loans for impairment. Recognition of impairment loss on loans is based on compliance with regulations issued by the authorities regarding the classification of credit assets and the provision of impairment loss. For the accounting policies and relevant information on the impairment assessment of loans, refer to Notes 4, 5 and 14.

The main audit procedures we performed in response to the key audit matter described above were as follows:

1. We obtained an understanding of and tested its internal controls of impairment assessment on loans.
2. We tested the classification of the credit assets into their respective categories out of the total five categories and confirmed that such classification complies with the relevant regulations issued by the authorities.
3. We performed the tests on selected samples and confirmed the appropriateness of impairment based on the length of the overdue period and the value of the collateral for each respective loan.
4. We calculated the provision of impairment loss by classifying the credit assets into their respective categories and confirmed that such provision complies with the relevant regulations issued by the authorities.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the year ended December 31, 2025 and 2024, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the 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 Shiuh-Ran Cheng and Shu-Wan Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2026

Notice to Readers

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

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

ASSETS	2025		2024	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	\$ 141,293,368	3	\$ 163,215,658	4
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4 and 7)	428,777,214	8	304,995,700	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	372,394,084	7	272,034,013	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 44 and 49)	383,158,617	7	369,175,121	8
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 10, 11, 45 and 49)	688,483,141	13	577,014,981	12
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	35,291,150	1	21,574,616	-
RECEIVABLES, NET (Notes 4, 13 and 44)	148,254,709	3	138,165,611	3
CURRENT INCOME TAX ASSETS (Notes 4 and 42)	66,082	-	494	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 44)	2,886,929,378	56	2,679,232,675	58
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Notes 4 and 17)	1,983,287	-	1,820,873	-
OTHER FINANCIAL ASSETS, NET	362,394	-	36,710	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 18 and 44)	25,617,373	1	24,858,921	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 19 and 44)	6,870,873	-	6,147,818	-
INVESTMENT PROPERTIES, NET (Notes 4 and 20)	2,289,150	-	2,301,344	-
INTANGIBLE ASSETS, NET (Notes 4 and 21)	8,541,666	-	8,442,228	-
DEFERRED TAX ASSETS (Notes 4 and 42)	4,195,171	-	3,880,532	-
OTHER ASSETS, NET (Notes 22 and 44)	<u>33,433,944</u>	<u>1</u>	<u>33,387,737</u>	<u>1</u>
TOTAL	<u>\$ 5,167,941,601</u>	<u>100</u>	<u>\$ 4,606,285,032</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	\$ 178,790,871	4	\$ 184,682,667	4
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 44 and 49)	104,236,118	2	132,772,775	3
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Notes 4 and 24)	2,110,900	-	10,942,366	-
PAYABLES (Notes 25 and 44)	47,069,691	1	44,107,624	1
CURRENT TAX LIABILITIES (Notes 4 and 42)	346,511	-	359,129	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	4,430,955,358	86	3,848,586,425	84
FINANCIAL DEBENTURES PAYABLE (Note 27)	18,600,000	-	12,700,000	-
OTHER FINANCIAL LIABILITIES (Note 28)	39,028,580	1	46,198,699	1
PROVISIONS (Notes 4, 15 and 29)	3,723,071	-	3,771,032	-
LEASE LIABILITIES (Notes 4, 19 and 44)	7,038,916	-	6,198,477	-
DEFERRED TAX LIABILITIES (Notes 4 and 42)	2,119,807	-	2,693,938	-
OTHER LIABILITIES (Notes 4, 31 and 44)	<u>9,262,730</u>	<u>-</u>	<u>13,223,870</u>	<u>-</u>
Total liabilities	<u>4,843,282,553</u>	<u>94</u>	<u>4,306,237,002</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 32)				
Capital stock				
Common stock	<u>128,220,970</u>	<u>2</u>	<u>120,113,139</u>	<u>3</u>
Capital surplus	<u>38,869,080</u>	<u>1</u>	<u>38,869,080</u>	<u>1</u>
Retained earnings				
Legal reserve	105,507,583	2	94,311,239	2
Special reserve	6,141,468	-	8,504,431	-
Unappropriated earnings	<u>40,877,456</u>	<u>1</u>	<u>37,320,398</u>	<u>1</u>
Total retained earnings	<u>152,526,507</u>	<u>3</u>	<u>140,136,068</u>	<u>3</u>
Other equity	<u>239,334</u>	<u>-</u>	<u>(3,728,683)</u>	<u>-</u>
Total equity attributable to owners of the Bank	319,855,891	6	295,389,604	7
NON-CONTROLLING INTERESTS (Note 32)	<u>4,803,157</u>	<u>-</u>	<u>4,658,426</u>	<u>-</u>
Total equity	<u>324,659,048</u>	<u>6</u>	<u>300,048,030</u>	<u>7</u>
TOTAL	<u>\$ 5,167,941,601</u>	<u>100</u>	<u>\$ 4,606,285,032</u>	<u>100</u>

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2025		2024		Changes (%)
	Amount	%	Amount	%	
NET INTEREST REVENUE (Notes 4, 33 and 44)					
Interest income	\$ 126,663,555	108	\$ 120,185,797	111	5
Interest expense	<u>(58,422,207)</u>	<u>(50)</u>	<u>(59,272,974)</u>	<u>(55)</u>	(1)
Total net interest revenue	<u>68,241,348</u>	<u>58</u>	<u>60,912,823</u>	<u>56</u>	12
NET REVENUE OTHER THAN INTEREST					
Net service fee revenue (Notes 4, 34 and 44)	34,089,905	29	27,973,260	26	22
Gain on financial assets or liabilities at fair value through profit or loss (Notes 4, 35 and 44)	9,843,856	9	14,941,158	14	(34)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4, 9 and 36)	1,084,976	1	1,136,832	1	(5)
Gain (loss) arising from derecognition of financial assets measured at amortised cost (Notes 4 and 10)	64	-	(12,538)	-	101
Foreign exchange gain (Notes 4 and 50)	2,667,088	2	2,322,734	2	15
Impairment reversal (loss) on assets (Notes 4 and 37)	24,510	-	(116,431)	-	121
Share of profit of associates and joint ventures accounted for using equity method (Notes 4 and 17)	83,553	-	62,110	-	35
Net other revenue other than interest income (Notes 4 and 44)	<u>732,012</u>	<u>1</u>	<u>602,157</u>	<u>1</u>	22
Total net revenue other than interest	<u>48,525,964</u>	<u>42</u>	<u>46,909,282</u>	<u>44</u>	3
NET REVENUE	<u>116,767,312</u>	<u>100</u>	<u>107,822,105</u>	<u>100</u>	8
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 13, 14, 15 and 38)	<u>(7,292,804)</u>	<u>(6)</u>	<u>(9,211,440)</u>	<u>(8)</u>	(21)

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	2025		2024		Changes (%)
	Amount	%	Amount	%	
TOTAL OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 39 and 44)	\$ (27,832,079)	(24)	\$ (25,676,709)	(24)	8
Depreciation and amortization expense (Notes 4, 18, 19, 21 and 40)	(4,374,903)	(4)	(3,943,798)	(4)	11
Other general and administrative expense (Notes 4, 41 and 44)	<u>(24,583,273)</u>	<u>(21)</u>	<u>(22,219,754)</u>	<u>(20)</u>	11
Total operating expenses	<u>(56,790,255)</u>	<u>(49)</u>	<u>(51,840,261)</u>	<u>(48)</u>	10
PROFIT BEFORE TAX	52,684,253	45	46,770,404	44	13
INCOME TAX EXPENSE (Notes 4 and 42)	<u>(9,174,467)</u>	<u>(8)</u>	<u>(8,429,626)</u>	<u>(8)</u>	9
NET INCOME	<u>43,509,786</u>	<u>37</u>	<u>38,340,778</u>	<u>36</u>	13
OTHER COMPREHENSIVE INCOME (Notes 4 and 32)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss, net of tax					
Remeasurement of defined benefit plans	(278,579)	-	(224,164)	-	24
Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	(3,338,849)	(3)	3,604,960	3	(193)
Change in fair value of financial liability attributable to change in credit risk of liability	296,411	1	517,113	-	(43)
Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 17)	(2,228)	-	16,796	-	(113)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 42)	138,219	-	(361,903)	-	138

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	2025		2024		Changes (%)
	Amount	%	Amount	%	
Components of other comprehensive (loss) income that will be reclassified to profit or loss, net of tax					
Exchange differences on translating the financial statements of foreign operations	\$ (1,026,250)	(1)	\$ 2,587,733	2	(140)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method (Note 17)	109,560	-	(25,343)	-	532
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	5,570,901	5	(3,153,776)	(3)	277
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 42)	<u>11,981</u>	-	<u>(449,322)</u>	-	103
Other comprehensive income, net of tax	<u>1,481,166</u>	<u>2</u>	<u>2,512,094</u>	<u>2</u>	(41)
TOTAL COMPREHENSIVE INCOME	<u>\$ 44,990,952</u>	<u>39</u>	<u>\$ 40,852,872</u>	<u>38</u>	10
PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$ 43,008,233	37	\$ 37,780,421	35	14
Non-controlling interests	<u>501,553</u>	-	<u>560,357</u>	<u>1</u>	(10)
	<u>\$ 43,509,786</u>	<u>37</u>	<u>\$ 38,340,778</u>	<u>36</u>	13
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 44,846,221	39	\$ 40,128,878	37	12
Non-controlling interests	<u>144,731</u>	-	<u>723,994</u>	<u>1</u>	(80)
	<u>\$ 44,990,952</u>	<u>39</u>	<u>\$ 40,852,872</u>	<u>38</u>	10
EARNINGS PER SHARE (Note 43)					
Basic	<u>\$ 3.35</u>		<u>\$ 2.95</u>		

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

(Concluded)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank												
	Equity Attributable to Owners of the Bank					Other Equity							
	Capital Stock Common Stock	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Changes in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Losses on Remeasurements of Defined Benefit Plans	Gains (Losses) on Property Revaluation	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2024	\$ 108,598,655	\$ 38,869,080	\$ 85,964,149	\$ 16,832,170	\$ 27,823,633	\$ (1,520,460)	\$ (2,847,253)	\$ (833,793)	\$ (2,567,037)	\$ 1,612,099	\$ (6,156,444)	\$ 3,934,432	\$ 275,865,675
Effects of initial application of IAS 29 "Financial Reporting in Hyperinflationary Economies"	-	-	-	-	(380,719)	-	-	-	-	-	-	-	(380,719)
IMPACT ON THE REMAINING BALANCE AT JANUARY 1, 2024	108,598,655	38,869,080	85,964,149	16,832,170	27,442,914	(1,520,460)	(2,847,253)	(833,793)	(2,567,037)	1,612,099	(6,156,444)	3,934,432	275,484,956
Appropriation of 2023 earnings													
Legal reserve	-	-	8,347,090	-	(8,347,090)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(8,327,739)	8,327,739	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(16,289,798)	-	-	-	-	-	-	-	(16,289,798)
Stock dividends	11,514,484	-	-	-	(11,514,484)	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2024	-	-	-	-	37,780,421	-	-	-	-	-	-	560,357	38,340,778
Other comprehensive income (loss) for the year ended December 31, 2024, net of income tax	-	-	-	-	-	1,880,055	236,609	413,691	(181,898)	-	2,348,457	163,637	2,512,094
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	37,780,421	1,880,055	236,609	413,691	(181,898)	-	2,348,457	723,994	40,852,872
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(79,304)	-	79,304	-	-	-	79,304	-	-
BALANCE AT DECEMBER 31, 2024	120,113,139	38,869,080	94,311,239	8,504,431	37,320,398	359,595	(2,531,340)	(420,102)	(2,748,935)	1,612,099	(3,728,683)	4,658,426	300,048,030
Appropriation of 2024 earnings													
Legal reserve	-	-	11,196,344	-	(11,196,344)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(2,362,954)	2,362,954	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(20,379,934)	-	-	-	-	-	-	-	(20,379,934)
Stock dividends	8,107,831	-	-	-	(8,107,831)	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2025	-	-	-	-	43,008,233	-	-	-	-	-	-	501,553	43,509,786
Other comprehensive (loss) income for the year ended December 31, 2025, net of income tax	-	-	-	-	-	(680,877)	2,502,255	237,128	(220,518)	-	1,837,988	(356,822)	1,481,166
Total comprehensive (loss) income for the year ended December 31, 2025	-	-	-	-	43,008,233	(680,877)	2,502,255	237,128	(220,518)	-	1,837,988	144,731	44,990,952
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(2,130,777)	-	2,130,777	-	-	-	2,130,777	-	-
Others	-	-	-	(9)	757	-	-	-	-	(748)	(748)	-	-
BALANCE AT DECEMBER 31, 2025	\$ 128,220,970	\$ 38,869,080	\$ 105,507,583	\$ 6,141,468	\$ 40,877,456	\$ (321,282)	\$ 2,101,692	\$ (182,974)	\$ (2,969,453)	\$ 1,611,351	\$ 239,334	\$ 4,803,157	\$ 324,659,048

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 52,684,253	\$ 46,770,404
Adjustments:		
Depreciation expense	3,655,687	3,243,922
Amortization expense	719,216	699,876
Expected credit loss	7,292,804	9,211,440
Gains on financial assets and liabilities at fair value through profit or loss	(9,843,856)	(14,941,158)
Interest expense	58,422,207	59,272,974
Net (gains) losses arising from derecognition of financial assets measured at amortised cost	(64)	12,538
Interest income	(126,663,555)	(120,185,797)
Dividend income	(1,973,118)	(1,099,476)
Share of profit of associates and joint ventures accounted for using equity method	(83,553)	(62,110)
Losses (gains) on disposal of property and equipment	17,217	(62,562)
Gains on disposal of investment properties	(4,734)	(1,740)
Losses (gains) on disposal of investments	888,142	(37,356)
(Reversal of) impairment loss on financial assets	(24,510)	116,431
Gains on sale of nonperforming loans	(2,368)	(11,797)
Gains on fair value adjustment of investment property	(107,534)	(70,755)
Other adjustments	(76,004)	135,650
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(25,667,320)	(20,148,956)
Financial assets at fair value through profit or loss	(8,209,294)	188,607,848
Financial assets at fair value through other comprehensive income	(12,654,903)	(72,622,880)
Investments in debt instruments at amortised cost	(111,428,269)	100,607,161
Receivables	(10,157,986)	(22,871,875)
Discounts and loans	(214,329,500)	(406,760,283)
Other financial assets	(325,684)	117,003
Other assets	(769,855)	(4,756,399)
Deposits from the Central Bank and banks	(5,891,796)	67,551,813
Financial liabilities at fair value through profit or loss	(114,544,338)	(116,848,283)
Notes and bonds issued under repurchase agreement	(8,831,466)	(7,376,126)
Payables	2,454,063	2,116,721
Deposits and remittances	582,368,933	305,028,613
Other financial liabilities	(7,170,119)	(18,469,864)
Provisions	(256,334)	(235,764)
Other liabilities	(3,946,486)	1,029,102
Cash generated from (used in) operations	45,539,876	(22,041,685)
Interest received	131,404,704	125,404,465
Dividends received	1,996,173	1,118,290
Interest paid	(60,814,072)	(61,994,219)
Income tax paid	(8,555,015)	(6,860,153)
Net cash generated from operating activities	<u>109,571,666</u>	<u>35,626,698</u>

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (2,225,796)	\$ (1,928,120)
Proceeds from disposal of property and equipment	624	156,812
Acquisition of intangible assets	(277,053)	(539,546)
Proceeds from disposal of investment properties	102,000	13,520
Cash received of sale of nonperforming loans	53,539	38,790
Dividends received	<u>28,471</u>	<u>25,363</u>
Net cash used in investing activities	<u>(2,318,215)</u>	<u>(2,233,181)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of financial debentures payable	5,900,000	-
Repayments of financial debentures payable	-	(14,400,000)
Payments of the principal portion of lease liabilities	(1,935,744)	(1,757,539)
Cash dividends paid	<u>(20,379,934)</u>	<u>(16,289,798)</u>
Net cash used in financing activities	<u>(16,415,678)</u>	<u>(32,447,337)</u>
EFFECTS OF EXCHANGE RATE AND PURCHASING POWER CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(921,718)</u>	<u>1,922,907</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	89,916,055	2,869,087
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>371,168,287</u>	<u>368,299,200</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 461,084,342</u>	<u>\$ 371,168,287</u>
	December 31	
	2025	2024
RECONCILIATIONS OF CASH AND CASH EQUIVALENTS REPORTED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THOSE REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2025 AND 2024		
Cash and cash equivalents reported in the consolidated balance sheets	\$ 141,293,368	\$ 163,215,658
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	284,499,824	186,378,013
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>35,291,150</u>	<u>21,574,616</u>
Cash and cash equivalents at the end of the year	<u>\$ 461,084,342</u>	<u>\$ 371,168,287</u>

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

(Concluded)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Cathay United Bank Co., Ltd. (the “Bank”), originally named United World Chinese Commercial Bank (UWCCB), was established in December 1974 after obtaining approval from the Ministry of Finance of the Republic of China (ROC) and officially started operations on May 20, 1975. The Bank is mainly engaged in the following operations: (1) all commercial banking operations authorized by the ROC Banking Act (“Banking Act”); (2) international banking business and related operations; (3) trust business; (4) offshore banking business; and (5) other financial operations related to the promotion of investments by overseas Chinese. The Bank’s registered office and main business location is at No. 7, Songren Rd., Xinyi District, Taipei City, Republic of China (ROC).

The Bank’s stock was originally trading on the Taiwan Stock Exchange (TWSE) until December 18, 2002, where it was delisted after becoming a wholly-owned subsidiary of Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”) on the same date through a share swap. Under the Financial Institutions Merger Act, the Bank merged with the former Cathay Commercial Bank, a wholly-owned subsidiary of Cathay Financial Holdings on October 27, 2003, with UWCCB as the surviving entity and was renamed Cathay United Bank Co., Ltd.

The Bank merged with Lucky Bank on January 1, 2007. The Bank was the surviving entity after this merger and Lucky Bank was the extinguished entity. In addition, the Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (CUTIC) on December 29, 2007.

In accordance with the information announced by the Center for Audit Quality (CAQ) in December 2024, the Bank has determined that Laos is operating in a hyperinflationary economic environment. Given the changes in the country’s economic conditions, the Bank has prepared the financial statements of the foreign operations in Laos, where the functional currency is the Lao Kip, in accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies”. Refer to Note 32, for details on the relevant impact.

Cathay Financial Holdings is the Bank’s ultimate parent company.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Bank and its subsidiaries (collectively, the “Company”) were approved by the Bank’s board of directors on March 11, 2026.

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

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

Identification of related parties

In accordance with the Q&A “Identification of Related Parties” issued by the Accounting Research and Development Foundation (ARDF) in June 2025, the Company has reassessed relationship with the funds managed by the securities investment trust company to determine whether it exercises control or significant influence, or if it solely provides key management services to them. Since the fellow subsidiary only provides key management services to certain managed funds, the previous identification of related parties based on the Q&A issued by the ARDF in July 2013 was revised. Accordingly, these funds are no longer identified as related parties of the Company, effective from January 1, 2025. Furthermore, in accordance with the Q&A issued by the FSC, comparative information for the year 2024 needs not to be restated, which means the identified and disclosed related party relationships and transactions in prior financial statements are not required to be adjusted retrospectively.

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

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

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

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

- a) If a financial asset contains a contingent feature that could change the timing or amount of contractual cash flows and the contingent event itself does not relate directly to changes in basic lending risks and costs (e.g., whether the debtor achieves a contractually specified reduction in carbon emissions), the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding if, and only if,
- 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 Company can choose to derecognize the financial liability before the settlement date if, and only if, the Company has initiated a payment instruction that resulted in:

- 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.

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company 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.

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 presented in the statement of profit or loss into the operating, investing, financing, income taxes and discontinued operations categories, the Company shall assess whether it has specified main business activities of investing in particular types of assets and providing financing to customers.
- 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 consolidated financial statements were authorized for issue, the Company is continuously assessing the other impacts of the above amended standards and interpretations on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value, and net defined benefit liabilities 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, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an 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 an asset or liability.

Basis of Consolidation

- a. Principles for preparing the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (Indovina Bank, CUBC Bank and CUBCN Bank).

The accounting policies used by subsidiaries are same with those used by the Bank.

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Bank.

The Bank's financial statements include the accounts of the head office, all branches, and OBU, in addition to the subsidiaries' accounts. All interbank transactions and accounts balances have been eliminated for consolidation purposes.

- b. Entities included in the consolidated financial statements

See Note 16 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Foreign Currencies

In preparing the financial statements of each entity in the group, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates and branches in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the exchange rates prevailing at the time of the transactions or the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Bank and non-controlling interests as appropriate).

Hyperinflationary Economy

For the purposes of presenting the consolidated financial statements, if the functional currency of the Company foreign operations is that of a hyperinflationary economy, the financial statements of the foreign operations must first be restated in terms of the measuring unit current at the end of each reporting period. The gain or loss on the net monetary position is recognized in profit or loss for the period. Subsequently, all amounts in the financial statements are translated into the presentation currency using the closing exchange rate at the balance sheet date.

Upon the initial application of IAS 29 "Financial Reporting in Hyperinflationary Economies", as well as in subsequent periods, the impact of restating the beginning financial information of the foreign operations is adjusted to retained earnings under equity. Exchange differences arising from the translation of financial statements are recorded in other comprehensive income.

Since the functional currency of the Company, as well as the presentation currency (New Taiwan dollar), do not belong to a hyperinflationary economy, the comparative financial information of the foreign operations remains as previously reported in prior years' financial statements.

Current and Non-current Assets and Liabilities

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

Cash and Cash Equivalents

In the consolidated balance sheets, cash and cash equivalents comprise cash on hand, due from banks, and short-term, highly liquid time deposits that mature within 12 months from the date of acquisition and readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the consolidated statements of cash flows, cash and cash equivalents comprise cash and cash equivalents, due from the Central Bank, call loans to other banks, and securities purchased under resell agreements as reported in the consolidated balance sheets that correspond to the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows,” as endorsed and issued into effect by the FSC.

Financial Instruments

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

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

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

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified 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 amortised cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gains or losses recognized in profit or loss incorporates any dividends or interest earned on the financial assets. Fair value is determined in the manner described in Note 49.

b) Financial assets at amortised cost

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

- i. The financial assets are 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 assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost, including cash and cash equivalents, due from the Central Bank and call loans to banks, investments in debt instruments at amortised cost, receivables and discounts and loans, are measured at amortised cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of such financial assets; and
- ii. Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortised cost of such financial assets in subsequent reporting periods.

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.
- c) Investments in debt instruments at FVTOCI

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

- i. The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii. The contractual terms of the debt instrument 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.

- d) 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, it 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.

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortised cost, and investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a 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 ECLs.

For receivables that do not contain a significant financing component, the allowance for losses is recognized at an amount equal to lifetime ECLs.

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

The definition of the financial assets in default is described in Note 50.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

According to the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, the Bank assesses the customers' financial position, the overdue payments of the principal and interest, and the value of collateral to classify credit assets into normal credit assets (excluding loans to the ROC government) and unsound assets which should be further classified as special mention, substandard, doubtful and losses, for which the minimum provisions are 1%, 2%, 10%, 50% and 100% of the outstanding balance, respectively. Furthermore, the FSC stipulates that banks should recognize provision of at least 1.5% of normal credit assets in mainland China (including short-term advances for trade finance) and loans for mortgage and construction loans that have been classified as normal assets, and further determine the allowance for losses based on the higher of the above-mentioned provision and the assessment of the expected credit losses.

The Company writes off credits deemed uncollectable after the write-off is proposed and approved by the board of directors. Recoveries of credits written off are recognized as a reversal of loss provision in the current period.

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 amortised cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the 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 which 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 or 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, and its carrying amounts are calculated based on weighted average by share types and calculated separately by repurchase category. 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 for the cases stated below, all financial liabilities are measured at amortised cost using the effective interest method:

a) Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

A financial liability is classified as designated as at FVTPL upon initial recognition if:

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

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. The changes in fair value of the outstanding liabilities are recognized in profit or loss. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 49.

b) Financial guarantee contracts

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses and the amount after amortization.

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. Derivatives

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

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 “Financial Instruments” 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 “Financial Instruments” (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 amortised 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 amortised over the modified remaining period.

Investments in Associates

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Bank uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associate. The Bank also recognizes the changes in the Bank's share of the equity of associates attributable to the Bank.

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

Non-accrual Loans

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” issued by the authorities, loans and other credits (including the accrued interest) that remain unpaid on their maturity are transferred immediately to non-accrual loans.

Non-accrual loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for their intended use.

Freehold land is not depreciated. 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 methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

Investment Properties

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

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

The Bank decides to transfer assets to or from investment property based on the actual use of assets.

For a transfer from the property and equipment classification to investment property based on the actual use of assets, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income and accumulated in gain on property revaluation under other equity that will be transferred directly to retained earnings when the asset is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Foreclosed Collateral

Collateral assumed (recorded in other assets) are recognized at cost, which includes the assumed prices and any necessary repairs to make the collateral saleable, and evaluated at the lower of cost or net realizable value as of the balance sheet date.

Intangible Assets (Excluding Goodwill)

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment loss.

b. Derecognition

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets (Excluding Goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit 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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Leasing

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

a. The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

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

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortised cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

Provisions

Provisions are recognized when a present obligation (legal or constructive) is due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of 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 defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. 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.

c. Termination benefits

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

d. Employee preferential interest rate deposits

The Bank offers preferential interest rate deposits for its current employees, which include preferential deposits and post-retirement preferential deposits for its current employees as well as preferential deposits for its retired employees, limited to a certain amount. The difference between the preferential interest rate and the market rate is considered as employee benefits.

In accordance with Article 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess of the interests incurred in post-employment preferential interest deposits over those imputed at the market rate should qualify as post-employment benefits under IAS 19 "Employee Benefits" since the beneficiaries are retired employees. The retirement benefits should be accrued by actuarial method.

Income Tax

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 period determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax 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.

Since 2002, in accordance with Article 49 of the Financial Holding Company Act, the Bank's financial holding company, as the taxpayer, and the Bank elected to jointly declare and report income tax of profit-seeking enterprise and tax surcharge on surplus retained earnings of profit-seeking enterprise in accordance with the relevant provisions of the Income Tax Act. Additional tax payable or tax receivable due to the joint declaration of income tax is recognized under the payables or receivables for allocation of integrated income tax system account.

b. Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets should reflect 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.

If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

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

c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Recognition of Interest Revenue and Expense

Except for the financial assets and liabilities at fair value through profit or loss, the interest revenue and interest expense arising from all interest-bearing financial instruments are calculated using the effective interest method in accordance with the relevant regulations and standards and recognized in the consolidated statement of profit or loss under “interest revenue” and “interest expense” items.

Recognition of Service Fee Revenue and Expense

The service fee revenue and expense are generally recognized upon completion of the service to the customer for loan or other services; the service fee earned by the execution of the major project is recognized at the completion of the major project; the service fee revenue and expense related to subsequent lending services are either recognized over the service period or included in the calculation of the effective interest rate on loans and receivables.

Customer Loyalty Program

The points earned by customers under loyalty programs are treated as multiple-element revenue arrangements, in which consideration is allocated to the goods or services and the award credits based on their fair values through the eyes of the customer. The consideration is not recognized as earnings at the time of the original sales transaction but at the time when the points are redeemed and the obligation is fulfilled.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the Company's management is required to make judgments, estimations 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.

When developing material accounting estimates, the Company considers the possible impact of inflation and interest rate fluctuations on cash flow projection, discount rates and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Assessment of Impairment of Loans

The assessment of impairment of loans is based on the value of the collateral, amount of principal and interest due, and the length of the overdue period. Changes in credit ratings on individual assets and the status of the collection are also considered during classification of the loans. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. The inputs include risk of default and expected loss rates. For details of the key assumptions and inputs used, refer to Note 50.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 23,482,321	\$ 30,812,013
Checks for clearance	1,874,355	2,086,510
Due from banks	<u>116,127,338</u>	<u>130,489,730</u>
	141,484,014	163,388,253
Less: Allowance for impairment loss	<u>(190,646)</u>	<u>(172,595)</u>
	<u>\$ 141,293,368</u>	<u>\$ 163,215,658</u>

Due from banks includes time deposits that mature within 12 months from the date of acquisition.

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

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Deposit reserves - general account	\$ 131,889,259	\$ 108,426,937
Deposit reserves - foreign currency account	12,431,910	10,226,770
Deposits in the Central Bank - general account	53,017,685	34,826,842
Call loans and overdrafts	<u>231,482,139</u>	<u>151,551,171</u>
	428,820,993	305,031,720
Less: Allowance for impairment loss	<u>(43,779)</u>	<u>(36,020)</u>
	<u>\$ 428,777,214</u>	<u>\$ 304,995,700</u>

The Bank

As provided by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on the average balances of customers' NTD-denominated deposits, and the deposit reserves - general account is subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits and recorded as deposit reserves - foreign currency account. These non-interest bearing reserves may be withdrawn at any time. As of December 31, 2025 and 2024, the balances of foreign-currency deposit reserves were \$3,643,467 thousand and \$1,866,557 thousand, respectively.

Indovina Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the State Bank of Vietnam were \$1,472,590 thousand and \$1,451,753 thousand as of December 31, 2025 and 2024, respectively.

CUBC Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the National Bank of Cambodia were \$949,394 thousand and \$1,085,341 thousand as of December 31, 2025 and 2024, respectively.

CUBCN Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the People's Bank of China were \$6,366,459 thousand and \$5,823,119 thousand as of December 31, 2025 and 2024, respectively.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>		
Commercial paper	\$ 205,054,265	\$ 108,533,551
Financial debentures	48,679,322	30,958,831
Corporate bonds	30,550,253	21,499,407
Government bonds	23,422,669	13,978,028
Negotiable certificates of deposit	3,188,250	-
Stock investments	1,410,418	1,311,939
Treasury bills	1,274,073	-
Fund beneficiary certificates	<u>66,202</u>	<u>-</u>
	<u>313,645,452</u>	<u>176,281,756</u>
Derivative financial instruments		
Interest rate swap contracts	28,083,257	32,624,649
Foreign exchange forward contracts	23,660,088	56,291,289
Options	4,257,669	3,960,373
Cross-currency swap contracts	2,070,155	2,216,466
Others	<u>677,463</u>	<u>659,480</u>
	<u>58,748,632</u>	<u>95,752,257</u>
	<u>\$ 372,394,084</u>	<u>\$ 272,034,013</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bonds	<u>\$ 41,480,624</u>	<u>\$ 42,151,047</u>
<u>Financial liabilities held for trading</u>		
Derivative financial instruments		
Interest rate swap contracts	28,682,070	31,474,362
Foreign exchange forward contracts	23,233,836	48,641,723
Options	7,928,420	7,502,696
Cross-currency swap contracts	2,228,781	2,321,309
Others	<u>682,387</u>	<u>681,638</u>
	<u>62,755,494</u>	<u>90,621,728</u>
	<u>\$ 104,236,118</u>	<u>\$ 132,772,775</u>

The Company engages in derivative transactions mainly to accommodate customers' needs, and to manage its exposure positions. The financial risk management objective of the Company is to minimize risk due to changes in fair value or cash flows.

The contract amounts (nominal amounts) of derivative transactions for accommodating customers' needs and for managing the Company's exposure positions as of December 31, 2025 and 2024 were as follows:

(Unit: Thousands of U.S. Dollars)

	<u>Contract Amounts</u>	
	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>The Bank</u>		
Foreign exchange forward contracts	\$ 107,412,084	\$ 165,399,675
Interest rate swap contracts	47,723,529	45,528,497
Options	5,885,031	4,926,508
Cross-currency swap contracts	4,376,033	4,690,438
Equity swap contracts	1,197,920	939,200
Futures	184,284	2,020,394
<u>Indovina Bank</u>		
Foreign exchange forward contracts	221,000	246,000
<u>CUBCN Bank</u>		
Foreign exchange forward contracts	2,184,524	2,410,956
Interest rate swap contracts	2,155,474	3,647,346
Options	1,408	2,178
Cross-currency swap contracts	-	10,000

As of December 31, 2025 and 2024, none of the financial assets at FVTPL was sold under repurchase agreements.

Financial Liabilities Designated as at Fair Value through Profit or Loss

In September 2014, the Bank was authorized to issue subordinated financial debentures amounting to US\$990 million; as of October 8, 2014, the issued subordinated financial debentures were US\$660 million (perpetual) and US\$330 million (fifteen years) with a fixed interest rate of 5.10% and 4.00%, respectively, and the interest is payable annually. The Bank is authorized by the authorities to redeem the US\$660 million of bonds at notional amount after 12 years.

In March 2017, the Bank was authorized to issue unsubordinated financial debentures amounting to US\$300 million (thirty years), which were subsequently issued on November 24, 2017. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity; the bonds were issued in the form of zero-coupon bonds, and the internal rate of return is 4.10%.

The Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. For the years ended December 31, 2025 and 2024, such interest rate swaps contracts were valued with a net gain of \$966,019 thousand and a net loss of \$1,319,621 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Investments in equity instruments		
Domestic listed shares	\$ 12,959,126	\$ 13,434,369
Overseas stock investments	11,560,441	11,673,561
Domestic unlisted shares	5,413,539	6,230,472
Domestic emerging shares	<u>78,479</u>	<u>95,934</u>
	<u>30,011,585</u>	<u>31,434,336</u>
Investments in debt instruments		
Government bonds	170,931,591	152,205,241
Corporate bonds	95,809,805	94,278,310
Financial debentures	46,628,830	54,451,766
Asset-backed securities	31,028,033	30,790,555
Negotiable certificates of deposit	<u>8,748,773</u>	<u>6,014,913</u>
	<u>353,147,032</u>	<u>337,740,785</u>
	<u>\$ 383,158,617</u>	<u>\$ 369,175,121</u>

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

In consideration of its investment strategy, the Company sold its investments in equity instruments at FVTOCI with the fair value of \$38,972,850 thousand and \$19,009,052 thousand during the years ended December 31, 2025 and 2024, respectively, and the related unrealized losses of \$2,130,777 thousand and \$79,304 thousand were transferred from other equity to retained earnings, accordingly.

The Company's dividends from financial assets at FVTOCI of \$1,973,118 thousand and \$1,099,476 thousand were recognized as income for the years ended December 31, 2025 and 2024, respectively. Those related to investments held as of December 31, 2025 and 2024 were \$1,355,850 thousand and \$775,176 thousand, respectively, and the remaining amounts were related to investments derecognized for the years ended December 31, 2025 and 2024.

As of December 31, 2025 and 2024, certain financial assets at FVTOCI were sold under repurchase agreements with notional amounts of \$1,497,500 thousand and \$8,862,877 thousand, respectively. The proceeds amounting to \$1,661,079 thousand and \$7,657,552 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and will be/were repurchased for \$1,665,655 thousand and \$7,726,277 thousand before the end of June 2026 and June 2025, respectively.

As of December 31, 2025, none of the domestic listed shares of investments in equity instruments at FVTOCI were loaned out under security lending agreements. As of December 31, 2024, certain domestic listed shares of investments in equity instruments at FVTOCI had been loaned out under security lending agreement with the fair value of \$135,038 thousand, and in accordance with the agreement, securities were returned progressively by the end of June 2025.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Short-term bills	\$ 454,425,000	\$ 332,120,275
Asset-backed securities	106,595,453	74,591,605
Financial debentures	57,165,164	94,218,169
Government bonds	42,673,461	46,751,297
Corporate bonds	<u>27,744,441</u>	<u>29,501,266</u>
	688,603,519	577,182,612
Less: Allowance for impairment loss	<u>(120,378)</u>	<u>(167,631)</u>
	<u>\$ 688,483,141</u>	<u>\$ 577,014,981</u>

For the year ended December 31, 2025, due to early redemption of part of the bonds by the issuer prior to the maturity date, the Bank recognized the gain arising from derecognition of financial assets measured at amortised cost amounting to \$64 thousand.

For the year ended December 31, 2024, the Bank disposed of certain bonds in advance due to the expected increase in credit risk, and recognized the loss arising from derecognition of financial assets measured at amortised cost amounting to \$12,538 thousand.

As of December 31, 2025 and 2024, there were no debt securities sold under repurchase agreements among the financial assets measured at amortised cost mentioned above. As of December 31, 2025 and 2024, certain financial assets measured at amortised cost were sold under repurchase agreements with notional amounts of \$459,267 thousand and \$4,917,150 thousand, respectively. The proceeds amounting to \$449,821 thousand and \$3,284,814 thousand, respectively, were recorded as notes and bonds sold under repurchase agreements and will be/were repurchased for \$450,101 thousand and \$3,338,746 thousand before the end of January 2026 and March 2025, respectively.

Refer to Note 45 for information relating to investments in debt instruments at amortised cost pledged as security.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

The credit risk management of the Company's financial assets at FVTOCI and investments in debt instruments at amortised cost is described as follows:

December 31, 2025

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	\$ 359,170,296	\$ 688,603,519	\$1,047,773,815
Less: Allowance for impairment loss	(126,441)	(120,378)	(246,819)
Adjustment to fair value	<u>(5,896,823)</u>	<u>-</u>	<u>(5,896,823)</u>
	<u>\$ 353,147,032</u>	<u>\$ 688,483,141</u>	<u>\$1,041,630,173</u>

December 31, 2024

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	\$ 349,113,021	\$ 577,182,612	\$ 926,295,633
Less: Allowance for impairment loss	(113,227)	(167,631)	(280,858)
Adjustment to fair value	<u>(11,259,009)</u>	<u>-</u>	<u>(11,259,009)</u>
	<u>\$ 337,740,785</u>	<u>\$ 577,014,981</u>	<u>\$ 914,755,766</u>

The Company monitors the external credit rating information and price movements of their investments in debt instruments in order to assess whether there has been a significant increase in credit risk since initial recognition.

The Company takes into consideration the multi-period default probability table for each credit rating supplied by external rating agencies, and recovery rates of different types of bonds to assess the 12-month or lifetime expected credit losses.

The carrying amounts of financial assets at FVTOCI and investments in debt instruments at amortised cost sorted by credit rating of the Company are as follows:

Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at December 31, 2025
Low credit risk	Low credit risk at the reporting date	12-month ECLs	\$ 1,047,534,107
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	204,989
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	34,719
Credit Rating	Definition	Basis for Recognizing ECLs	Gross Carrying Amount at December 31, 2024
Low credit risk	Low credit risk at the reporting date	12-month ECLs	\$ 925,910,226
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime ECLs (not credit-impaired)	349,196
Default	Objective evidence of impairment at the reporting date	Lifetime ECLs (credit-impaired)	36,211

The changes in allowance for impairment loss of financial assets at FVTOCI and investments in debt instruments at amortised cost sorted by credit rating of the Company are as follows:

For the year ended December 31, 2025

	Credit Rating		
	Low Credit Risk (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	In Default (Lifetime ECLs - Credit-impaired)
Balance at the beginning of the period	\$ 161,645	\$ 119,213	\$ -
New debt instruments purchased	75,770	-	-
Derecognition	(61,040)	(45,371)	-
Effect of exchange rate changes and others	<u>(2,408)</u>	<u>(990)</u>	<u>-</u>
Balance at the end of the period	<u>\$ 173,967</u>	<u>\$ 72,852</u>	<u>\$ -</u>

For the year ended December 31, 2024

	Credit Rating		
	Low Credit Risk (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	In Default (Lifetime ECLs - Credit-impaired)
Balance at the beginning of the period	\$ 174,217	\$ 6,417	\$ -
New debt instruments purchased	58,895	-	-
Derecognition	(77,460)	-	-
Effect of exchange rate changes and others	<u>5,993</u>	<u>112,796</u>	<u>-</u>
Balance at the end of the period	<u>\$ 161,645</u>	<u>\$ 119,213</u>	<u>\$ -</u>

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2025	2024
Corporate bonds	\$ 23,368,480	\$ 14,608,549
Government bonds	8,171,333	2,717,376
Financial debentures	3,754,534	2,325,264
Foreign bonds	<u>-</u>	<u>1,925,397</u>
	35,294,347	21,576,586
Less: Allowance for impairment loss	<u>(3,197)</u>	<u>(1,970)</u>
	<u>\$ 35,291,150</u>	<u>\$ 21,574,616</u>

As of December 31, 2025 and 2024, none of the securities purchased under resell agreements were sold under repurchase agreements.

13. RECEIVABLES, NET

	December 31	
	2025	2024
Notes and accounts receivable	\$ 122,222,130	\$ 117,004,931
Interest receivables	14,574,810	13,894,623
Factoring receivables	8,882,221	4,242,447
Acceptances	1,177,954	1,241,043
Others	<u>4,467,870</u>	<u>4,770,326</u>
	151,324,985	141,153,370
Less: Allowance for impairment loss	<u>(3,070,276)</u>	<u>(2,987,759)</u>
	<u>\$ 148,254,709</u>	<u>\$ 138,165,611</u>

Refer to Note 50 for impairment loss analysis of receivables.

The changes in the gross carrying amounts of the Company's receivables were as follows:

For the year ended December 31, 2025

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 136,497,189	\$ 2,355,699	\$ 2,300,482	\$ 141,153,370
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(572,441)	575,788	(3,347)	-
Transferred to credit-impaired financial assets	(783,292)	(291,037)	1,074,329	-
Transferred to 12-month ECLs	229,159	(226,412)	(2,747)	-
Derecognition of financial assets in the period	(79,420,646)	(2,294,284)	(641,725)	(82,356,655)
New financial assets purchased or originated	90,996,040	1,875,477	897,720	93,769,237
Written-off as bad debt expense	-	-	(1,231,215)	(1,231,215)
Effects of exchange rate changes and others	<u>(3,671)</u>	<u>(1,513)</u>	<u>(4,568)</u>	<u>(9,752)</u>
Balance at the end of the period	<u>\$ 146,942,338</u>	<u>\$ 1,993,718</u>	<u>\$ 2,388,929</u>	<u>\$ 151,324,985</u>

For the year ended December 31, 2024

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 115,276,076	\$ 1,856,377	\$ 2,155,129	\$ 119,287,582
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(536,918)	540,115	(3,197)	-
Transferred to credit-impaired financial assets	(867,000)	(297,976)	1,164,976	-
Transferred to 12-month ECLs	187,095	(184,612)	(2,483)	-
Derecognition of financial assets in the period	(130,173,671)	(1,387,529)	(496,132)	(132,057,332)
New financial assets purchased or originated	152,235,606	1,827,940	698,963	154,762,509
Written-off as bad debt expense	-	-	(1,216,875)	(1,216,875)
Effects of exchange rate changes and others	<u>376,001</u>	<u>1,384</u>	<u>101</u>	<u>377,486</u>
Balance at the end of the period	<u>\$ 136,497,189</u>	<u>\$ 2,355,699</u>	<u>\$ 2,300,482</u>	<u>\$ 141,153,370</u>

The changes in allowance for impairment loss of the Company's receivables were as follows:

For the year ended December 31, 2025

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 685,139	\$ 409,352	\$ 1,819,915	\$ 2,914,406	\$ 73,353	\$ 2,987,759
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(18,216)	212,688	(2,073)	192,399	-	192,399
Transferred to credit-impaired financial assets	(23,305)	(112,817)	1,035,671	899,549	-	899,549
Transferred to 12-month ECLs	10,174	(82,723)	(1,912)	(74,461)	-	(74,461)
Derecognition of financial assets in the period	(382,566)	(188,102)	(631,749)	(1,202,417)	-	(1,202,417)
New financial assets purchased or originated	438,710	120,960	773,371	1,333,041	-	1,333,041
Differences of impairment loss under the regulations	-	-	-	-	26,645	26,645
Written-off as bad debt expense	-	-	(1,231,215)	(1,231,215)	-	(1,231,215)
Effects of exchange rate changes and others	<u>95,360</u>	<u>15,324</u>	<u>28,292</u>	<u>138,976</u>	<u>-</u>	<u>138,976</u>
Balance at the end of the period	<u>\$ 805,296</u>	<u>\$ 374,682</u>	<u>\$ 1,790,300</u>	<u>\$ 2,970,278</u>	<u>\$ 99,998</u>	<u>\$ 3,070,276</u>

For the year ended December 31, 2024

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 565,354	\$ 393,971	\$ 1,730,384	\$ 2,689,709	\$ 57,255	\$ 2,746,964
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(17,041)	213,743	(2,145)	194,557	-	194,557
Transferred to credit-impaired financial assets	(39,381)	(122,935)	1,119,687	957,371	-	957,371
Transferred to 12-month ECLs	8,933	(79,732)	(1,559)	(72,358)	-	(72,358)
Derecognition of financial assets in the period	(317,039)	(161,763)	(327,072)	(805,874)	-	(805,874)
New financial assets purchased or originated	369,099	140,937	466,988	977,024	-	977,024
Differences of impairment loss under the regulations	-	-	-	-	16,098	16,098
Written-off as bad debt expense	-	-	(1,216,875)	(1,216,875)	-	(1,216,875)
Effects of exchange rate changes and others	115,214	25,131	50,507	190,852	-	190,852
Balance at the end of the period	<u>\$ 685,139</u>	<u>\$ 409,352</u>	<u>\$ 1,819,915</u>	<u>\$ 2,914,406</u>	<u>\$ 73,353</u>	<u>\$ 2,987,759</u>

14. DISCOUNTS AND LOANS, NET

	December 31	
	2025	2024
Discounts and overdrafts	\$ 517,994	\$ 1,193,839
Short-term loans	698,967,701	634,309,007
Medium-term loans	867,002,850	751,260,566
Long-term loans	1,360,288,155	1,328,599,240
Export negotiations	693,085	1,735,106
Non-accrual loans transferred from loans	<u>7,851,208</u>	<u>6,966,405</u>
	2,935,320,993	2,724,064,163
Less: Allowance for impairment loss	<u>(48,391,615)</u>	<u>(44,831,488)</u>
	<u>\$ 2,886,929,378</u>	<u>\$ 2,679,232,675</u>

As of December 31, 2025, the amount of the domestic loans of the Bank was \$2,679,596,426 thousand, and the allowance for impairment loss was \$43,745,539 thousand.

As of December 31, 2025 and 2024, the balances of nonaccrual loans, for which the accrual of interest revenues was discontinued, were \$7,851,208 thousand and \$6,966,405 thousand, respectively. For the years ended December 31, 2025 and 2024, the Company did not write off certain credits without completing the required legal procedures.

Refer to Note 50 for the impairment loss analysis of discounts and loans.

The changes in the gross carrying amounts of the Company's discounts and loans were as follows:

For the year ended December 31, 2025

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 2,628,181,220	\$ 76,013,179	\$ 19,869,764	\$ 2,724,064,163
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(44,285,443)	44,419,672	(134,229)	-
Transferred to credit-impaired financial assets	(3,485,061)	(1,533,847)	5,018,908	-
Transferred to 12-month ECLs	29,837,007	(29,504,398)	(332,609)	-
Derecognition of financial assets in the period	(713,131,939)	(23,081,750)	(1,216,754)	(737,430,443)
New financial assets purchased or originated	934,011,561	22,665,793	3,098,207	959,775,561
Written-off as bad debt expense	-	-	(3,792,232)	(3,792,232)
Effects of exchange rate changes and others	<u>(6,694,315)</u>	<u>(461,229)</u>	<u>(140,512)</u>	<u>(7,296,056)</u>
Balance at the end of the period	<u>\$ 2,824,433,030</u>	<u>\$ 88,517,420</u>	<u>\$ 22,370,543</u>	<u>\$ 2,935,320,993</u>

For the year ended December 31, 2024

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased nor Originated Credit-impaired Financial Assets)	Total
Balance at the beginning of the period	\$ 2,231,297,751	\$ 69,398,181	\$ 18,783,183	\$ 2,319,479,115
Changes of financial instruments recognized at the beginning of the current reporting period				
Transferred to Lifetime ECLs	(26,671,098)	26,804,463	(133,365)	-
Transferred to credit-impaired financial assets	(3,283,241)	(857,444)	4,140,685	-
Transferred to 12-month ECLs	19,392,283	(19,046,394)	(345,889)	-
Derecognition of financial assets in the period	(700,004,247)	(26,256,507)	(1,981,691)	(728,242,445)
New financial assets purchased or originated	1,100,696,956	25,360,884	2,666,847	1,128,724,687
Written-off as bad debt expense	-	-	(3,398,173)	(3,398,173)
Effects of exchange rate changes and others	<u>6,752,816</u>	<u>609,996</u>	<u>138,167</u>	<u>7,500,979</u>
Balance at the end of the period	<u>\$ 2,628,181,220</u>	<u>\$ 76,013,179</u>	<u>\$ 19,869,764</u>	<u>\$ 2,724,064,163</u>

The changes in allowance for impairment loss of the Company's discounts and loans were as follows:

For the year ended December 31, 2025

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 4,421,053	\$ 3,773,954	\$ 8,296,741	\$ 16,491,748	\$ 28,339,740	\$ 44,831,488
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(155,678)	1,839,664	(26,778)	1,657,208	-	1,657,208
Transferred to credit-impaired financial assets	(23,263)	(190,799)	3,365,167	3,151,105	-	3,151,105
Transferred to 12-month ECLs	180,325	(1,590,759)	(77,095)	(1,487,529)	-	(1,487,529)
Derecognition of financial assets in the period	(1,933,039)	(1,052,098)	(640,161)	(3,625,298)	-	(3,625,298)
New financial assets purchased or originated	1,871,277	346,297	1,915,569	4,133,143	-	4,133,143
Differences of impairment loss under the regulations	-	-	-	-	4,128,781	4,128,781
Written-off as bad debt expense	-	-	(3,792,232)	(3,792,232)	-	(3,792,232)
Effects of exchange rate changes and others	(101,711)	(281,834)	(221,506)	(605,051)	-	(605,051)
Balance at the end of the period	<u>\$ 4,258,964</u>	<u>\$ 2,844,425</u>	<u>\$ 8,819,705</u>	<u>\$ 15,923,094</u>	<u>\$ 32,468,521</u>	<u>\$ 48,391,615</u>

For the year ended December 31, 2024

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased nor Originated Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 4,208,728	\$ 3,254,669	\$ 7,222,828	\$ 14,686,225	\$ 24,221,823	\$ 38,908,048
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(100,897)	1,841,272	(24,826)	1,715,549	-	1,715,549
Transferred to credit-impaired financial assets	(26,529)	(743,046)	3,262,991	2,493,416	-	2,493,416
Transferred to 12-month ECLs	63,303	(800,750)	(59,903)	(797,350)	-	(797,350)
Derecognition of financial assets in the period	(1,835,172)	(654,896)	(1,147,523)	(3,637,591)	-	(3,637,591)
New financial assets purchased or originated	2,050,862	855,223	1,735,824	4,641,909	-	4,641,909
Differences of impairment loss under the regulations	-	-	-	-	4,117,917	4,117,917
Written-off as bad debt expense	-	-	(3,398,173)	(3,398,173)	-	(3,398,173)
Effects of exchange rate changes and others	60,758	21,482	705,523	787,763	-	787,763
Balance at the end of the period	<u>\$ 4,421,053</u>	<u>\$ 3,773,954</u>	<u>\$ 8,296,741</u>	<u>\$ 16,491,748</u>	<u>\$ 28,339,740</u>	<u>\$ 44,831,488</u>

15. RESERVES FOR LOSSES ON GUARANTEES, LETTER OF CREDIT RECEIVABLE AND FINANCING COMMITMENTS

The changes in the Company's guarantee liability provisions, letter of credit receivable and provision of commitments were as follows:

For the year ended December 31, 2025

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 259,893	\$ 65,268	\$ 7,233	\$ 332,394	\$ 188,954	\$ 521,348
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(3,038)	14,145	-	11,107	-	11,107
Transferred to credit-impaired financial assets	(60)	-	2,941	2,881	-	2,881
Transferred to 12-month ECLs	757	(32,050)	(615)	(31,908)	-	(31,908)
Derecognition of financial assets in the period	(125,653)	(39,458)	(2,770)	(167,881)	-	(167,881)
New financial assets purchased or originated	119,525	13,788	10,963	144,276	-	144,276
Differences of impairment loss under the regulations	-	-	-	-	(2,073)	(2,073)
Effects of exchange rate changes and others	(28,611)	(5,393)	2,702	(31,302)	-	(31,302)
Balance at the end of the period	<u>\$ 222,813</u>	<u>\$ 16,300</u>	<u>\$ 20,454</u>	<u>\$ 259,567</u>	<u>\$ 186,881</u>	<u>\$ 446,448</u>

For the year ended December 31, 2024

	12-month ECLs	Lifetime ECLs (Collectively Assessed)	Lifetime ECLs (Neither Purchased nor Originated Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under Regulations	Total
Balance at the beginning of the period	\$ 215,963	\$ 73,055	\$ 87,538	\$ 376,556	\$ 188,751	\$ 565,307
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(1,332)	20,471	(4)	19,135	-	19,135
Transferred to credit-impaired financial assets	(208)	(131)	9,315	8,976	-	8,976
Transferred to 12-month ECLs	1,272	(13,600)	(384)	(12,712)	-	(12,712)
Derecognition of financial assets in the period	(92,837)	(46,860)	(82,835)	(222,532)	-	(222,532)
New financial assets purchased or originated	138,940	40,940	1,343	181,223	-	181,223
Differences of impairment loss under the regulations	-	-	-	-	203	203
Effects of exchange rate changes and others	(1,905)	(8,607)	(7,740)	(18,252)	-	(18,252)
Balance at the end of the period	<u>\$ 259,893</u>	<u>\$ 65,268</u>	<u>\$ 7,233</u>	<u>\$ 332,394</u>	<u>\$ 188,954</u>	<u>\$ 521,348</u>

16. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%)		Description
			2025	2024	
The Bank	Indovina Bank Limited (Indovina Bank)	Bank business	50	50	Incorporated in Vietnam on November 21, 1990
	Cathay United Bank (Cambodia) PLC. (CUBC Bank) (Note 1)	Bank business	100	100	SBC Bank was incorporated in Cambodia on July 5, 1993, and renamed as CUBC Bank as of January 14, 2014
	Cathay United Bank (China) Limited (CUBCN Bank) (Note 2)	Bank business	100	100	Incorporated in China on September 3, 2018
CUBC Bank	CUBC Investment Co., LTD. (CUBC-I)	Invest business	49 (Note 3)	49 (Note 3)	Incorporated in Cambodia on August 14, 2012

Note 1: CUBC Bank has completed the registration of its English name change to ‘Cathay United Bank (Cambodia) PLC.’ The change was approved by the Financial Supervisory Commission and the relevant local authorities, and became effective on April 1, 2025.

Note 2: As a major subsidiary, its financial statements have been audited. Please refer to Table 5 for the relevant investment information.

Note 3: CUBC Bank held 49% of the shares of CUBC-I. Through an agency agreement with the rest of shareholders, it actually controls the operations of CUBC-I and the composition of its board of directors, and obtains 100% of its economic benefits, therefore, CUBC-I is listed as a subsidiary of CUBC Bank.

17. INVESTMENTS MEASURED BY EQUITY METHOD, NET

	December 31	
	2025	2024
<u>Associates that are not individually material</u>		
Taiwan Real-estate Management Corp.	\$ 108,462	\$ 104,036
Taiwan Finance Corp.	<u>1,874,825</u>	<u>1,716,837</u>
	<u>\$ 1,983,287</u>	<u>\$ 1,820,873</u>

Aggregate information on the Bank’s associates that are not individually material is as follows:

	For the Year Ended December 31	
	2025	2024
The Bank’s share of		
Current net income	\$ 83,553	\$ 62,110
Current other comprehensive income (loss)	<u>107,332</u>	<u>(8,547)</u>
Current comprehensive income	<u>\$ 190,885</u>	<u>\$ 53,563</u>

Investments measured by equity method and the Bank's share of profit and loss and other comprehensive income are calculated based on the financial statements which were not audited; however, management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements which have not been audited.

18. PROPERTY AND EQUIPMENT, NET

For the year ended December 31, 2025

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
<u>Cost</u>								
Balance at the beginning of the period	\$ 15,238,554	\$ 9,825,700	\$ 6,301,870	\$ 131,374	\$ 9,033,301	\$ 447,227	\$ 1,031,739	\$ 42,009,765
Additions	-	-	502,945	433	369,475	1,853	1,351,090	2,225,796
Disposals	-	(9,727)	(337,845)	(1,228)	(458,437)	(1,058)	-	(808,295)
Reclassification	-	-	486,475	4,692	691,055	25,292	(1,044,508)	163,006
Exchange differences	(21,780)	(14,563)	(26,792)	(5,326)	(13,799)	(3,907)	(290)	(86,457)
Balance at the end of the period	<u>15,216,774</u>	<u>9,801,410</u>	<u>6,926,653</u>	<u>129,945</u>	<u>9,621,595</u>	<u>469,407</u>	<u>1,338,031</u>	<u>43,503,815</u>
<u>Accumulated depreciation and impairment</u>								
Balance at the beginning of the period	-	5,265,124	4,768,916	99,381	6,688,585	328,838	-	17,150,844
Depreciation	-	204,234	665,538	7,788	643,061	50,769	-	1,571,390
Disposals	-	(6,948)	(336,792)	(1,229)	(444,527)	(958)	-	(790,454)
Exchange differences	-	(7,695)	(21,278)	(3,956)	(9,338)	(3,071)	-	(45,338)
Balance at the end of the period	<u>-</u>	<u>5,454,715</u>	<u>5,076,384</u>	<u>101,984</u>	<u>6,877,781</u>	<u>375,578</u>	<u>-</u>	<u>17,886,442</u>
<u>Net</u>								
Balance at the end of the period	<u>\$ 15,216,774</u>	<u>\$ 4,346,695</u>	<u>\$ 1,850,269</u>	<u>\$ 27,961</u>	<u>\$ 2,743,814</u>	<u>\$ 93,829</u>	<u>\$ 1,338,031</u>	<u>\$ 25,617,373</u>

For the year ended December 31, 2024

	Land	Buildings	Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in Progress and Prepayment for Equipment	Total
<u>Cost</u>								
Balance at the beginning of the period	\$ 15,288,915	\$ 9,803,543	\$ 5,795,740	\$ 128,412	\$ 8,627,928	\$ 419,716	\$ 756,560	\$ 40,820,814
Additions	-	-	433,994	1,586	332,428	6,731	1,153,381	1,928,120
Disposals	(87,130)	-	(347,200)	(10,688)	(453,548)	(166)	-	(898,732)
Reclassification	-	-	371,783	3,716	507,377	2,161	(880,253)	4,784
Exchange differences and inflation adjustment	36,769	22,157	47,553	8,348	19,116	18,785	2,051	154,779
Balance at the end of the period	<u>15,238,554</u>	<u>9,825,700</u>	<u>6,301,870</u>	<u>131,374</u>	<u>9,033,301</u>	<u>447,227</u>	<u>1,031,739</u>	<u>42,009,765</u>
<u>Accumulated depreciation and impairment</u>								
Balance at the beginning of the period	-	5,047,692	4,488,080	95,555	6,543,831	272,387	-	16,447,545
Depreciation	-	206,146	591,056	7,987	578,728	44,368	-	1,428,285
Disposals	-	-	(346,735)	(10,429)	(447,152)	(166)	-	(804,482)
Exchange differences and inflation adjustment	-	11,286	36,515	6,268	13,178	12,249	-	79,496
Balance at the end of the period	<u>-</u>	<u>5,265,124</u>	<u>4,768,916</u>	<u>99,381</u>	<u>6,688,585</u>	<u>328,838</u>	<u>-</u>	<u>17,150,844</u>
<u>Net</u>								
Balance at the end of the period	<u>\$ 15,238,554</u>	<u>\$ 4,560,576</u>	<u>\$ 1,532,954</u>	<u>\$ 31,993</u>	<u>\$ 2,344,716</u>	<u>\$ 118,389</u>	<u>\$ 1,031,739</u>	<u>\$ 24,858,921</u>

Depreciation of the above-mentioned items of property and equipment is calculated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20 to 60 years
Buildings renovation	5 years
Equipment	3 to 10 years
Transportation equipment	4 to 10 years
Other equipment	3 to 16 years
Leasehold improvements	5 years

As of December 31, 2025 and 2024, no property and equipment was pledged as collaterals.

19. LEASE AGREEMENTS

a. Right-of-use assets

	December 31	
	2025	2024
Carrying amount of right-of-use assets		
Land and buildings	\$ 5,972,095	\$ 6,094,878
Machinery	837,807	1,101
Transportation equipment	<u>60,971</u>	<u>51,839</u>
	<u>\$ 6,870,873</u>	<u>\$ 6,147,818</u>
	For the Year Ended December 31	
	2025	2024
Additions to right-of-use assets	<u>\$ 2,821,710</u>	<u>\$ 4,334,654</u>
Depreciation charge for right-of-use assets		
Land and buildings	\$ 1,915,938	\$ 1,777,485
Machinery	132,906	760
Transportation equipment	<u>35,453</u>	<u>37,392</u>
	<u>\$ 2,084,297</u>	<u>\$ 1,815,637</u>

Except for the aforementioned addition 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 amount of lease liabilities	<u>\$ 7,038,916</u>	<u>\$ 6,198,477</u>

The discount rate intervals of lease liabilities are as follows:

	December 31	
	2025	2024
Land and buildings	0.12%-6.63%	0.12%-7.53%
Machinery	0.36%-3.49%	0.36%-3.49%
Transportation equipment	1.13%-6.58%	0.63%-8.22%

c. Other lease information

	For the Year Ended December 31	
	2025	2024
Expenses relating to short-term leases	<u>\$ 494,990</u>	<u>\$ 527,231</u>
Expenses relating to low-value asset leases	<u>\$ 165,421</u>	<u>\$ 211,992</u>
Total cash outflow for leases	<u>\$ 2,684,205</u>	<u>\$ 2,555,126</u>

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

20. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
Balance at January 1, 2025	\$ 2,198,648	\$ 102,696	\$ 2,301,344
Disposals	(35,444)	(61,822)	(97,266)
Gain (loss) on fair value adjustment	110,345	(2,811)	107,534
Others (Note)	<u>(22,462)</u>	<u>-</u>	<u>(22,462)</u>
Balance at December 31, 2025	<u>\$ 2,251,087</u>	<u>\$ 38,063</u>	<u>\$ 2,289,150</u>
Balance at January 1, 2024	\$ 2,160,925	\$ 126,368	\$ 2,287,293
Disposals	(7,053)	(4,727)	(11,780)
Gain (loss) on fair value adjustment	89,700	(18,945)	70,755
Others (Note)	<u>(44,924)</u>	<u>-</u>	<u>(44,924)</u>
Balance at December 31, 2024	<u>\$ 2,198,648</u>	<u>\$ 102,696</u>	<u>\$ 2,301,344</u>

Note: Compensation for urban renewal and demolition.

- a. As of December 31, 2025 and 2024, no investment property was pledged as collaterals.
- b. Some of the Bank's properties are held for earning rental income or for capital appreciation, while some are for self-use. When the part held for self-use is less than 5% of the individual real estate, the real estate is classified as investment properties.

- c. The fair values of the Bank's investment properties were based on the valuations carried out by qualified real estate appraisers in Taiwan in accordance with the "Regulations on Real Estate Appraisal." The valuation dates were December 31, 2025 and 2024, respectively.

Appraiser Office	December 31	
	2025	2024
REPro Knight Frank Real Estate Appraiser Firm	Xiang-Yi, Hsu; Xin-Ya, Wang; Ming-Yang, Wang; Hong-Xu, Wu	Xiang-Yi, Hsu; You-Xiang, Cai

The fair value is supported by observable evidence in the market. The main appraisal approaches applied include the income approach (such as discounted cash flow model and direct capitalization approach), comparison approach and cost approach. The significant unobservable inputs mainly include discount rates and the related adjustments, and are categorized as Level 3 of fair value hierarchy.

- 1) As office buildings have market liquidity and the rentals are similar to those of comparable properties in neighboring areas, the fair values have been mainly determined using the comparison approach and the income approach.

Net rental income is based on current market practices, assuming an annual rental increase between 0% and 1.5% to extrapolate the total income of the underlying property, excluding losses as a result of idle and other reasons and related operation costs.

According to the ROC Real Estate Appraisers Association Gazette No. 5, the house tax is determined based on the reference tables of current house values provided by each city/county to estimate the total current house value considering the area of the subject property and related public utilities. House tax is calculated based on the tax rates in the House Tax Act and the actual payment data.

Land value tax is calculated based on the changes in the announced land values of the underlying property in the past years and the actual payment data.

According to the ROC Real Estate Appraisers Association Gazette No. 5, replacement allowance for significant renovation cost is calculated based on 10% of construction costs and amortised over its estimated useful life of 20 years.

The main inputs used are as follows:

	December 31	
	2025	2024
Direct capitalization rate	1.82%-3.74%	1.17%-3.73%
Discount rate	3.78%	3.78%
<u>Operating expenses directly related to investment properties</u>		
	For the Year Ended December 31	
	2025	2024
Generating rental income	\$ -	\$ -
Not generating rental income	<u>2,719</u>	<u>4,635</u>
	<u>\$ 2,719</u>	<u>\$ 4,635</u>

- 2) The fair values of hillside conservation zones, farmlands, scenic areas and suburban houses have been determined mainly by the income approach, comparison approach and cost method approach due to fewer market transactions in such areas as a result of legal restrictions, furthermore, no significant changes are expected in these areas that will affect the market in the near future.

21. INTANGIBLE ASSETS, NET

For the year ended December 31, 2025

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at the beginning of the period	\$ 3,690,728	\$ 7,019,592	\$ 1,944	\$ 10,712,264
Additions	277,053	-	-	277,053
Disposals	(781,889)	-	-	(781,889)
Reclassification and others	560,071	-	(835)	559,236
Exchange differences	<u>(15,273)</u>	<u>(14,196)</u>	<u>-</u>	<u>(29,469)</u>
Balance at the end of the period	<u>3,730,690</u>	<u>7,005,396</u>	<u>1,109</u>	<u>10,737,195</u>
<u>Accumulated amortization</u>				
Balance at the beginning of the period	2,270,036	-	-	2,270,036
Amortization	719,216	-	-	719,216
Disposals	(781,889)	-	-	(781,889)
Exchange differences	<u>(11,834)</u>	<u>-</u>	<u>-</u>	<u>(11,834)</u>
Balance at the end of the period	<u>2,195,529</u>	<u>-</u>	<u>-</u>	<u>2,195,529</u>
<u>Net</u>				
Balance at the end of the period	<u>\$ 1,535,161</u>	<u>\$ 7,005,396</u>	<u>\$ 1,109</u>	<u>\$ 8,541,666</u>

For the year ended December 31, 2024

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at the beginning of the period	\$ 3,505,024	\$ 6,997,965	\$ 2,995	\$ 10,505,984
Additions	539,546	-	-	539,546
Disposals	(655,880)	-	-	(655,880)
Reclassification and others	267,609	-	(1,051)	266,558
Exchange differences	<u>34,429</u>	<u>21,627</u>	<u>-</u>	<u>56,056</u>
Balance at the end of the period	<u>3,690,728</u>	<u>7,019,592</u>	<u>1,944</u>	<u>10,712,264</u>

(Continued)

	Computer Software	Goodwill	Others	Total
<u>Accumulated amortization</u>				
Balance at the beginning of the period	\$ 2,203,330	\$ -	\$ -	\$ 2,203,330
Amortization	699,876	-	-	699,876
Disposals	(655,880)	-	-	(655,880)
Exchange differences	<u>22,710</u>	<u>-</u>	<u>-</u>	<u>22,710</u>
Balance at the end of the period	<u>2,270,036</u>	<u>-</u>	<u>-</u>	<u>2,270,036</u>
<u>Net</u>				
Balance at the end of the period	<u>\$ 1,420,692</u>	<u>\$ 7,019,592</u>	<u>\$ 1,944</u>	<u>\$ 8,442,228</u> (Concluded)

The Bank acquired China United Trust & Investment Corporation on December 29, 2007 and recognized goodwill amounting to \$6,673,083 thousand.

The Bank acquired 70% of the shares of CUBC Bank on December 13, 2012 and recognized goodwill amounting to US\$10,570 thousand, then further acquired the remaining 30% of shares on September 16, 2013.

During impairment testing of goodwill, the Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast for the future based on the going-concern assumption. Future cash flows were estimated on the basis of present operations and will be adjusted depending on the business outlook and economic trends.

22. OTHER ASSETS, NET

	December 31	
	2025	2024
Prepayments	\$ 2,150,895	\$ 1,706,348
Temporary payments and suspense accounts	1,149,391	591,178
Interbank clearing funds	6,874,725	8,621,207
Refundable deposits, net	21,880,991	21,298,346
Operating deposits	1,224,290	1,010,780
Others	<u>153,652</u>	<u>159,878</u>
	<u>\$ 33,433,944</u>	<u>\$ 33,387,737</u>

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Deposits from the Central Bank and banks	\$ 100,477,285	\$ 93,902,321
Call loans from the Central Bank and banks	60,580,730	72,852,420
Due to Chunghwa Post Co., Ltd.	17,708,805	17,709,405
Bank overdrafts	<u>24,051</u>	<u>218,521</u>
	<u>\$ 178,790,871</u>	<u>\$ 184,682,667</u>

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Government bonds	\$ 1,661,079	\$ 6,340,413
Financial debentures	449,821	236,263
Asset-backed securities	<u>-</u>	<u>4,365,690</u>
	<u>\$ 2,110,900</u>	<u>\$ 10,942,366</u>

25. PAYABLES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Accrued expenses	\$ 13,980,585	\$ 12,967,015
Interest payable	8,843,518	9,771,742
Payable on notes and bonds trade settle	3,290,104	4,441,990
Accounts payable	2,326,309	2,727,195
Receipts under custody	1,198,236	936,757
Banker's acceptances	1,182,740	1,241,043
Others	<u>16,248,199</u>	<u>12,021,882</u>
	<u>\$ 47,069,691</u>	<u>\$ 44,107,624</u>

26. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Checking deposits	\$ 18,565,740	\$ 17,903,103
Demand deposits	965,851,154	874,837,614
Demand savings deposits	1,588,187,302	1,479,274,092
Time deposits	1,333,971,044	970,591,171
Time savings deposits	494,279,506	458,968,439
Negotiable certificates of deposits	27,156,081	44,830,505
Outward remittances and remittances payable	<u>2,944,531</u>	<u>2,181,501</u>
	<u>\$ 4,430,955,358</u>	<u>\$ 3,848,586,425</u>

27. FINANCIAL DEBENTURES PAYABLE

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
2 nd issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	\$ 12,700,000	\$ 12,700,000
1 st issue of subordinated financial debentures in 2025; fixed rate at 2.18%; maturity: June 2032	550,000	-
1 st issue of subordinated financial debentures in 2025; fixed rate at 2.30%; maturity: June 2035	<u>5,350,000</u>	<u>-</u>
	<u>\$ 18,600,000</u>	<u>\$ 12,700,000</u>

28. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Principal of structured products	\$ 38,666,186	\$ 46,161,989
Other financial liabilities	<u>362,394</u>	<u>36,710</u>
	<u>\$ 39,028,580</u>	<u>\$ 46,198,699</u>

29. PROVISIONS

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Reserve for employee benefits		
Defined benefit plan	\$ 1,664,028	\$ 1,702,530
Retired employees' preferential interest rate deposits	1,229,576	1,166,250
Reserve for losses on guarantees	228,127	241,116
Reserve for finance commitments	214,214	277,858
Other operating reserve	383,019	380,904
Other reserve - letter of credit	<u>4,107</u>	<u>2,374</u>
	<u>\$ 3,723,071</u>	<u>\$ 3,771,032</u>

30. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Bank adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Bank makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts in the Bureau of Labor Insurance.

For the years ended December 31, 2025 and 2024, the Company recognized expenses of \$659,653 thousand and \$608,342 thousand in the consolidated statements of comprehensive income in accordance with the defined contribution plan, respectively.

b. Defined benefit plan

The defined benefit plan adopted by domestic branches of the Bank under the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes a fixed proportion 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 Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Bank has no right to influence the investment policy and strategy.

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

	December 31	
	2025	2024
Present value of defined benefit obligation	\$ 5,548,420	\$ 5,446,513
Fair value of plan assets	<u>(3,884,392)</u>	<u>(3,743,983)</u>
Net defined benefit liabilities (assets)	<u>\$ 1,664,028</u>	<u>\$ 1,702,530</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2024	\$ <u>5,415,574</u>	\$ <u>(3,571,957)</u>	\$ <u>1,843,617</u>
Service cost			
Current service cost	224,149	-	224,149
Net interest expense (income)	<u>61,565</u>	<u>(41,680)</u>	<u>19,885</u>
Recognized in profit or loss	<u>285,714</u>	<u>(41,680)</u>	<u>244,034</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(256,399)	(256,399)
Actuarial loss			
Changes in financial assumptions	134,879	-	134,879
Experience adjustments	<u>96,294</u>	<u>-</u>	<u>96,294</u>
Recognized in other comprehensive income	<u>231,173</u>	<u>(256,399)</u>	<u>(25,226)</u>
Contributions from the employer	-	(360,000)	(360,000)
Benefits paid	(486,053)	486,053	-
Effects of exchange rate change	<u>105</u>	<u>-</u>	<u>105</u>
Balance at December 31, 2024	<u>5,446,513</u>	<u>(3,743,983)</u>	<u>1,702,530</u>
Service cost			
Current service cost	228,287	-	228,287
Net interest expense (income)	<u>82,583</u>	<u>(58,266)</u>	<u>24,317</u>
Recognized in profit or loss	<u>310,870</u>	<u>(58,266)</u>	<u>252,604</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (209,976)	\$ (209,976)
Actuarial loss			
Changes in financial assumptions	88,335	-	88,335
Experience adjustments	191,272	-	191,272
Changes in demographic assumptions	<u>(378)</u>	<u>-</u>	<u>(378)</u>
Recognized in other comprehensive income	<u>279,229</u>	<u>(209,976)</u>	<u>69,253</u>
Contributions from the employer	-	(360,000)	(360,000)
Benefits paid	(487,833)	487,833	-
Effects of exchange rate change	<u>(359)</u>	<u>-</u>	<u>(359)</u>
Balance at December 31, 2025	<u>\$ 5,548,420</u>	<u>\$ (3,884,392)</u>	<u>\$ 1,664,028</u> (Concluded)

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

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

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

	December 31	
	2025	2024
Discount rate(s)	1.33%	1.58%
Expected rate(s) of salary increase	3.00%	3.00%

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

	December 31	
	2025	2024
Discount rate(s)		
0.25% increase	<u>\$ (88,533)</u>	<u>\$ (92,481)</u>
0.25% decrease	<u>\$ 88,533</u>	<u>\$ 92,481</u>
Expected rate(s) of salary increase		
0.50% increase	<u>\$ 171,533</u>	<u>\$ 179,523</u>
0.50% decrease	<u>\$ (165,999)</u>	<u>\$ (174,083)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2025	2024
Expected contributions to the plans for the next year	<u>\$ 360,000</u>	<u>\$ 360,000</u>
Average duration of the defined benefit obligation	6.5 years	6.9 years

c. Employee preferential interest rate deposit plan

The Bank's obligations on preferential interest rate deposits for current employees and those retired employees and current employees after retirement are in compliance with the Bank's internal rules. Under the Regulations Governing the Preparation of Financial Reports by Public Banks, the excess of the interests incurred from post-employment preferential interest rate deposits over those inputted by the market rate should be applicable to the requirements for defined benefit plans in IAS 19 Employee Benefits since the employee's retirement and accrued by actuarial method.

The amounts included in the consolidated balance sheets arising from the Bank's obligation on the post-employment preferential interest rate deposit plan were as follows:

	December 31	
	2025	2024
Present value of defined benefit obligation	\$ 1,229,576	\$ 1,166,250
Fair value of plan assets	<u>-</u>	<u>-</u>
Net defined benefit liabilities	<u>\$ 1,229,576</u>	<u>\$ 1,166,250</u>

The changes in present value of obligations on the post-employment preferential interest rate deposits were as follows:

	For the Year Ended December 31	
	2025	2024
Balance at the beginning of the period	\$ 1,166,250	\$ 1,045,707
Net interest expense	<u>42,883</u>	<u>38,492</u>
Remeasurement		
Experience adjustments	209,326	195,218
Changes in financial assumptions	<u>-</u>	<u>54,172</u>
Recognized in other comprehensive income	<u>209,326</u>	<u>249,390</u>
Benefits paid	<u>(188,883)</u>	<u>(167,339)</u>
Balance at the end of the period	<u>\$ 1,229,576</u>	<u>\$ 1,166,250</u>

Under Order No. 10110000850 issued by the FSC, effective March 15, 2012, the actuarial assumptions for the employee benefits expense of the post-employment preferential interest rate deposit were as follows:

	December 31	
	2025	2024
Discount rate(s)	4.00%	4.00%
Return on deposits	2.00%	2.00%
Withdrawal rate of post-employment preferential rate deposits	1.00%	1.00%
Probability of changes in the preferential deposit scheme	50.00%	50.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of obligations on the post-employment preferential interest rate deposits will increase (decrease) as follows:

	December 31	
	2025	2024
Discount rate(s)		
0.5% increase	<u>\$ (60,249)</u>	<u>\$ (57,146)</u>
0.5% decrease	<u>\$ 66,397</u>	<u>\$ 62,977</u>
Mortality rate(s)		
Adjusted to 105%	<u>\$ (10,838)</u>	<u>\$ (10,496)</u>
Adjusted to 95%	<u>\$ 12,042</u>	<u>\$ 11,662</u>
Excess interest rate of employee preferential interest rate deposits		
0.5% increase	<u>\$ 226,242</u>	<u>\$ 214,590</u>
0.5% decrease	<u>\$ (226,242)</u>	<u>\$ (214,590)</u>

The sensitivity analysis presented above shows the effect on the present value of obligations on the post-employment preferential interest rate deposits of a change in single assumption while all other assumptions remain unchanged. The sensitivity analysis presented above might not be representative of the actual change in the present value of obligations on the post-employment because it was unlikely that the change in assumptions would occur independently of each other because some of the assumptions might be correlated.

	December 31	
	2025	2024
Expected contributions to the plans for the next year	<u>\$ 200,042</u>	<u>\$ 188,327</u>
Average duration of the defined benefit obligation	10.6 years	10.7 years

31. OTHER LIABILITIES

	December 31	
	2025	2024
Temporary receipts and suspense accounts	\$ 4,082,702	\$ 3,101,485
Guarantee deposits received	4,018,826	8,508,534
Contract liabilities	870,805	1,311,068
Advance receipts	288,562	300,363
Others	<u>1,835</u>	<u>2,420</u>
	<u>\$ 9,262,730</u>	<u>\$ 13,223,870</u>

32. EQUITY

a. Capital stock

Common stock

	December 31	
	2025	2024
Number of authorized shares (in thousands)	<u>12,822,097</u>	<u>12,011,314</u>
Amount of authorized shares	<u>\$ 128,220,970</u>	<u>\$ 120,113,139</u>
Number of shares issued and fully paid (in thousands)	<u>12,822,097</u>	<u>12,011,314</u>
Amount of shares issued	<u>\$ 128,220,970</u>	<u>\$ 120,113,139</u>

The issued common stock has a par value of NT\$10 per share, with each share carrying one vote and the right to receive dividends.

On April 29, 2025, the Bank's board of directors resolved on behalf of the shareholders to transfer the retained earnings of \$8,107,831 thousand in the form of dividends to increase capital and issued 810,783 thousand new shares for a total authorized capital of \$128,220,970 thousand. The capital increase was approved by the FSC on June 25, 2025, and the recapitalization record date was July 16, 2025. The registration was completed on September 15, 2025.

b. Capital surplus

	December 31	
	2025	2024
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Additional paid-in capital	\$ 27,648,873	\$ 27,648,873
Capital surplus from the merger	10,949,303	10,949,303
Treasury share transactions	11,523	11,523
Changes in net values of equities of associates accounted for using equity method	1,054	1,054
Donated surplus	230	230
<u>May only be used to offset a deficit</u>		
Share-based payments granted by the parent company to the Bank's employees	<u>258,097</u>	<u>258,097</u>
	<u>\$ 38,869,080</u>	<u>\$ 38,869,080</u>

c. Legal reserve

According to the Banking Act, the Bank shall set aside 30% of its after-tax earnings as a legal reserve at the time of distributing its earnings for each fiscal year. According to the Company Act, retained earnings are appropriated to legal reserve until the amount of legal reserve equals the Bank's paid-in capital. The legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of its paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, based on the Banking Act, if the legal reserve is less than the Bank's paid-in capital, the amount that may be distributed in cash should not exceed 15% of the Bank's paid-in capital. In the event that the accumulated legal reserve equals or exceeds the Bank's paid-in capital or the Bank is sound in both its finance and business operations and had already set aside a legal reserve in compliance with the Banking Act, the restrictions stipulated above shall not apply.

d. Special reserve

	December 31	
	2025	2024
The debit balance of other equity	\$ 3,728,683	\$ 6,156,444
Investment properties at fair value	1,854,103	1,789,305
Financial technology development employee transfer and placement expenditure	287,673	287,673
Trading loss reserve transfer	268,791	268,791
Changes recognized under the equity method	<u>2,218</u>	<u>2,218</u>
	<u>\$ 6,141,468</u>	<u>\$ 8,504,431</u>

According to Rule No. 11301388321 issued by the FSC on June 12, 2024, the Bank sets aside a special reserve in accordance with the law and then subsequently reverses to distribute, and if the amount is distributed in cash, the provision in the latter paragraph of Article 50, Paragraph 1 of the Banking Act that maximum cash reserve distribution should not exceed 15% of the Bank's paid-in capital can be excluded.

According to Rule No. 1090150022 issued by the FSC on March 31, 2021, and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards,” the Bank should appropriate to or reverse from its special reserve certain specified amounts. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses, and thereafter distributed.

According to Rule No. 10310000140 issued by the FSC on February 19, 2014, for publicly traded banks that elect to measure investment property using the fair value model, in accordance with the “Regulations Governing the Preparation of Financial Reports by Public Banks”, any increase in retained earnings arising from the application of the fair value model must be appropriated to a special earnings reserve of an equivalent amount. Subsequently, if the fair value of the investment property decreases or if the property is disposed of, the previously appropriated special earnings reserve may be reversed in proportion to the reduction.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate between 0.5% and 1% of net income after tax to the special reserve during the appropriation of earnings from 2016 through 2018. According to Rule No. 10802714560 issued by the FSC on May 15, 2019, since 2019, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement and education training for enhancing and cultivating employee competency to respond the need of financial technology development or business development.

According to Rule issued by the FSC, the Bank transferred the trading loss reserve as of December 31, 2010 to the special reserve and the special reserve may not be used unless it reaches the matters specified by the authority to reversal.

e. Retained earnings and dividends policy

According to the Bank’s Articles of Incorporation, if the Bank made a profit in a fiscal year, the profit shall be first utilized for paying taxes and offsetting deficits of prior years, if any. If the legal reserve is less than the paid-in capital, profit shall be appropriated to the legal reserve and special reserve in accordance with the laws and regulations.

In consideration of the competitive environment, business growth, and capital adequacy, the Bank adopts a residual dividend policy. According to the Bank’s business plan, except for a necessary amount of earnings to be reserved for dividend distribution, the remainder shall be distributed as cash dividends in principle. However, the maximum cash dividend may not exceed the regulatory limit.

The appropriations of earnings for 2024 and 2023 which were approved by the Bank’s board of directors on behalf of the shareholders in accordance with the Company Act on April 29, 2025 and April 30, 2024, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2024	2023	2024	2023
Legal reserve	\$ 11,196,344	\$ 8,347,090		
Special reserve	(2,362,954)	(8,327,739)		
Cash dividends	20,379,934	16,289,798	\$ 1.70	\$ 1.50
Stock dividends	8,107,831	11,514,484	0.68	1.06

The appropriation of earnings for 2025 had been proposed by the Bank's board of directors on March 11, 2026; the amounts were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 12,273,570	
Special reserve	(3,628,763)	
Cash dividends	22,851,057	\$ 1.78
Stock dividends	9,405,184	0.73

The appropriation of earnings for 2025 is subject to the resolution of the shareholders in the shareholder's meeting.

f. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<u>For the Year Ended December 31</u>	
	2025	2024
Balance at the beginning of the period	\$ 359,595	\$ (1,520,460)
Exchange differences generated from translating the net assets of foreign operations	(851,096)	2,350,068
Tax effect	<u>170,219</u>	<u>(470,013)</u>
Other comprehensive (loss) income	<u>(680,877)</u>	<u>1,880,055</u>
Balance at the end of the period	<u>\$ (321,282)</u>	<u>\$ 359,595</u>

2) Unrealized gains (losses) on financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	2025	2024
Balance at the beginning of the period	\$ (2,531,340)	\$ (2,847,253)
Recognized for the period		
Unrealized gains (losses)		
Debt instruments	4,858,264	(3,042,106)
Equity instruments	(3,338,849)	3,604,960
Net remeasurement of loss allowance	6,163	(286)
Share from associates accounted for using the equity method	104,988	(5,981)
Reclassification adjustments		
Disposal of investment in debt instruments	888,142	(37,356)
Tax effect	<u>(16,453)</u>	<u>(282,622)</u>
Other comprehensive income	<u>2,502,255</u>	<u>236,609</u>
Cumulative unrealized gains of equity instruments transferred to retained earnings due to disposal	<u>2,130,777</u>	<u>79,304</u>
Balance at the end of the period	<u>\$ 2,101,692</u>	<u>\$ (2,531,340)</u>

- 3) Changes in the fair value of financial liabilities attributable to changes in the credit risk of financial liabilities designated as at FVTPL

	For the Year Ended December 31	
	2025	2024
Balance at the beginning of the period	\$ (420,102)	\$ (833,793)
Changes in the fair value attributable to changes in the credit risk	296,411	517,113
Tax effect	<u>(59,283)</u>	<u>(103,422)</u>
Other comprehensive income	<u>237,128</u>	<u>413,691</u>
Balance at the end of the period	<u>\$ (182,974)</u>	<u>\$ (420,102)</u>

- 4) Remeasurement of the defined benefit plans

	For the Year Ended December 31	
	2025	2024
Balance at the beginning of the period	\$ (2,748,935)	\$ (2,567,037)
Remeasurement	(278,579)	(224,164)
Share from associates accounted for using the equity method	2,344	(2,566)
Tax effect	<u>55,717</u>	<u>44,832</u>
Other comprehensive loss	<u>(220,518)</u>	<u>(181,898)</u>
Balance at the end of the period	<u>\$ (2,969,453)</u>	<u>\$ (2,748,935)</u>

- 5) Gain on property revaluation

	For the Year Ended December 31	
	2025	2024
Balance at the beginning of the period	\$ 1,612,099	\$ 1,612,099
Other comprehensive income	-	-
Transferred to retained earnings	<u>(748)</u>	<u>-</u>
Balance at the end of the period	<u>\$ 1,611,351</u>	<u>\$ 1,612,099</u>

- g. Non-controlling interests

	For the Year Ended December 31	
	2025	2024
Balance at the beginning of the period	\$ 4,658,426	\$ 3,934,432
Net income attributable to non-controlling interests	<u>501,553</u>	<u>560,357</u>
Other comprehensive income		
Exchange differences on translating the financial statements of foreign operations	(175,154)	237,665
Losses from investments in debt instruments measured at fair value through other comprehensive income	<u>(181,668)</u>	<u>(74,028)</u>
	<u>(356,822)</u>	<u>163,637</u>
Balance at the end of the period	<u>\$ 4,803,157</u>	<u>\$ 4,658,426</u>

h. Hyperinflationary economy

Based on the information announced by the Center for Audit Quality (CAQ) in December 2024, the Bank has determined that Laos operates in a hyperinflationary economic environment. Consequently, the Bank has adopted the latest index published by the Bank of the Lao P.D.R. as the basis for preparing the financial statements of the Lao branch. This index is derived from the Consumer Price Index (CPI) published by the Lao National Statistics Bureau. As of December 31, 2025, December 31, 2024 and January 1, 2024, the CPI in Laos stood at 257.20, 243.52 and 208.37, respectively, reflecting a fluctuation of approximately 5.62% and 16.87% for the years ended December 31, 2025 and 2024. Accordingly, Laos is no longer considered to be operating in a hyperinflationary economic environment.

The initial application of IAS 29 by the Lao branch resulted in an adjustment that reduced the beginning retained earnings for 2024 by \$380,719 thousand. Additionally, the net monetary position loss arising from the application of the measuring unit current at the reporting date amounted to \$134,599 thousand, recognized under net revenue other than interest income. The translation of financial statements led to an exchange gain of \$525,874 thousand, recorded under other comprehensive income - exchange differences on translating the financial statements of foreign operations.

33. NET INTEREST REVENUE

	For the Year Ended December 31	
	2025	2024
Interest income		
Discounts and loans	\$ 86,011,455	\$ 80,442,448
Investment securities	22,893,553	22,083,548
Due from banks and call loans to banks	13,186,227	12,945,354
Revolving credit	3,167,436	2,830,363
Others	<u>1,404,884</u>	<u>1,884,084</u>
	<u>126,663,555</u>	<u>120,185,797</u>
Interest expense		
Deposits	52,141,863	49,588,951
Due to the Central Bank and other banks	3,147,456	5,002,684
Structured products	1,703,753	3,063,429
Notes and bonds issued under repurchase agreements	524,465	794,958
Financial debentures	307,465	330,338
Interest on lease liabilities	88,050	58,364
Others	<u>509,155</u>	<u>434,250</u>
	<u>58,422,207</u>	<u>59,272,974</u>
	<u>\$ 68,241,348</u>	<u>\$ 60,912,823</u>

34. NET SERVICE FEE REVENUE

	For the Year Ended December 31	
	2025	2024
Service fee income		
Credit card business	\$ 18,459,465	\$ 16,047,053
Cross-selling marketing	11,725,829	8,208,204
Trust business	8,783,231	7,840,785
Loan business	1,339,330	1,125,557
Others	<u>3,771,824</u>	<u>3,458,564</u>
	<u>44,079,679</u>	<u>36,680,163</u>

(Continued)

	For the Year Ended December 31	
	2025	2024
Service fee expenses		
Credit card business	\$ 8,283,201	\$ 7,004,302
Others	<u>1,706,573</u>	<u>1,702,601</u>
	<u>9,989,774</u>	<u>8,706,903</u>
	<u>\$ 34,089,905</u>	<u>\$ 27,973,260</u>

(Concluded)

The Bank also engaged in the business of online payment services. For the years ended December 31, 2025 and 2024, service fee revenue was \$405 thousand and \$448 thousand, respectively, and the revenue and other income resulting from the funds collected were both zero.

35. GAIN (LOSS) ON FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2025	2024
Stock	\$ 241,460	\$ 637,050
Short-term bills	2,277,324	1,850,619
Fund beneficiary certificates	1,524	10,070
Investments in debt instruments	6,666,258	9,244,472
Derivative financial instruments	<u>657,290</u>	<u>3,198,947</u>
	<u>\$ 9,843,856</u>	<u>\$ 14,941,158</u>
Realized gain (loss)		
Gain on disposal	\$ 10,305,467	\$ 11,630,207
Interest income	5,435,980	5,087,445
Dividend income	24,832	25,065
Interest expense	(1,463,641)	(1,509,357)
Unrealized gain (loss)		
Valuation gain (loss)	<u>(4,458,782)</u>	<u>(292,202)</u>
	<u>\$ 9,843,856</u>	<u>\$ 14,941,158</u>

36. REALIZED GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2025	2024
Net (loss) gain on disposal - debt instruments	\$ (888,142)	\$ 37,356
Dividend income	<u>1,973,118</u>	<u>1,099,476</u>
	<u>\$ 1,084,976</u>	<u>\$ 1,136,832</u>

37. IMPAIRMENT REVERSAL (LOSS) ON ASSETS

	For the Year Ended December 31	
	2025	2024
Debt instruments at FVTOCI	\$ (15,317)	\$ (5,945)
Debt instruments at amortised cost	<u>39,827</u>	<u>(110,486)</u>
	<u>\$ 24,510</u>	<u>\$ (116,431)</u>

38. BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION

	For the Year Ended December 31	
	2025	2024
Discounts and loans	\$ 6,581,626	\$ 8,071,683
Receivables	750,248	1,061,028
Guarantee liability provisions	(12,579)	30,494
Financial commitment provisions	(59,398)	(72,993)
Others	<u>32,907</u>	<u>121,228</u>
	<u>\$ 7,292,804</u>	<u>\$ 9,211,440</u>

39. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2025	2024
Salaries	\$ 24,559,597	\$ 22,722,521
Insurance	1,654,053	1,512,668
Post-employment benefits	963,492	907,688
Remuneration of directors	9,604	7,938
Others	<u>645,333</u>	<u>525,894</u>
	<u>\$ 27,832,079</u>	<u>\$ 25,676,709</u>

For the years ended December 31, 2025 and 2024, the average number of the Company's employees was 13,934 and 13,325, including 21 and 19 non-executive directors, respectively.

As of December 31, 2025 and 2024, the number of employees of the Company was 14,151 and 13,525, respectively.

Under the Articles of Incorporation of the Bank, the Bank accrued compensation of employees and remuneration of directors at the rates of 0.05% and no higher than 0.1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors (after offsetting accumulated deficits). Compensation of employees and the remuneration of directors for the years ended December 31, 2025 and 2024, which have been approved by the Bank's board of directors on March 11, 2026 and March 6, 2025, respectively, were as follows:

	<u>For the Year Ended December 31</u>	
	2025	2024
Compensation of employees	<u>\$ 25,940</u>	<u>\$ 22,939</u>
Remuneration of directors	<u>\$ 5,400</u>	<u>\$ 4,500</u>

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2024 and 2023, respectively.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2025 and 2024 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION EXPENSE

	<u>For the Year Ended December 31</u>	
	2025	2024
Depreciation expense		
Property and equipment	\$ 1,571,390	\$ 1,428,285
Right-of-use assets	2,084,297	1,815,637
Amortization expense		
Intangible assets	<u>719,216</u>	<u>699,876</u>
	<u>\$ 4,374,903</u>	<u>\$ 3,943,798</u>

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	<u>For the Year Ended December 31</u>	
	2025	2024
Product promotion expenses	\$ 9,650,478	\$ 8,514,088
Tax expenses	5,038,231	4,529,899
Insurance expenses	1,134,305	1,072,393
Rental expenses	660,411	739,223
Others	<u>8,099,848</u>	<u>7,364,151</u>
	<u>\$ 24,583,273</u>	<u>\$ 22,219,754</u>

42. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2025	2024
Current tax		
In respect of the current year	\$ 9,332,881	\$ 7,989,973
Adjustments for prior year	(22,955)	(18,934)
Deferred tax		
In respect of the current year	(468,926)	98,961
Income tax of overseas subsidiaries	<u>333,467</u>	<u>359,626</u>
Income tax recognized in profit or loss	<u>\$ 9,174,467</u>	<u>\$ 8,429,626</u>

Reconciliations of accounting profit and income tax expense were as follows:

	For the Year Ended December 31	
	2025	2024
Profit before tax from continuing operations	<u>\$ 52,684,253</u>	<u>\$ 46,770,404</u>
Income tax expense calculated at the statutory rate	\$ 10,536,851	\$ 9,354,080
Nondeductible expenses in determining taxable income/ tax-exempt income	(1,680,983)	(1,239,609)
Unrecognized deductible temporary differences	(77,945)	(39,151)
Income tax of overseas branches	86,032	13,614
Adjustments for prior years' tax	(22,955)	(18,934)
Income tax of overseas subsidiaries	<u>333,467</u>	<u>359,626</u>
Income tax recognized in profit or loss	<u>\$ 9,174,467</u>	<u>\$ 8,429,626</u>

According to the Ministry of Finance's Taiwan Finance Tax No. 910458039, "The joint declaration of business income tax by profit-seeking enterprises in accordance with Article 49 of the Financial Holding Company Act and Article 40 of the Business Mergers and Acquisitions Act" released on February 12, 2003, where a Financial Holding Company holds more than or equal to 90% of the outstanding issued shares of a domestic subsidiary, and the period of shareholdings in the subsidiary has reached 12 months of the tax year, the Financial Holding Company may elect to be the taxpayer and jointly declare profit-seeking enterprise tax. The Bank elected to jointly declare the profit-seeking enterprise income tax since 2003 and the undistributed retained earnings since 2002 with its parent company Cathay Financial Holding Co., Ltd. and its subsidiaries. Additional tax payable or receivable due to the joint declaration of income tax is recognized under the receivables (payables) for allocation of integrated income tax systems account.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2025	2024
Current tax		
Derecognition of equity instruments at FVTOCI	\$ 6,571	\$ 6,529
Deferred tax		
Derecognition of equity instruments at FVTOCI	<u>(6,571)</u>	<u>(6,529)</u>
Total income tax recognized directly in equity	<u>\$ -</u>	<u>\$ -</u>

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2025	2024
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Remeasurement of defined benefit plans	\$ (55,717)	\$ (44,832)
Changes in the fair value of financial liabilities attributable to changes in the credit risk	59,283	103,422
Exchange differences on translating the financial statements of foreign operations	(170,219)	470,013
Unrealized valuation gains on financial assets at fair value through other comprehensive income	<u>16,453</u>	<u>282,622</u>
Total income tax (benefit) expense recognized in other comprehensive income	<u>\$ (150,200)</u>	<u>\$ 811,225</u>

d. Deferred tax assets and liabilities

For the year ended December 31, 2025

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Ending Balance
Temporary differences					
Allowance for doubtful account	\$ 3,114,397	\$ 140,791	\$ -	\$ -	\$ 3,255,188
Financial assets at FVTPL	(163,767)	402,969	(59,283)	-	179,919
Investment property	(103,971)	(918)	-	-	(104,889)
Equity instruments at FVTOCI	(856,491)	-	141,785	6,571	(708,135)
Debt instruments at FVTOCI	181,784	-	(158,238)	-	23,546
Significant component of property and equipment	123,420	(4,227)	-	-	119,193
Investments measured by equity method	(802,736)	42,214	-	-	(760,522)
Fair value adjustments arising from business combinations	(994,292)	(6,673)	-	-	(1,000,965)
Reserve for land value increment tax	(288,605)	17,177	-	-	(271,428)
Defined benefit plans	340,506	(21,551)	13,851	-	332,806
Retired employees' preferential interest rate deposits	233,250	(29,200)	41,866	-	245,916
Income tax resulting from translating the financial statements of foreign operations	(89,897)	-	170,219	-	80,322
Deferred income of customer loyalty programs	262,213	(88,052)	-	-	174,161
Other	<u>59,504</u>	<u>16,396</u>	<u>-</u>	<u>-</u>	<u>75,900</u>
Deferred tax (expense)/income		<u>\$ 468,926</u>	<u>\$ 150,200</u>	<u>\$ 6,571</u>	

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Ending Balance
Net deferred tax assets/(liabilities)	<u>\$ 1,015,315</u>				<u>\$ 1,641,012</u>
Net deferred tax assets/(liabilities) of overseas branches	<u>\$ 149,982</u>				<u>\$ 288,269</u>
Net deferred tax assets/(liabilities) of overseas subsidiaries	<u>\$ 21,297</u>				<u>\$ 146,083</u>
Reflected in balance sheets as follows:					
Deferred tax assets	<u>\$ 3,880,532</u>				<u>\$ 4,195,171</u>
Deferred tax liabilities	<u>\$ (2,693,938)</u>				<u>\$ (2,119,807)</u>

(Concluded)

For the year ended December 31, 2024

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Ending Balance
Temporary differences					
Allowance for doubtful account	\$ 2,697,931	\$ 416,466	\$ -	\$ -	\$ 3,114,397
Financial assets at FVTPL	92,601	(152,946)	(103,422)	-	(163,767)
Investment property	(106,212)	2,241	-	-	(103,971)
Equity instruments at FVTOCI	(559,707)	-	(303,313)	6,529	(856,491)
Debt instruments at FVTOCI	161,093	-	20,691	-	181,784
Significant component of property and equipment	127,645	(4,225)	-	-	123,420
Investments measured by equity method	(640,660)	(162,076)	-	-	(802,736)
Fair value adjustments arising from business combinations	(947,580)	(46,712)	-	-	(994,292)
Reserve for land value increment tax	(279,089)	(9,516)	-	-	(288,605)
Defined benefit plans	368,723	(23,171)	(5,046)	-	340,506
Retired employees' preferential interest rate deposits	209,141	(25,769)	49,878	-	233,250
Income tax resulting from translating the financial statements of foreign operations	380,116	-	(470,013)	-	(89,897)
Deferred income of customer loyalty programs	324,366	(62,153)	-	-	262,213
Other	<u>90,604</u>	<u>(31,100)</u>	<u>-</u>	<u>-</u>	<u>59,504</u>
Deferred tax (expense)/income		<u>\$ (98,961)</u>	<u>\$ (811,225)</u>	<u>\$ 6,529</u>	
Net deferred tax assets/(liabilities)	<u>\$ 1,918,972</u>				<u>\$ 1,015,315</u>
Net deferred tax assets/(liabilities) of overseas branches	<u>\$ 31,948</u>				<u>\$ 149,982</u>
Net deferred tax assets/(liabilities) of overseas subsidiaries	<u>\$ 34,044</u>				<u>\$ 21,297</u>
Reflected in balance sheets as follows:					
Deferred tax assets	<u>\$ 4,195,335</u>				<u>\$ 3,880,532</u>
Deferred tax liabilities	<u>\$ (2,210,371)</u>				<u>\$ (2,693,938)</u>

e. As of December 31, 2025 and 2024, the deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets were \$2,170,815 thousand and \$1,921,345 thousand, respectively.

f. Income tax assessments

The Bank's income tax returns through 2019 have been assessed by the tax authority; however, the Bank was dissatisfied and invoked the administrative remedy for fiscal years 2016, 2018 and 2019. The Bank assessed relevant income tax based on the prudence principle.

g. Pillar Two income tax legislation

In November 2023, the government of Vietnam, where the Ho Chi Minh City branch of the Bank and Indovina Bank are incorporated, enacted the Pillar Two income tax legislation effective from January 1, 2024. In addition, the countries where the Singapore branch, Labuan branch and Hong Kong branch of the Bank are incorporated, Singapore, Malaysia and Hong Kong have already enacted substantive legislation that came into effect on January 1, 2025. According to the legislation, the Bank is required to pay a top-up tax on the profits of its branches that are taxed at an effective tax rate below 15%. The primary jurisdiction affected by the Pillar Two income tax is Malaysia. For the year ended December 31, 2025, the current income tax expense related to the Pillar Two income tax amounted to \$15,686 thousand. The other effective Pillar Two income tax legislation did not have a material impact on current tax expenses.

43. EARNINGS PER SHARE

The numerator and denominator used in calculating earnings per share were adjusted retroactively as follows:

	Unit: Dollar Per Share	
	<u>For the Year Ended December 31</u>	
	2025	2024
Basic earnings per share	<u>\$ 3.35</u>	<u>\$ 2.95</u>

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were retrospectively adjusted as follows:

Net income

	Unit: In Thousands	
	<u>For the Year Ended December 31</u>	
	2025	2024
Net income for calculating basic earnings per share	<u>\$ 43,008,233</u>	<u>\$ 37,780,421</u>

Number of shares

	Unit: In Thousands	
	<u>For the Year Ended December 31</u>	
	2025	2024
Weighted average number of ordinary shares used for calculating basic earnings per share	<u>12,822,097</u>	<u>12,822,097</u>

44. RELATED-PARTY TRANSACTIONS

Transactions between the Company and its related parties are summarized as follows:

a. Related parties and relationships

<u>Related Parties</u>	<u>Relationship with the Company</u>
Cathay Financial Holding Co., Ltd.	Parent company
Taiwan Real-estate Management Corp.	Associate
Taiwan Finance Corp.	Associate
Cathay Life Insurance Co., Ltd.	Other related party
Cathay Century Insurance Co., Ltd.	Other related party
Cathay Securities Corporation	Other related party
Cathay Securities Investment Trust Co., Ltd.	Other related party
Cathay Securities Investment Consulting Co., Ltd.	Other related party
Cathay Futures Co., Ltd.	Other related party
Cathay Life Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Insurance (Vietnam) Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Cathay Charity Foundation	Other related party
Cathay United Bank Foundation	Other related party
Cathay Cultural Foundation	Other related party
Cathay United Bank Employees' Welfare Committee	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Vietinbank	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Lin Yuan Property Management Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Sino Greenergy Group	Other related party (Note 2)
TaiYang Solar Power Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Bannan Realty Co., Ltd.	Other related party
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Other related party
Cathay Industrial Research and Design Center Co., Ltd.	Other related party
Sanchong Realty Co., Ltd.	Other related party
Cathay Real Estate Management Co., Ltd.	Other related party
Zhulun Realty Co., Ltd.	Other related party
EASYCARD Corporation	Other related party
TPIsoftware Corporation	Other related party
Ann Fong Co., Ltd.	Other related party (Note 1)
PSS Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Ally Logistic Property Co., Ltd.	Other related party
Hong-Sui Co., Ltd.	Other related party
Srisawad Corporation Public Company Limited	Other related party
Quantifeed Holdings Limited	Other related party
Taiwan Asset Management Corporation	Other related party
HanTech Venture Capital Corporation	Other related party

(Continued)

Related Parties

Relationship with the Company

Taipei Forex Inc.	Other related party
Financial Information Service Co., Ltd.	Other related party
CDIB & PARTNERS Investment Holding Corporation	Other related party
Hongtaiyi Energy Co., Ltd.	Other related party (Note 2)
Witraise Industrial Technologies, Inc.	Other related party (Note 2)
Private Equity Funds managed by Cathay Private Equity	Other related party
Jinhua Realty Co., Ltd.	Other related party
Directors, supervisors, managers, and their relatives and affiliates	Other related party

(Concluded)

Note 1: According to the “Guidelines for Related Party Transactions”, starting from the fourth quarter of the year 2024, it has not been a related party.

Note 2: According to the “Guidelines for Related Party Transactions”, starting from the third quarter of the year 2025, it has not been a related party.

b. Significant transactions between the Company and related parties

1) Loans and deposits

Loans and interest revenue

December 31, 2025

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction with Those for Unrelated Parties	Bad Debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	40	\$ 41,347	\$ 27,119	V	\$ -	Real estate	None	\$ (205)	\$ 585
Self-used housing mortgage loans	82	874,701	830,155	V	-	Real estate	None	1,114	12,174
Others	241	3,456,126	3,074,618	V	-	Real estate, stocks and securities	None	2,138	34,581
Others	Taiwan Real-estate Management Corp.	27,000	25,000	V	-	Real estate	None	(30)	375
Others	Sino Greenery Group	52,826	Note 2	V	-	None	None	(37)	Note 2
Others	Tai Yang Solar Power Co., Ltd.	43,988	38,654	V	-	Property	None	(53)	387
Others	Cathay Real Estate Development Co., Ltd.	4,450,000	2,000,000	V	-	Real estate	None	15,000	20,000
Others	Hongtaiyi Energy Co., Ltd.	74,057	Note 2	V	-	None	None	(53)	Note 2
Others	Witraise Industrial Technologies, Inc.	53,337	Note 2	V	-	None	None	(38)	Note 2

December 31, 2024

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction with Those for Unrelated Parties	Bad Debt Expense 01.01-12.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	45	\$ 266,797	\$ 36,613	V	\$ -	Real estate	None	\$ (326)	\$ 784
Self-used housing mortgage loans	76	1,123,324	738,422	V	-	Real estate	None	2,590	11,085
Others	234	3,394,725	2,727,363	V	-	Real estate, stocks and securities	None	5,127	31,040
Others	Taiwan Real-estate Management Corp.	31,000	27,000	V	-	Real estate	None	95	405
Others	Sino Greenery Group	60,372	52,826	V	-	Property	None	(76)	528
Others	Tai Yang Solar Power Co., Ltd.	49,320	43,988	V	-	Property	None	(53)	440
Others	Cathay Real Estate Development Co., Ltd.	2,300,000	500,000	V	-	Real estate	None	(19,200)	5,000
Others	Hongtaiyi Energy Co., Ltd.	84,637	74,057	V	-	Property	None	(105)	741
Others	Witraise Industrial Technologies, Inc.	60,956	53,337	V	-	Property	None	(77)	533

Related Parties	Interest Revenue	
	For the Year Ended December 31	
	2025	2024
Associate		
Taiwan Real-estate Management Corp.	\$ 680	\$ 778
Other related parties		
Cathay Real Estate Development Co., Ltd.	36,020	33,463
Sino Greenery Group	777	1,688
TaiYang Solar Power Co., Ltd.	1,199	1,342
Hongtaiyi Energy Co., Ltd.	1,089	2,367
Witraise Industrial Technologies, Inc.	784	1,705
Others	84,187	70,662
	<u>124,056</u>	<u>111,227</u>
	<u>\$ 124,736</u>	<u>\$ 112,005</u>

Deposits and interest expense

Related Parties	For the Year Ended December 31			
	2025		2024	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Parent company				
Cathay Financial Holding Co., Ltd.	\$ 18,298	\$ 14,772	\$ 30,169	\$ 3,870
Associate				
Other	21,006	95	14,735	87
Other related parties				
Cathay Life Insurance Co., Ltd.	75,510,969	499,167	48,807,383	470,450
Cathay Century Insurance Co., Ltd.	3,253,760	14,835	2,292,676	18,197
Cathay Securities Corporation	6,081,311	50,097	5,987,087	46,887
Jinhua Realty Co., Ltd.	752,317	1,466	99,092	523
Cathay Futures Co., Ltd.	7,230,651	63,151	1,212,690	8,839
Cathay Real Estate Management Co., Ltd.	124,874	1,792	120,687	1,703
Cathay Securities Investment Trust Co., Ltd.	295,208	1,087	252,497	1,099
Cathay Securities Investment Consulting Co., Ltd.	599,083	4,113	640,340	5,866
Cathay Real Estate Development Co., Ltd.	1,355,755	3,131	865,388	3,616
Cathay Medical Care Corp.	440,577	4,144	419,483	3,893
Cathay Hospitality Management Co., Ltd.	140,411	857	152,863	780
Cathay Life Insurance (Vietnam) Co., Ltd.	3,571,778	280,205	3,647,189	207,467
Cathay Insurance (Vietnam) Co., Ltd.	246,257	12,349	287,642	15,902
Cathay United Bank Foundation	603,732	9,364	575,532	8,820
Cathay Charity Foundation	328,620	5,121	323,999	4,944
Cathay Cultural Foundation	229,587	3,926	231,098	3,742
Cathay United Bank Employees' Welfare Committee	893,078	40,650	882,406	38,838
Cathay Life Insurance Employees' Welfare Committee	2,363,203	39,297	2,304,165	37,818
Cathay Real Estate Development Employees' Welfare Committee	515,413	8,457	484,869	8,065
Lin Yuan Property Management Co., Ltd.	410,457	3,432	335,734	2,944
Bannan Realty Co., Ltd.	58,977	717	187,599	3,762
Yua-Yung Marketing (Taiwan) Co., Ltd.	125,937	985	180,630	1,025
Cathay Industrial Research and Design Center Co., Ltd.	484,213	8,470	254,712	7,269
Sanchong Realty Co., Ltd.	124,153	343	122,635	2,075
Ally Logistic Property Co., Ltd.	201,442	1,227	151,722	1,149
Hong-Sui Co., Ltd.	\$ 112,766	\$ 484	\$ 113,978	\$ 317
Cathay Hospitality Consulting Co., Ltd.	190,016	1,149	219,533	1,170
Zhulun Realty Co., Ltd.	132,902	1,509	292,581	1,439
EASYCARD Corporation	94,762	1,791	304,939	2,933

(Continued)

Related Parties	For the Year Ended December 31			
	2025		2024	
	Ending Balance	Interest Expense	Ending Balance	Interest Expense
Private Equity Funds managed by Cathay Private Equity	\$ 564,305	\$ 3,469	\$ 475,691	\$ 3,886
Cathay Healthcare Management Co., Ltd.	148,958	696	157,359	804
PSS Co., Ltd.	94,363	768	127,182	729
Lin Yuan (Shanghai) Real Estate Co., Ltd.	2,264,554	44,284	2,126,727	49,366
Others	<u>10,537,508</u>	<u>139,581</u>	<u>9,492,440</u>	<u>132,323</u>
	<u>120,081,897</u>	<u>1,252,114</u>	<u>84,130,548</u>	<u>1,098,640</u>
	<u>\$ 120,121,201</u>	<u>\$ 1,266,981</u>	<u>\$ 84,175,452</u>	<u>\$ 1,102,597</u>

(Concluded)

Ending balance of due from/to commercial banks and interest income (expense)

Accounts/Related Parties	For the Year Ended December 31			
	2025		2024	
	Ending Balance	Interest Income (Expense)	Ending Balance	Interest Income (Expense)
<u>Due from commercial banks</u>				
Other related party				
Vietinbank	\$ 9,018,486	\$ 138,824	\$ 12,938,847	\$ 39,166
<u>Due to commercial banks</u>				
Other related party				
Vietinbank	14,404,681	(185,088)	16,964,269	(48,818)

Transaction terms with related parties are similar to those with third parties, except for the preferential interest rates set by the employees' interest rates on deposits and loans within prescribed limits.

2) Investments in marketable securities (recorded as financial assets at FVTOCI)

Accounts/Related Parties	December 31	
	2025	2024
<u>Stock investment</u>		
Other related parties		
Srisawad Corporation Public Company Limited	\$ 1,922,580	\$ 2,759,368
Quantifeed Holdings Limited	56,594	73,899
Taiwan Asset Management Corporation	812,577	774,287
HanTech Venture Capital Corporation	81,069	80,734
Taipei Forex Inc.	108,639	83,696
Financial Information Service Co., Ltd.	717,960	703,179
CDIB & PARTNERS Investment Holding Corporation	1,189,235	1,088,563
EASYCARD Corporation	78,479	95,934

3) Guarantees

December 31, 2025

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collateral
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	\$ 10,340	\$ 8,840	\$ 1	0.8%	Demand deposits

December 31, 2024

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collateral
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	\$ 38,892	\$ 10,340	\$ 1	0.65%-0.8%	Demand deposits

4) Derivatives

December 31, 2025

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	Currency swap contracts (USD)	2025.08.14-2027.09.23	\$ 68,031,832	\$ (1,352,741)	Valuation adjustment for FVTPL financial assets	\$ 1,565,274
					Valuation adjustment for FVTPL financial liabilities	(16,497)
	Currency swap contracts (TWD)	2025.12.17-2026.04.01	3,151,800	180	Valuation adjustment for FVTPL financial assets	180
					Valuation adjustment for FVTPL financial liabilities	-
Cathay Century Insurance Co., Ltd.	Currency swap contracts (USD)	2025.01.09-2026.12.18	2,232,098	5,679	Valuation adjustment for FVTPL financial assets	76,152
					Valuation adjustment for FVTPL financial liabilities	(3,761)

December 31, 2024

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	Currency swap contracts (USD)	2024.06.26-2025.11.10	\$ 160,626,900	\$ 3,343,764	Valuation adjustment for FVTPL financial assets	\$ 2,901,518
					Valuation adjustment for FVTPL financial liabilities	-
Cathay Century Insurance Co., Ltd.	Currency swap contracts (USD)	2024.01.12-2025.12.18	2,488,078	79,095	Valuation adjustment for FVTPL financial assets	66,712
					Valuation adjustment for FVTPL financial liabilities	-

The realized gains (losses) that resulted from the derivative financial instruments transactions with related parties were as follows:

Items/Related Parties	For the Year Ended December 31	
	2025	2024
Gain (loss) on financial assets or liabilities at fair value through profit or loss		
Associate		
Taiwan Finance Corp.	\$ -	\$ 533
Other related parties		
Cathay Life Insurance Co., Ltd.	(2,821,185)	4,070,240
Cathay Century Insurance Co., Ltd.	78,467	116,236
	<u>(2,742,718)</u>	<u>4,186,476</u>
	\$ <u>(2,742,718)</u>	\$ <u>4,187,009</u>

5) Lease agreement - the Company as lessee

Related Parties	Acquisition of Right-of-use Assets For the Year Ended December 31	
	2025	2024
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 673,001	\$ 2,968,580
Cathay Real Estate Development Co., Ltd.	29,486	-

The lease period and the method of rent payment are in accordance with the contract provisions, the general lease terms are two to five years and the payments are mainly made on a monthly basis.

Related Parties	Lease Liabilities December 31	
	2025	2024
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 2,429,823	\$ 2,577,639
Cathay Real Estate Development Co., Ltd.	22,442	4,095

Related Parties	Interest Expense For the Year Ended December 31	
	2025	2024
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 23,108	\$ 15,281
Cathay Real Estate Development Co., Ltd.	166	31

Related Parties	Rental Expense For the Year Ended December 31		
	2025	2024	Payment Term
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 1,606	\$ 6,368	Monthly
Cathay Real Estate Development Co., Ltd.	-	3,829	Monthly

	Refundable Deposits	
	December 31	
	2025	2024
Related Parties		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 221,036	\$ 212,565
Cathay Real Estate Development Co., Ltd.	3,174	2,324
6) Lease agreement - the Company as lessor		

	Rental Income		
	For the Year Ended December 31		
	2025	2024	Receive Term
Related Parties			
Other related parties			
Cathay Life Insurance Co., Ltd.	\$ 30,799	\$ 30,400	Monthly
Cathay Century Insurance Co., Ltd.	7,953	8,344	Monthly
Cathay Securities Corporation	4,122	7,560	Monthly

	Guarantee Deposits Received	
	December 31	
	2025	2024
Related Parties		
Other related party		
Cathay Life Insurance Co., Ltd.	\$ 7,789	\$ 7,555

The lease period and the method of rent collection are in accordance with the contract provisions, the general lease terms are one to three years and the payments are mainly made on a monthly basis.

	For the Year Ended December 31	
	2025	2024
	Items/Related Parties	
<u>Service fee income</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$ 12,184,277	\$ 8,939,200
Cathay Century Insurance Co., Ltd.	293,322	281,128
Cathay Securities Corporation	242,090	225,688
Cathay Securities Investment Trust Co., Ltd.	126,210	133,494
Cathay Securities Investment Consulting Co., Ltd.	39,418	43,994
Cathay Real Estate Development Co., Ltd.	5,687	6,275
<u>Securities underwriting income</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	16,300	2,500
Other related party		
Cathay Life Insurance Co., Ltd.	-	13,677
7) Others		

Items/Related Parties	For the Year Ended December 31	
	2025	2024
<u>Interest income from refundable deposit</u>		
Other related party		
Cathay Futures Co., Ltd.	\$ 3,759	\$ 5,634
<u>Miscellaneous income</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	20,999	10,460
Other related parties		
Cathay Life Insurance Co., Ltd.	76,526	23,038
Cathay Century Insurance Co., Ltd.	11,346	8,337
<u>Service fee expenses</u>		
Other related parties		
Cathay Securities Corporation	2,061	3,276
Cathay Futures Co., Ltd.	2,683	4,139
<u>Other operating expenses</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	15,971	9,761
Other related parties		
Cathay Life Insurance Co., Ltd.	237,249	236,561
Cathay Securities Investment Trust Co., Ltd.	7,200	7,200
Symphox Information Co., Ltd.	1,043,846	968,652
Lin Yuan Property Management Co., Ltd.	136,664	136,361
Cathay Healthcare Management Co., Ltd.	15,785	10,613
Cathay Real Estate Development Co., Ltd.	5,239	5,042
Seaward Card Co., Ltd.	356,220	307,164
Ann Fong Co., Ltd.	-	80,262
TPIsoftware Corporation	38,982	73,529
EASYCARD Corporation	5,360	5,808
<u>Insurance expenses paid</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	185,341	177,347
Cathay Century Insurance Co., Ltd.	215,357	198,251

Item/Related Parties	December 31	
	2025	2024
<u>Receivables</u>		
Other related party		
Cathay Securities Investment Trust Co., Ltd.	\$ 8,836	\$ 7,130
<u>Receivables for commission of collecting insurances</u>		
Other related party		
Cathay Life Insurance Co., Ltd.	511,228	397,102
<u>Refundable deposit</u>		
Other related party		
Cathay Futures Co., Ltd.	773,791	1,018,754
<u>Accrued expenses</u>		
Other related party		
Seaward Card Co., Ltd.	28,726	44,272
<u>Accounts payable</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	5,400	4,500
Other related parties		
Cathay Century Insurance Co., Ltd.	49,253	60,406
Symphox Information Co., Ltd.	19,426	10,402
<u>Payables for allocation of integrated income tax systems account</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	6,911,417	5,742,748

The Bank paid construction planning and design maintenance service fees to Lin Yuan Property Management Co., Ltd. in the amount of \$27,429 thousand and \$25,247 thousand and recorded as property and equipment during the years ended December 31, 2025 and 2024, respectively.

The Bank purchased bonus points from Symphox Information Co., Ltd. The bonus points can be earned by the Bank's customers and exchanged for merchandise. As of December 31, 2025 and 2024, the unconverted bonus points amounted to \$71,220 thousand and \$54,636 thousand, respectively.

The terms of the foregoing transactions with related parties are similar to those with third parties.

Combined disclosures have been made for transactions with related parties that are under a certain percentage of the total amount of all transactions with related parties and non-related parties.

c. Compensation of key management personnel

Compensation of directors, supervisors and other key management personnel for the years ended December 31, 2025 and 2024 was as follows:

	For the Year Ended December 31	
	2025	2024
Short-term employment benefits	\$ 686,095	\$ 605,993
Post-employment benefits	8,401	7,866
Other long-term employment benefits	<u>174</u>	<u>65</u>
	<u>\$ 694,670</u>	<u>\$ 613,924</u>

The key management personnel of the Company include the chairman, vice chairman, directors, supervisors, president and vice president.

45. PLEDGED ASSETS

The Company's assets had been used as collaterals to apply for a judiciary provisional attachment, an intra-day overdraft, covering its call loans from the Central Bank undertaking bills finance and insurance agent business, and provisions of compensation for trust business as follows:

	December 31	
	2025	2024
Investments in debt instruments at amortised cost	\$ 58,120,133	\$ 42,447,727

46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

The Bank

a. Entrusted items and guarantees:

	December 31	
	2025	2024
Trust and security held for safekeeping	\$ 1,422,685,858	\$ 1,363,109,836
Collection and payment on behalf of customers	29,675,149	31,143,121
Book-entry for government bonds and depository for short-term marketable securities under management	369,539,423	443,095,410
Entrusted financial management business	40,208,935	32,819,775
Guarantees on commercial paper, duties and contracts	20,246,251	18,955,636
Unused commercial letters of credit	6,495,809	6,860,741
Irrevocable loan commitments	192,525,022	180,621,816
Unused credit card commitments	738,966,067	723,168,332
Underwritten securities	950,000	4,770,000
Revolving insurance and underwriting on commercial paper commitments	6,000,000	15,900,000

b. The Bank’s significant concluded lawsuits due to normal business relationships are as follows:

Lee & Li, Attorneys-at-Law (hereinafter referred to as “Lee & Li”) alleged that the embezzlement case of Wei-Chieh Liu (a former employee of Lee & Li), which occurred in October 2003 was caused by the negligence of the Bank in its operation, and the plaintiffs claimed damages from the Bank in the amount of \$991,002 thousand. The case entered into litigation proceedings in July 2007, and the Bank won favorable decisions in both the first and second instances. Although the Supreme Court reversed the original second-instance judgments, the Bank won a favorable decision in the second instance on August 25, 2021. The verdict was in favor of the Bank, and Lee & Li subsequently appealed, which was rejected by the Supreme Court on December 14, 2023. The Bank was confirmed to have won all the cases. Lee & Li filed for a retrial and quasi-retrial in January 2024 and requested the Bank for compensation of \$1,510 thousand and \$900,000 thousand, respectively. The retrial was rejected on July 12, 2024 by the High Court. Subsequently, Lee & Li filed an appeal; the retrial was rejected on December 11, 2024 and the quasi-retrial was rejected on September 4, 2024 by the Supreme Court, confirming the Bank’s complete victory in the case. Both the Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of the Bank.

Indovina Bank

Entrusted items and guarantees:

	December 31	
	2025	2024
Financial guarantee contracts	\$ 1,580,507	\$ 1,520,347
Unused commercial letters of credit	1,487,796	1,288,626

CUBC Bank

Entrusted items and guarantees:

	December 31	
	2025	2024
Financial guarantee contracts	\$ 19,931	\$ 14,751
Unused credit card commitments	298,219	329,477
Irrevocable loan commitments	240,245	254,769

CUBCN Bank

Entrusted items and guarantees:

	December 31	
	2025	2024
Financial guarantee contracts	\$ 241,165	\$ 220,701
Unused commercial letters of credit	716,071	231,377

47. ASSETS AND LIABILITIES MANAGED UNDER THE BANK’S TRUST IN ACCORDANCE WITH THE TRUST ENTERPRISE ACT

- a. In accordance with Article 17 of “Enforcement Rules of the Trust Enterprise Act”, the balance sheets and income statements based on trust and details of trust properties and equipment were as follows:

Balance Sheets of Trust Accounts

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Trust assets</u>		
Bank deposits	\$ 28,951,781	\$ 29,130,561
Bonds	154,145,748	150,095,842
Stocks	98,421,672	88,625,902
Mutual funds	464,637,823	397,011,979
Insurances	2,474,588	2,507,798
Receivables	11,019	9,174
Real estate		
Land	75,851,774	71,687,658
Buildings, net	62,173	45,942
Construction in progress	6,301,520	5,757,558
Custody securities	217,822,866	172,866,220
Other assets	<u>934,804</u>	<u>940,407</u>
Total trust assets	<u>\$ 1,049,615,768</u>	<u>\$ 918,679,041</u>
<u>Trust liabilities</u>		
Payables	\$ 896	\$ 863
Tax payable	49	81
Custody securities payable	217,822,867	172,866,220
Other liabilities	1,082	1,032
Trust capital	823,785,553	745,214,706
Provisions and accumulated losses		
Net income	15,494,905	2,138,832
Accumulated losses	<u>(7,489,584)</u>	<u>(1,542,693)</u>
Total trust liabilities	<u>\$ 1,049,615,768</u>	<u>\$ 918,679,041</u>

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2025	2024
Trust revenue		
Interest income	\$ 284,074	\$ 250,409
Rent revenue	7,142	8,164
Cash dividends income	7,616,183	1,805,136
Realized capital gain - bonds	38	-
Realized capital gain - stocks	17,824	91,942
Realized capital gain - mutual funds	78,480	14,552
Unrealized capital gain - stocks	7,585,712	82,771
Unrealized capital gain - mutual funds	3,716	2,492
Others	11	9
	15,593,180	2,255,475
Trust expense		
Management fee	25,469	25,059
Supervisor fee	1,571	1,981
Taxes	6,629	7,248
Service fee	2,382	4,313
Realized capital loss - bonds	2,001	1,582
Realized capital loss - stocks	-	1,191
Realized capital loss - mutual funds	2,755	41,156
Unrealized capital loss - stocks	41,118	15,156
Unrealized capital loss - mutual funds	1,548	1,479
Others	14,802	17,478
	98,275	116,643
Income equalization		
Net income before tax	15,494,905	2,138,832
Income tax expense	-	-
Net income	\$ 15,494,905	\$ 2,138,832

Note: The above trust income statements were the profit and loss of the entrusted assets of the trust department in the Bank. The above trust income statements were not included in the Bank's income statements.

Trust Property and Equipment Accounts

	December 31	
Investment Portfolio	2025	2024
Bank deposits	\$ 28,951,781	\$ 29,130,561
Bonds	154,145,748	150,095,842
Stocks	98,421,672	88,625,902
Mutual funds	464,637,823	397,011,979
Insurances	2,474,588	2,507,798
Receivables	11,019	9,174
Real estate		
Land	75,851,774	71,687,658
Buildings, net	62,173	45,942
Construction in progress	6,301,520	5,757,558
Custody securities	217,822,866	172,866,220
Other assets	934,804	940,407
	\$ 1,049,615,768	\$ 918,679,041

- b. The Bank conducts trust business by Trust Enterprise Act Article 3. The related trust business information as of December 31, 2025 and 2024 were as follows:

Trust Business

Item	December 31	
	2025	2024
Special trust of money that invest in foreign securities	\$ 489,556,944	\$ 429,786,653
Special trust of money that invest in domestic securities	127,030,950	115,340,645
Trust of money - custody securities	217,822,866	172,866,220
Trust of real estate	84,115,495	79,273,600
Trust of real estate price	14,700,149	14,742,050
Trust of insurance claims	149,766	152,345
Personal and corporate trust	60,359,886	52,573,665
Trust of business employee's savings	3,483,256	2,993,707
Trust of securities	52,396,456	50,950,156
	\$ 1,049,615,768	\$ 918,679,041

48. IMPLEMENTATION OF CROSS-SELLING MARKETING STRATEGIES BETWEEN THE BANK, CATHAY FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

The Bank has entered into cross-selling marketing contracts with Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd. and Cathay Securities Co., Ltd. The contracts cover joint use of operation sites and facilities as well as cross-selling marketing personnel.

The Bank has entered into cooperation contracts with Cathay Financial Holding Co., Ltd., Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd. and Cathay Securities Co., Ltd. for the joint use of information equipment and the development, operation, maintenance and management of information systems.

The related expenses are allocated to each subsidiary directly by the business nature or to the cooperating companies by other reasonable methods.

49. FINANCIAL INSTRUMENTS

- a. Information on fair value hierarchy

Fair value is the price that a market participant can receive from selling an asset or pay for settling a liability in an orderly transaction on a measurement date.

Financial instruments are accounted for at fair value, which in many cases, is referred to the transaction price. On subsequent measurement, except for some financial instruments that are measured at amortised cost, they are measured at fair value. The best evidence of fair value is the open quotation in an active market. If there is no active market for the financial instruments, the Bank uses an evaluation model or refers to Bloomberg, Reuters or counterparty quotes to measure the fair value of financial instruments.

b. The definitions of each level of the fair value hierarchy are shown below:

1) Level 1

Level 1 financial instruments are traded in an active market in which there are quoted prices for identical assets and liabilities. An active market has the following characteristics:

- a) All financial instruments in the market are homogeneous.
- b) There are willing buyers and sellers in the market all the time.
- c) The public can access the price information easily.

The products in this level, such as listed stock and fund beneficiary certificates, usually have high liquidity or are traded in the exchanges.

2) Level 2

The financial instruments in this level have fair values that can be inferred either directly or indirectly through observable inputs other than quoted prices in an active market. The observable inputs are as follows:

- a) Quoted prices of similar financial instruments in an active market. This means the fair value can be derived from the current trading prices of similar financial instruments, and whether they are similar financial instruments should be judged on the characteristics and trading rules. The fair price valuation in this circumstance may be adjusted due to time differences, trading rule differences, transaction prices involving related parties, and the correlation of price between the financial instruments itself and similar financial instruments;
- b) Quoted prices for identical or similar financial instruments in inactive markets;
- c) For the marking-to-model method, the inputs to the model should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be obtained from the market and can reflect the expectation of market participants;
- d) Inputs that are derived from observable market data through correlation or other means.

The fair values of products categorized in this level are usually calculated using a valuation model generally accepted by the market; such products are forward contracts, cross-currency swap contracts, simple interest bearing bonds, asset swaps and commercial papers.

3) Level 3

The fair values of the financial instruments in this level are typically based on management assumptions or expectations other than the direct market data. For example, historical volatility used in valuing options is an unobservable input because it cannot represent the entire market participants' expectation on future volatility.

The products in this level are part of emerging stocks, unlisted shares, complex derivative financial instruments or products with prices that are provided by brokers, such as complex foreign exchange options.

c. Measured at fair value on a recurring basis

- 1) The fair value hierarchies of the Company's financial instruments, which are measured at fair value on a recurring basis, were as follows:

Items	December 31, 2025			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	\$ 1,410,418	\$ 1,379,466	\$ -	\$ 30,952
Bonds	102,652,244	29,539,320	73,112,924	-
Others	209,582,790	66,202	209,516,588	-
Financial assets at fair value through other comprehensive income				
Stocks	30,011,585	20,761,220	-	9,250,365
Bonds	344,398,259	154,494,524	189,017,399	886,336
Others	8,748,773	-	8,748,773	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	41,480,624	-	41,480,624	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	58,748,632	14,849	58,653,291	80,492
Liabilities				
Financial liabilities at fair value through profit or loss	62,755,494	6,716	62,668,286	80,492

Items	December 31, 2024			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	\$ 1,311,939	\$ 1,288,349	\$ -	\$ 23,590
Bonds	66,436,266	23,899,914	42,536,352	-
Others	108,533,551	-	108,533,551	-
Financial assets at fair value through other comprehensive income				
Stocks	31,434,336	21,354,054	-	10,080,282
Bonds	331,725,872	151,947,713	179,741,948	36,211
Others	6,014,913	-	6,014,913	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	42,151,047	-	42,151,047	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	95,752,257	31,097	95,154,281	566,879
Liabilities				
Financial liabilities at fair value through profit or loss	90,621,728	39,549	90,015,300	566,879

2) Financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants with full understanding of the sale or transfer transaction. The fair values of financial instruments at fair value through profit or loss, financial instruments at fair value through other comprehensive income and hedging derivative financial instruments with quoted prices in an active market are based on their market prices; financial instruments with no quoted prices in an active market are estimated by valuation methods.

a) Marking to market

This method should be considered first when determining fair value. The following are the principles to follow when marking to market:

- i. Ensure the consistency and integrity of market data.
- ii. Market data should be obtained from publicly available, easily accessible and independent sources.
- iii. Listed securities with tradable prices should be valued at closing prices.
- iv. Evaluation of unlisted securities that lack tradable closing prices should use quoted prices from independent brokers and comply with the rules issued by the authorities.

b) Marking to model

The use of marking to model is suggested if marking to market is infeasible. This valuation method is based upon model inputs that are used to derive the value of the trading positions. The Company uses the same estimations and assumptions as those used by market participants to determine the fair value.

The Company uses the forward rates provided by Reuters to estimate the fair values of foreign exchange forward contracts, interest rate swap contracts and cross-currency swap contracts and uses the discounted cash flow method to calculate the fair value of each contract. For foreign exchange option transactions, the Company uses the option pricing models which are generally used by other market participants (e.g., the Black-Scholes model) to calculate the fair value of the contract.

3) Fair value adjustments

Credit risk valuation adjustments

Credit risk valuation adjustments refer to the fair value of the Over The Counter (OTC) derivative financial instrument contracts, which also reflects the credit risk of both parties, and can be mainly divided into “credit value adjustments” and “debit value adjustments”:

- a) Credit value adjustments (CVA): Adjustment to a transaction in a non-concentrated trading market, that is, the adjustment of a derivative contract evaluation in the OTC transaction, which reflects the possibility that the Bank may not be able to collect the full market value or the counterparty may default on the repayment of the fair value.
- b) Debit value adjustments (DVA): Adjustment to a transaction in a non-concentrated trading market, that is, the adjustment of a derivative contract evaluation in the OTC transaction, which reflects the possibility that the Bank may not be able to pay the full market value or the Company may default on the repayment of the fair value.

Both CVA and DVA are concepts of estimated loss, calculated as the probability of default (PD) multiplied by the loss given default (LGD) and multiplied by the exposure at default (EAD).

The Bank uses the fair value of OTC derivatives to calculate the amount of exposure at default (EAD).

The Company uses 60% as the loss given default based on the recommendation of “IFRS 13 CVA and DVA Related Disclosure Guidelines” of the stock exchange. The Company may use other loss given default assumptions based on the nature of risk and available figures.

The Company incorporates the credit risk assessment adjustment into the fair value calculation of financial instruments to reflect the counterparty’s credit risk and the Company’s credit quality.

4) Transfers between Level 1 and Level 2

Except for the active market adjustments of some bond prices, there were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2025 and 2024.

5) Reconciliation of Level 3 fair value measurements

a) Reconciliation of Level 3 fair value measurements of financial assets

For the year ended December 31, 2025

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3		
Financial assets at fair value through profit or loss									
Stocks	\$ 23,590	\$ 7,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,952
Derivative financial instruments	566,879	(76,867)	-	-	-	409,520	-	-	80,492
Financial assets at fair value through other comprehensive income									
Stocks	10,080,282	-	(1,015,137)	167,814	-	-	-	17,406	9,250,365
Bonds	36,211	-	(9)	-	851,617	-	-	(1,483)	886,336

For the year ended December 31, 2024

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effects of Exchange	Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3		
Financial assets at fair value through profit or loss									
Stocks	\$ 24,894	\$ (1,304)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,590
Derivative financial instruments	4,082,455	(420,877)	-	-	-	3,094,699	-	-	566,879
Financial assets at fair value through other comprehensive income									
Stocks	8,721,953	-	932,491	307,313	-	-	-	118,525	10,080,282
Bonds	68,618	-	(4,181)	-	-	31,974	-	3,748	36,211

Total gains or losses shown in the tables above that contain unrealized gains and losses related to assets held as of December 31, 2025 and 2024 amounted to losses of \$49,387 thousand and \$70,244 thousand, respectively.

b) Reconciliation of Level 3 fair value measurements of financial liabilities

For the year ended December 31, 2025

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	\$ 566,879	\$ (76,867)	\$ -	\$ -	\$ -	\$ 409,520	\$ -	\$ 80,492

For the year ended December 31, 2024

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Profit or Loss	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss Derivative financial liabilities	\$ 4,082,455	\$ (420,877)	\$ -	\$ -	\$ -	\$ 3,094,699	\$ -	\$ 566,879

Total gains or losses shown in the tables above that contain unrealized gains and losses related to liabilities committed as of December 31, 2025 and 2024 amounted to gains of \$56,749 thousand and \$68,940 thousand, respectively.

6) Quantitative information on significant unobservable inputs for Level 3 fair value measurements

Description of significant unobservable inputs used in the valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy was as follows:

December 31, 2025

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	Stock	\$ 30,952	Market approach	Discount for lack of marketability	10%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	7,853,385	Market approach	Discount for lack of marketability	15%-30%	The higher the discount for lack of marketability, the lower the fair value of the stock
		125,841	Income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate, the lower the fair value of the stock
		1,271,139	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock
	Bond	34,719	Discounted cash flow	Loan rate	9.15%	The higher the loan rate, the lower the fair value of the bond
	Bond	851,617	Quoted prices of the counter party	Not applicable	Not applicable	Not applicable

December 31, 2024

Items	Products	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
<u>Financial assets</u>						
Financial assets at fair value through profit or loss	Stock	\$ 23,590	Market approach	Discount for lack of marketability	10%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	8,811,524	Market approach	Discount for lack of marketability	15%-30%	The higher the discount for lack of marketability, the lower the fair value of the stock
		98,583	Income approach	Cost of equity rate	15%-20%	The higher the cost of equity rate, the lower the fair value of the stock
		1,170,175	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock
	Bond	36,211	Discounted cash flow	Loan rate	9.15%	The higher the loan rate, the lower the fair value of the bond

7) Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's risk management department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

d. Financial instruments that were not measured at fair value

1) Information on fair value

Except as detailed in the following table, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate fair values or that the fair values cannot be reasonably measured.

	December 31			
	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 688,483,141	\$ 663,386,554	\$ 577,014,981	\$ 545,723,538

2) Information on fair value hierarchy

Item	December 31, 2025			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 663,386,554	\$ 42,517,268	\$ 613,945,190	\$ 6,924,096

Item	December 31, 2024			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortised cost	\$ 545,723,538	\$ 53,848,111	\$ 491,507,129	\$ 368,298

3) Valuation techniques

The methods and assumptions used by the Company to estimate the values of financial instruments that are not measured at fair value are as follows:

- a) Cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, other financial assets, due to the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances whose maturity date is very near or the future payment price approximates the carrying amount take the amount in the book on the balance sheet date as the fair value.
- b) Discounts and loans, deposits, financial debentures and principal of structured products are all interest-bearing financial assets/liabilities whose carrying amount is taken as the current fair value. The carrying amount of non-accrual loan is the estimated recoverable amount after deduction of allowance for impairment loss, hence its carrying amount is used as its fair value.
- c) If an investment in a debt instrument at amortised cost has a public quoted price in an active market, the market price is used as its fair value; if no market price is available for reference, a valuation method is used to estimate the fair value. The estimates and assumptions used by the Bank in the valuation method are consistent with the information and assumptions used by market participants in the estimation of the fair value of financial instruments.

50. FINANCIAL RISK MANAGEMENT

The Bank's risk control and hedging strategy follows the requirements of the customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, the Bank adopts different risk management methods to identify its risks and the Bank follows the spirit and regulation of the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

The Bank has set up its risk management committee, whose responsibilities are as follows:

- a. To amend the risk management policies, risk appetite, or risk tolerance, and regularly submit significant risk management issues and report the above issues to the board of directors for approval;
- b. To manage and decide the strategy for the Bank's credit risk, market risk and operational risk;
- c. To report the significant risk management issues and summary review matters of other relating project, such as credit ratings, market assessment, risk indicators and capital adequacy;
- d. To develop, verify and monitor credit rating models;
- e. Results of the Bank's stress testing;
- f. Important research and discussion matters raised by various risk management-related units of the Bank;
- g. Other issues.

The Bank organized a risk management segment to monitor, lead, develop, and establish the integral risk management framework.

a. Credit risk

Credit risk represents the risk of loss that the Bank would incur if a customer or a counterparty fails to perform its contractual obligations. Sources of credit risk cover both on-and off-balance sheet accounts.

The Bank, Indovina Bank and CUBCN Bank

The approval unit of Cathay United Bank, Indovina Bank and CUBCN Bank's credit risk strategies and significant risk policies is the board of directors. Cathay United Bank's Risk Management Segment and its subdivisions assist in reviewing and monitoring risk tolerance ability and risk control procedures, and establish credit approval processes, credit limit management, credit rating information, collateral information, periodic reviews and remedial management systems. The subdivisions include the Market Risk Management Department, Credit and Operational Risk Management Department, Consumer Credit Risk Management Department, Corporate Credit Risk Management Department, and International Credit Risk Management Department. Indovina Bank established the credit risk management department to perform risk management. The credit risk departments for loans, investments, and financial instruments or contracts are the executive unit of credit risk control. The credit quality of the Company is strictly controlled in advance. After the loan is approved, lending portfolios are reviewed according to the Bank and Indovina Bank's loan review regulations and deficiencies are tracked to strengthen post-event risk management.

The Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loans, loan commitments and commercial letters of credit. Certain customers are required to provide appropriate collateral for the related loans, and the Bank, Indovina Bank and CUBCN Bank retain the legal right to foreclose or liquidate the collateral, which effectively reduces the credit risk of the Bank, Indovina Bank and CUBCN Bank.

CUBC Bank

The approval unit of CUBC Bank's credit risk policies is the board of directors, and the policies are then implemented by the CUBC Bank's credit risk management department. These credit risk policies form the basic principles for all credit risk situations faced by CUBC Bank and also serve as the basis for the development of CUBC Bank's various businesses in Cambodia.

When CUBC Bank provides loans, the approval unit is decided based on credit amount. The loan committee is the top lending authority within CUBC Bank, and is composed of CUBC Bank's senior management. It is in charge of approval of all credit in excess of CUBC Bank's lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and CUBC Bank retains the legal right to foreclose or liquidate the collateral, which effectively reduces CUBC Bank's credit risk. The disclosure of the maximum credit exposure does not take into account any collateral held or other enhancements.

Judgment of significant increase in credit risk after initial recognition

The Bank

The Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, the Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

1) Quantitative indicators

a) Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

b) Information on the overdue status of a contract

When the contract payment is overdue for 30 days to 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

2) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

a) Bounced checks are reported.

b) Auditors have expressed significant doubt on the entity's ability to continue as a going concern.

c) Auditors' opinion - adverse opinion.

d) Auditors' opinion - disclaimer of opinion.

e) The stock was placed in full-cash delivery stock.

f) Other changes in the internal or external information on judging the credit quality changes.

The Bank established Stage 1 and Stage 2 for debt instruments based on bonds ratings. Bonds rated above investment grades are classified as low credit risks. Credit risks are deemed to have significantly increased if credit ratings decreased over specific level after initial recognition date.

Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if credit risk has increased significantly since initial recognition:

1) Quantitative indicators

a) Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

b) Low credit risk criteria

An exposure rated below Moody's investment grade (i.e., the credit rating is lower than the credit rating B of Moody's, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

c) Information on the overdue status of a contract

When the contract payment is overdue for 30 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

d) Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition, credit risk is deemed to have increased significantly since initial recognition.

2) Qualitative indicators

a) Bounced checks are reported.

b) Auditors have expressed significant doubt on the entity's ability to continue as a going concern.

c) Other changes in the internal or external information on judging the credit quality changes.

CUBC Bank

CUBC Bank assesses if the credit risk of financial assets at each reporting date has increased significantly since initial recognition based on the following indicators:

1) Information on the overdue status of a contract

When the contract payment is overdue for more than 15 days for short-term loans or more than 30 days for long-term loans at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

2) Loan classification from National Bank of Cambodia

A loan contract with special mention position at the reporting date would be classified as a loan with significant increase in credit risk since initial recognition.

3) Internal credit assessment indicators

For financial assets whose internal credit assessment indicators show a weaker credit quality compared to that upon initial recognition (including the internal watch list), credit risk is deemed to have increased significantly since initial recognition.

CUBCN Bank

CUBCN Bank assesses the movements in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. For the assessment, CUBCN Bank considers reasonable and corroborative information (including prospective information) that indicates a significant increase in credit risk since initial recognition. The key indicators for consideration include:

1) Quantitative indicators

a) Changes in credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition, credit risk is deemed to have increased significantly since initial recognition.

b) Information on the overdue status of a contract

When the contract payment is overdue for less than 90 days at the reporting date, credit risk is deemed to have increased significantly since initial recognition.

2) Qualitative indicators

When the information observed at the reporting date meets the following conditions, credit risk is deemed to have increased significantly since initial recognition.

a) Any financial instruments are classified as special mention.

b) The credit records from the People's Bank of China (PBOC)

Financial instruments have not defaulted yet at the reporting date, and the customers' credit records from PBOC are classified by any financial institutions as NPLs (including substandard, doubtful or loss) which have not been paid off, or any contract payment is overdue for more than 90 days at the reporting date.

c) The credit obligor has been placed under "watch account" monitoring.

d) Other changes in the internal or external information on judging the credit quality changes.

Default and credit impairment of financial asset

The Bank

The Bank's criteria for determining that a financial asset is in default are the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, the Bank determines the financial assets to be subject to default and credit impairment.

1) Quantitative indicator

a) Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

b) Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment. Debt instruments that do not pay principal and interest according to issuance or transaction condition are determined to be credit-impaired.

2) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

a) Bailout, reorganization, individual agreement due to debtor's financial difficulties;

b) Lawsuit action has been taken;

c) Debt settlement, debt negotiation;

d) Other internal or external information on judging the deterioration in credit quality.

The aforementioned definition of default and credit impairment applies to all financial assets held by the Bank, and is consistent with the definition applied on the significant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

Indovina Bank

Indovina Bank assesses the following indicators at each reporting date to determine if the financial assets are credit-impaired:

1) Quantitative indicator

a) Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

b) Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

2) Qualitative indicator

a) Bailout, reorganization, individual agreement due to debtor's financial difficulties;

b) Lawsuit action has been taken;

c) Debt settlement, debt negotiation;

- d) The debtor has filed for bankruptcy or may apply for bankruptcy or reorganization;
- e) Principal or interest could not be paid as scheduled during the settlement period;
- f) Other internal or external information on judging the deterioration in credit quality.

CUBC Bank

CUBC Bank assesses the following indicators at each reporting date to determine if the financial assets are credit-impaired:

1) Information on the overdue status of a contract

When the contract payment is overdue for more than 31 days for short-term loans or more than 90 days for long-term loans at the reporting date, it is determined as credit impairment.

2) Loan classification from National Bank of Cambodia

A loan contract with specific position, such as substandard, doubtful and loss, at reporting date would be classified as a credit-impaired loan.

3) Internal credit assessment indicators

The credit information used for internal credit risk management purpose that indicated credit deterioration at the reporting date would be recognized as credit-impaired assets.

CUBCN Bank

CUBCN Bank's criteria for determining that a financial asset is in default are the same for evaluating credit impairment of financial assets. Where one or more of the following conditions are met, CUBCN Bank determines the financial assets to be subject to default and credit impairment.

1) Quantitative indicator

a) Changes in credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

b) Information on the overdue status of a contract

When the contract payment was overdue for more than 90 days at the reporting date, it is determined as credit impairment.

2) Qualitative indicator

When the information observed at the reporting date indicates the following conditions, it is determined as credit impairment.

- a) Any financial instruments are classified as substandard, doubtful or loss.
- b) The lowest credit risk is classified as substandard, doubtful or loss.
- c) Other internal rating is determined to have fallen into default level.

The aforementioned definition of default and credit impairment applies to all financial assets held by CUBCN Bank, and is consistent with the definition applied on the relevant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

Measurement of expected credit loss

The Bank

For the purpose of assessing the expected credit losses, the Bank classifies the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, and so on.

Credit Category	Definition
Enterprise loan	Grouped by risk characteristics, enterprise size and internal credit rating
Consumer loan	Grouped by product category and internal credit rating
Credit card	Grouped by product category and internal credit rating

When the credit risk of the financial instrument has not increased significantly after the initial recognition (Stage 1), the Bank will measure the allowance for losses at the 12-month expected credit losses. When the credit risk of the financial instrument has increased significantly (Stage 2) or credit impairment has existed (Stage 3) after the initial recognition, the Bank will measure the allowance for losses at the lifetime expected credit losses.

For the measurement of the expected credit losses (ECL), the Bank calculates the 12-month ECL and lifetime ECL by multiplying three factors, i.e., probability of default (PD), loss given default (LGD) and exposure at default (EAD) of the borrower over the next 12 months and the lifetime.

The PD and LGD applied in the impairment assessment of the credit business of the Bank is adjusted and calculated based on the internal information of each group of assets as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

The Bank assesses the EAD of loan at the reporting date. According to internal and external information, the Bank considers the portion of the loan commitment that is expected to be drawn within 12 months after the reporting date and for the lifetime, to determine the EAD for calculating the expected credit losses.

The Bank performs impairment assessment of debt instruments measured at FVTOCI and those measured at amortised cost in accordance with related requirements:

- 1) The EAD is measured at the amortised cost of a financial asset plus its interest receivable.
- 2) The PD is based on the information regularly published by Moody's and calculated on the basis of the adjusted historical data according to the currently observable data and the forward-looking macroeconomic information (e.g., gross domestic product and economic growth rate, etc.).
- 3) The LGD is selected according to the type of debt instruments based on the information regularly published by Moody's.

Indovina Bank

For the purpose of assessing the expected credit losses, Indovina Bank classifies the financial assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category, counterparty type, and so on.

Category	Definition
Loan portfolio	Grouped by counterparty type and enterprise size
Bond portfolio	Grouped by product category, external credit rating and payment ranks
Cash equivalents, due from and call loans to banks	Grouped by counterparty type

1) Loan portfolio

The segmentation of Indovina Bank's loan portfolio is based on its risk characteristics, such as product category, counterparty type and enterprise size. The measurement of expected credit loss is estimated by three main parameters: Probability of default, loss given default and exposure at default. The probability of default (PD) and loss given default (LGD) were built using the Bank's historical delinquent information and recovery data and calibrated with selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

2) Bond portfolio

The segmentation of Indovina Bank's bond portfolio is based on its product category, external rating and payment rank. The measurement of expected credit loss is based on three main parameters: Probability of default, loss given default and exposure at default. The probability of default and loss given default were built using external information with sufficient historical default data and recovery rates and calibrated with selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

3) Cash equivalents, due from and call loans to banks

The segmentation of Indovina Bank's cash equivalents, due from and call loans to banks, is based on its counterparty type. The measurement of expected credit loss is estimated by three main parameters: Probability of default, loss given default and exposure at default. The probability of default is calculated using Sovereign PD of rating BB. The loss given default is determined by the foundation approach in Basel II. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the lifetime expected credit loss method.

CUBC Bank

CUBC Bank has grouped its exposures on the basis of shared credit risk characteristic, including product category and counterparty type as follows:

Category	Definition
Loan	Grouped by product characteristics, industry, counterparty type and Days Past Due (DPD) categories based on five-tier asset classification
Credit card	Grouped by product characteristics and Days Past Due (DPD) categories based on five-tier asset classification

The measurement of expected credit loss of CUBC Bank's loan portfolio is based on its credit category, Days Past Due (DPD) categories based on five-tier asset classification, counterparty type and product category. The probabilities of default and loss given default were built by the internal and external historical delinquent information, LGD supervised under Basel II and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, if the above criteria for a significant increase in credit risk since initial recognition are not met, the loss allowance shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the loss allowance shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

CUBCN Bank

For the purpose of assessing the expected credit losses, CUBCN Bank classifies the credit assets into the following groups based on business category and forward-looking model:

- 1) CUBCN Bank classifies the credit assets into the following groups based on the assessment method and business category:

Business Category	Method
Loan activities	Grouped by method of evaluating and type of business
Interbank borrowing business	Grouped by method of evaluating and type of business
Bills and forfaiting business	Grouped by method of evaluating and type of business
Off-balance sheet credit business	Grouped by method of evaluating and type of business
Bond business and interbank deposit business	Grouped by method of evaluating and type of business
Due from banks, call loan to banks business, and reverse repurchase	Grouped by method of evaluating and type of business
Fees receivable and other receivables	Grouped by method of evaluating and type of business

- 2) CUBCN Bank grouped the non-retail business risk group according to the forward-looking model.
 - a) The expected credit losses of financial instruments are measured on a case-by-case basis as follows:
 - i. For financial instruments in Stage 1, the allowance for losses is measured by the expected credit losses within 12 months.
 - ii. For financial instruments in Stage 2, the allowance for losses is measured by the lifetime expected credit losses.

- iii. For financial instruments in Stage 3, the discounted cash flow method can be used for individual assessment; if not using individual assessment, the allowance for losses is measured by the lifetime expected credit losses, and the PD is 100%.
- b) The expected credit loss parameters of financial instruments are calculated according to the following principles respectively:
 - i. The PD is based on the internal/external credit rating of the borrower or issuer and is calculated using the historical data, which is adjusted according to the currently observable data and the forward-looking macroeconomic information.
 - ii. The LGD is based on the LGD regulated in the Rules on Capital Management of Commercial Banks published by the China banking supervisory authority as the reference for evaluation. Besides, the LGD also refers to types of products, types of bonds mapping, linear interpolation and so on.
 - iii. The EAD is measured using the current exposure method. Besides, off-balance sheet credit businesses also convert exposure using the credit conversion factor regulated in the Rules on Capital Management of Commercial Banks published by the China banking supervisory authority.

Write-off policy

Any non-performing loans or non-accrual loans, after subtracting the estimated recoverable portion, that have one of the following characteristics shall be written off:

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

Non-performing loans or non-accrual loans, which have been written off by the Bank, can undergo the legal proceedings continuously under related policies.

Consideration of forward-looking information

The Bank

The Bank uses historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD differ depending on the type of financial instruments.

The significant economic factors identified by the Bank in 2025 are as follows:

Credit Category	Probability of Default (PD)
Enterprise loan	Amortization of External debt to GDP (%) Inflation rate
Consumer loan	Government debt Annual nominal GDP growth rate (%) Consumer Price Index
Credit card	Consumer Price Index

Indovina Bank

Based on the qualitative and quantitative analysis of historical data, Indovina Bank identifies the local and global economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression models, interpolation adjustment, and historical scenario analysis to estimate the impairment parameter after the prospective adjustment. The selected economic factors and their effects on PDs varied from different types of portfolios.

The significant economic factors identified by Indovina Bank in 2025 are as follows:

Segment	Selected Factors
Loan portfolio	Vietnam Real GDP (%)
Bond portfolio	Global Real GDP (%) Global inflation rate (%)

CUBC Bank

CUBC Bank establishes ECL model based on historical default and loss data and uses the regression analysis to adjust the forward-looking parameters with local macroeconomic factors by considering local risk distribution and borrowers' characteristics.

The significant economic factors identified by CUBC Bank in 2025 are as follows:

Segment	Selected Factors
Loan	Change of GDP (%) General government primary (net lending/net borrowing) as percent of GDP (%) Change of volume of exports (%) General government revenue
Credit card	Inflation rate General national total savings as percent of GDP (%) General government debt as percent of GDP (%)

CUBCN Bank

CUBCN Bank uses historical data and rate of non-performing banking industry loans issued by the authorities to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and uses the regression model to estimate the impairment parameter after the prospective adjustment, in order to obtain an unbiased estimate of expected credit losses.

The relevant economic factors identified by CUBCN Bank as of December 31, 2025 include but are not limited to gross domestic product (GDP), consumer price index (CPI) and broad money supply in circulation (M0), etc.

The valuation techniques or significant assumptions used by the Company for assessing the expected credit losses have no significant change for the year ended December 31, 2025.

Credit risk management policy

The category of credit asset and the grade of credit quality are described as follows:

1) Category of credit asset

The credit assets of the Bank are classified into five categories. Normal credit assets are classified as “Category One”. The remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time the asset is overdue. Assets that require special mention are classified as “Category Two”, assets that are substandard are classified as “Category Three”, assets that are doubtful are classified as “Category Four”, and assets for which there is loss are classified as “Category Five”. For managing the default credits, the Bank established the regulations governing the procedures to deal with non-performing loans, non-accrual loans and bad debts.

2) Grade of credit quality

The Bank sets the grade of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify) to proceed with risk management.

In order to measure the credit risk of the clients, the Bank develops the rating model of business credit by employing statistical methods and the professional judgment of the experts as well as considering the clients’ relevant information. The model is reviewed periodically to verify if the calculated results conform to the reality and the Bank will make necessary revisions to the parameters to optimize the results.

With respect to consumer credit assets, such as housing mortgages, credit cards, and small-scale credit loans, the Bank also evaluates the default risk of clients by using the rating scores developed by the Bank.

To ensure the reasonableness of the estimated values of the credit rating system’s design, process, and relevant risk factors, the Bank executes the relevant verification and tests the model according to the actual default regularly so that the calculated results will be close to actual default.

The Bank evaluates the counterparties’ credit quality before transactions are made and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

3) Hedge of credit risk and easing policy

a) Collateral

The Bank adopts a series of policies to lower the credit risk, and one of the frequently used methods is requesting borrowers to provide collateral. To ensure the creditor’s rights, the Bank sets the scope of collateral and the procedures for appraising, managing, and disposing of the collateral. In addition, a credit contract stipulates the bases for credit claims, preservation of collateral, and offset provisions when a credit loss event occurs; the Bank may reduce the limit, cut down the payback period, or deem all debts as due. Also, the Bank may use the deposits that the borrowers saved in the Bank to offset the liabilities to lower the credit risk.

Other non-credit business collateral depends on the characteristics of the financial instruments. Only asset-backed securities and other similar financial instruments are secured by an asset pool of financial instruments.

b) Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, the Bank limits the credit amounts of single counterparties and groups; the Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, the Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

c) Net settlement agreement

The Bank usually settles by the gross balance, but signs contract with some counterparties to settle by net balance. If a default happens, the Bank will terminate all transactions with the counterparty and settle by net balance in order to lower the credit risk.

4) Maximum exposures to credit risk

Without taking into account the collateral or other credit enhancement instruments, the maximum credit risk exposures of on-balance-sheet financial assets equal their carrying amounts. The maximum credit risk exposures of off-balance-sheet items (without considering the collateral or other credit enhancement instruments) are as follows:

a) The Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2025	December 31, 2024
Irrevocable loan commitments	\$ 192,525,022	\$ 180,621,816
Unused credit card commitments	738,966,067	723,168,332
Unused commercial letters of credit	6,495,809	6,860,741
Guarantees on duties and contracts	20,246,251	18,955,636

b) Indovina Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2025	December 31, 2024
Financial guarantee contracts	\$ 1,580,507	\$ 1,520,347
Unused commercial letters of credit	1,487,796	1,288,626

c) CUBC Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2025	December 31, 2024
Financial guarantee contracts	\$ 19,931	\$ 14,751
Unused credit card commitments	298,219	329,477
Irrevocable loan commitments	240,245	254,769

d) CUBCN Bank

Off-Balance Sheet Items	Maximum Exposure to Credit Risk	
	December 31, 2025	December 31, 2024
Financial guarantee contracts	\$ 241,165	\$ 220,701
Unused commercial letters of credit	716,071	231,377

To reduce the risk from any businesses, the Bank conducts an overall assessment and takes appropriate risk reduction measures before undertaking the business, such as obtaining collateral and guarantors. For obtaining of collateral, the Bank has set Guidelines Governing Collateral to ensure that collateral meets the specific criteria and has the effect of reducing the business risk.

The management deems the Company is able to control and minimize the credit risk exposures in off-balance-sheet items as the Company uses stricter rating procedures when extending credits and conducts reviews regularly.

The carrying amounts of the maximum credit risk exposure of on-balance-sheet items were as follows:

December 31, 2025

	Discounts and Loans				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 2,824,433,030	\$ 88,517,420	\$ 22,370,543	\$ -	\$ 2,935,320,993
Less: Allowance for impairment	(4,258,964)	(2,844,425)	(8,819,705)	-	(15,923,094)
Less: Differences of impairment loss under regulations	-	-	-	(32,468,521)	(32,468,521)
	<u>\$ 2,820,174,066</u>	<u>\$ 85,672,995</u>	<u>\$ 13,550,838</u>	<u>\$ (32,468,521)</u>	<u>\$ 2,886,929,378</u>

	Receivables				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 146,942,338	\$ 1,993,718	\$ 2,388,929	\$ -	\$ 151,324,985
Less: Allowance for impairment	(805,296)	(374,682)	(1,790,300)	-	(2,970,278)
Less: Differences of impairment loss under regulations	-	-	-	(99,998)	(99,998)
	<u>\$ 146,137,042</u>	<u>\$ 1,619,036</u>	<u>\$ 598,629</u>	<u>\$ (99,998)</u>	<u>\$ 148,254,709</u>

December 31, 2024

	Discounts and Loans				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 2,628,181,220	\$ 76,013,179	\$ 19,869,764	\$ -	\$ 2,724,064,163
Less: Allowance for impairment	(4,421,053)	(3,773,954)	(8,296,741)	-	(16,491,748)
Less: Differences of impairment loss under regulations	-	-	-	(28,339,740)	(28,339,740)
	<u>\$ 2,623,760,167</u>	<u>\$ 72,239,225</u>	<u>\$ 11,573,023</u>	<u>\$ (28,339,740)</u>	<u>\$ 2,679,232,675</u>

	Receivables				Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Differences of Impairment Loss under Regulations	
Total carrying amount	\$ 136,497,189	\$ 2,355,699	\$ 2,300,482	\$ -	\$ 141,153,370
Less: Allowance for impairment	(685,139)	(409,352)	(1,819,915)	-	(2,914,406)
Less: Differences of impairment loss under regulations	-	-	-	(73,353)	(73,353)
	<u>\$ 135,812,050</u>	<u>\$ 1,946,347</u>	<u>\$ 480,567</u>	<u>\$ (73,353)</u>	<u>\$ 138,165,611</u>

5) Credit concentration risk of the Company

When the counterparties are obviously the same party, or there are several counterparties but engaging in similar business activities and sharing similar economic characteristics, and vulnerable to the same economic impacts or other changes, the credit concentration risk is apparent.

Credit concentration risk of the Company derives from the assets, liabilities and off-balance sheet items, and arises from performing obligations or engaging in transactions of cross-credit line portfolio with risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. The Company does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty relative to the Company's total bills discounts and loans, including overdue loans, guarantees, bills purchased, and acceptances receivable is not significant. Credit concentration risk of the Company according to industry and geographic region is listed below:

a) Industry type

Industry Type	December 31			
	2025		2024	
	Amount	%	Amount	%
Manufacturing	\$ 249,603,868	8.43	\$ 243,770,333	8.87
Financial institutions and insurance	162,565,496	5.49	136,557,980	4.97
Leasing and real estate	251,499,153	8.50	233,728,454	8.51
Individuals	1,939,467,198	65.53	1,802,629,834	65.62
Others	<u>356,451,268</u>	<u>12.05</u>	<u>330,298,399</u>	<u>12.03</u>
Total	<u>\$ 2,959,586,983</u>	<u>100.00</u>	<u>\$ 2,746,985,000</u>	<u>100.00</u>

b) Geographic region

Geographic Region	December 31			
	2025		2024	
	Amount	%	Amount	%
Domestic	\$ 2,579,052,088	87.14	\$ 2,399,522,892	87.35
Asia	302,185,572	10.21	271,815,775	9.89
America	46,494,481	1.57	46,947,749	1.71
Others	<u>31,854,842</u>	<u>1.08</u>	<u>28,698,584</u>	<u>1.05</u>
Total	<u>\$ 2,959,586,983</u>	<u>100.00</u>	<u>\$ 2,746,985,000</u>	<u>100.00</u>

b. Liquidity risk

1) Source and definition of liquidity risk

Liquidity risk refers to the risk that the Bank may not be able to obtain sufficient funds in a timely manner at an acceptable cost to meet current or upcoming payment obligations.

2) Liquidity risk management strategy and principles

The principle of liquidity risk management strategy of the Company is to stabilize the liquidity of funds. The first priority of the source of funds is diversification and stability, and the Company adopts the conservative principle to estimate the funds. The use of funds should take into account both safety and profitability, and pay attention to diversifying liquidity risks, ensure it would have sufficient funding for obligations under normal or stressed scenarios. The Company has set up an Asset and Liability Management Committee, which is responsible for planning and monitoring liquidity risk management strategy and controlling liquidity risk with risk limits from different measuring dimensions and early warning indicators. When the liquidity has or expects significant changes, relevant authorities and responsible units jointly analyze the reasons and discuss solutions to deal with the impact of emergent events on liquidity risk. If necessary, the Asset and Liability Management Committee may be convened to discuss solutions.

3) Financial assets held to manage liquidity risk and maturity analysis of non-derivative financial liabilities of the Company

a) Financial assets held to manage liquidity risk

The Company holds highly marketable and diverse financial assets to meet payment obligations; assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets held to manage liquidity risk include cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments at amortised cost, discounts and loans, and securities purchased under resell agreements.

b) Maturity analysis of non-derivative financial liabilities of the Bank

The table below shows the analysis of the cash outflow of non-derivative financial liabilities based on the number of days remaining from the balance sheet date until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the balance sheets.

	December 31, 2025				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 44,881,838	\$ 16,838,729	\$ 18,733,729	\$ 19,628	\$ 80,473,924
Non-derivative financial liabilities at fair value through profit or loss	-	-	624,778	40,555,020	41,179,798
Securities sold under repurchase agreements	394,440	1,271,215	-	-	1,665,655
Payables	17,327,114	19,340,177	46,257	874,611	37,588,159
Deposits and remittances	842,379,686	2,152,483,157	1,205,631,882	108,195,094	4,308,689,819
Financial debentures payable	-	-	-	18,838,589	18,838,589
Lease liabilities	165,545	773,724	978,197	4,749,772	6,667,238
Other capital outflow at maturity	12,546,960	17,487,912	5,539,926	1,164,273	36,739,071
	December 31, 2024				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 35,000,773	\$ 32,062,152	\$ 36,933,981	\$ 319,704	\$ 104,316,610
Non-derivative financial liabilities at fair value through profit or loss	-	-	651,468	42,287,490	42,938,958
Securities sold under repurchase agreements	1,470,597	9,594,426	-	-	11,065,023
Payables	27,281,972	5,360,992	28,540	669,381	33,340,885
Deposits and remittances	607,389,042	1,820,392,469	1,177,739,956	122,554,863	3,728,076,330
Financial debentures payable	-	-	-	12,866,074	12,866,074
Lease liabilities	127,489	579,931	731,577	4,311,482	5,750,479
Other capital outflow at maturity	11,644,890	25,474,394	7,059,028	820,395	44,998,707

Additional information about the maturity analysis of lease liabilities:

	December 31	
	2025	2024
Less than 1 year	\$ 1,917,466	\$ 1,438,997
1-5 years	4,295,013	3,677,754
5-10 years	421,983	591,686
More than 10 years	<u>32,776</u>	<u>42,042</u>
	<u>\$ 6,667,238</u>	<u>\$ 5,750,479</u>

c) Maturity analysis of derivative financial liabilities

Net settled derivative financial instruments engaged by the Bank include:

- i. Foreign exchange derivative instruments: Non-delivery forwards and net settled foreign exchange options;
- ii. Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. The analysis of contractual maturity dates illustrates all derivative financial instruments listed on the balance sheets. The amount disclosed is based on contractual cash flow and may be different from that included in the balance sheets. Maturity analysis of net settled derivative financial liabilities was as follows:

	December 31, 2025				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	\$ 13,051	\$ 22,998	\$ 7,177	\$ -	\$ 43,226
Interest rate derivative instruments	<u>117,263</u>	<u>1,175,338</u>	<u>626,968</u>	<u>31,110,621</u>	<u>33,030,190</u>
Total	<u>\$ 130,314</u>	<u>\$ 1,198,336</u>	<u>\$ 634,145</u>	<u>\$ 31,110,621</u>	<u>\$ 33,073,416</u>

	December 31, 2024				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	\$ 114,039	\$ 156,334	\$ 46,555	\$ -	\$ 316,928
Interest rate derivative instruments	<u>370,430</u>	<u>1,071,184</u>	<u>414,297</u>	<u>31,495,966</u>	<u>33,351,877</u>
Total	<u>\$ 484,469</u>	<u>\$ 1,227,518</u>	<u>\$ 460,852</u>	<u>\$ 31,495,966</u>	<u>\$ 33,668,805</u>

Gross settled derivative financial instruments engaged by the Bank include:

- i. Foreign exchange derivative instruments: Foreign exchange forwards, foreign exchange swaps and gross settled foreign exchange options;
- ii. Interest rate derivative instruments: Cross currency swaps;
- iii. Credit derivative instruments: All credit default swaps are presented on a gross basis. The credit protection buyer makes periodic payments to the credit protection seller and gets the one-time payments in return if a credit event occurs.

The table below shows the Bank's gross settled derivative financial instruments based on the number of days remaining from the balance sheet date until the contractual maturity date. Contractual maturities are evaluated to be the most basic element for understanding all the derivative financial instruments presented on the balance sheets. The disclosed amounts are based on contractual cash flows and parts of the disclosed amounts are not in conformity with related items on consolidated balance sheets. Maturity analysis of gross settled derivative financial liabilities was as follows:

	December 31, 2025				
	0-30 Days	31-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	\$ (487,376,606)	\$ (399,215,506)	\$ (115,682,802)	\$ (165,533)	\$(1,002,440,447)
Cash inflow	481,682,019	389,994,581	111,551,334	151,961	983,379,895
Interest rate derivative instruments					
Cash outflow	(2,094,747)	(3,847,312)	(6,324,180)	(10,122,777)	(22,389,016)
Cash inflow	2,052,832	3,690,664	6,112,438	9,741,868	21,597,802
Cash outflow subtotal	(489,471,353)	(403,062,818)	(122,006,982)	(10,288,310)	(1,024,829,463)
Cash inflow subtotal	483,734,851	393,685,245	117,663,772	9,893,829	1,004,977,697
Net cash flow	<u>\$ (5,736,502)</u>	<u>\$ (9,377,573)</u>	<u>\$ (4,343,210)</u>	<u>\$ (394,481)</u>	<u>\$ (19,851,766)</u>
	December 31, 2024				
	0-30 Days	31-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	\$ (351,633,161)	\$ (396,122,144)	\$ (115,798,045)	\$ (3,282,644)	\$ (866,835,994)
Cash inflow	345,326,346	385,822,850	111,307,629	3,079,256	845,536,081
Interest rate derivative instruments					
Cash outflow	(2,237,495)	(2,899,588)	(6,064,485)	(9,329,667)	(20,531,235)
Cash inflow	2,139,306	2,774,718	5,935,400	9,111,833	19,961,257
Cash outflow subtotal	(353,870,656)	(399,021,732)	(121,862,530)	(12,612,311)	(887,367,229)
Cash inflow subtotal	347,465,652	388,597,568	117,243,029	12,191,089	865,497,338
Net cash flow	<u>\$ (6,405,004)</u>	<u>\$ (10,424,164)</u>	<u>\$ (4,619,501)</u>	<u>\$ (421,222)</u>	<u>\$ (21,869,891)</u>

d) Maturity analysis of off-balance sheet items

The table below shows the Bank's maturity analysis of off-balance sheet items based on the number of days remaining from the balance sheet date until the contractual maturity date. The amount of off-balance sheet items will be allocated to the earliest period when the obligation is exercised at any time by clients.

- i. Irrevocable commitments: Include the Bank's irrevocable loan commitments and credit card commitments.
- ii. Financial guarantee contracts: The Bank acts as a guarantor or an issuer of standby letter of credit.

Maturity analysis of off-balance sheet items is shown as follows:

	December 31, 2025				
	0-30 Days	31-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments	\$ 192,525,022	\$ -	\$ -	\$ -	\$ 192,525,022
Credit card commitments	738,966,067	-	-	-	738,966,067
Financial guarantee contracts	26,742,060	-	-	-	26,742,060
	December 31, 2024				
	0-30 Days	31-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments	\$ 180,621,816	\$ -	\$ -	\$ -	\$ 180,621,816
Credit card commitments	723,168,332	-	-	-	723,168,332
Financial guarantee contracts	25,816,377	-	-	-	25,816,377

c. Market risk

1) Source and definition of market risk

Market risk is the potential gain or loss arising from movements of market price, such as interest rates, foreign exchange rates and equity securities.

The Bank organized market risk management department and the committee of assets and liabilities management. The department and the committee periodically examine the Bank's structure of assets and liabilities, plan the pricing principle of deposit and loan and financing, and use medium- and long-term funding schemes. While executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of the Bank for the management system, such as evaluating position, risk limit management, calculation of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

2) Market risk management strategy and process

a) Identification and measurement

The operations department and risk management department of the Bank identify the market risk factors of risk exposure position, and measure the market risk. Market risk factors are the components that could have an impact on the value of financial instruments, such as interest rates, foreign exchange rates, equity securities price, etc., including position, gain and loss, stress testing, sensitivity (DV01, Delta, Vega, etc.) and Value at Risk (VaR), etc., are used to measure the extent of investment portfolio loss that is influenced by market risk factors.

b) Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress testing, and value at risk to the board of directors, and helps the board of directors to fully understand the status of market risk management. The Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. Once the transaction reaches its stop-loss limitation, corresponding measures will be implemented immediately. In special circumstances, the transaction department should document the response plan, report to the executive management for approval and report to the board of directors regularly.

3) Risk management policy of the trading book

The trading book is the position of financial instruments and physical investments for the purpose of trading or the hedge on the trading book. Position is held for trading for the purpose of earning profit from the bid-ask spread. Any positions aside from the above trading book will be in the banking book.

a) Strategy

In order to control market risk effectively and ensure flexibility in operating the transaction strategy, the Bank carries out various assessment and control procedures. The portfolio of trading book has the risk limit for each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

b) Policy and procedure

The Bank sets the “Rules of Market Risk Management” as the important regulation that should be complied with when holding trading position.

c) Valuation policy

If the financial instruments of trading book have market values, they should be evaluated at least once each day based on information from independent and easily accessible sources. If the financial instruments are evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

d) Method of risk measurement

- i. The calculation assumptions and calculation method are described in the VaR of the trading book section.
- ii. The calculation assumptions and calculation method are described in the market risk sensitivity analysis section.
- iii. The Bank executes the stress testing monthly and reports to the Risk Management Committee regularly.

4) Interest risk management of trading book

a) Definition of interest risk

Interest risk is the risk that the trading position suffer losses or the fair value changes due to fluctuations in interest rates. The main instruments include the securities and derivatives that are related to interest rates.

b) Interest risk management procedure of trading book

The Bank prudently chooses its investment target by studying the credibility and financial position of the securities issuers, and the sovereign risk and the trend of interest rates of the country. According to the operating strategy and the circumstances of the market, the Bank sets the transaction limit and stop-loss limit (including the limits of dealing room, traders, and investment, etc.) of the trading book that are reported to the executive management or the board of directors for approval.

c) Method of measurement

The interest risk of trading book is mainly controlled based on positions and profit or loss.

5) Interest risk management of banking book

The interest risk of banking book means that adverse changes in interest rates affect the value and cash flow of the banking book position, resulting in current or potential risks to the Bank’s capital and earnings.

a) Strategy

Based on the principle of prudent operation and conservation, the first priority is on the diversification and stability of assets and liabilities, and then on safety and profitability, and the Company should pay attention to risk diversification.

b) Management procedure

The Company has established interest risk indicators of banking book to control the banking book interest risk. If the indicators are abnormal, the possible offset treatment should be evaluated and reported to the Asset and Liability Management Committee to review the asset and liability structure and pricing principles, so as to reduce or control the adverse impact on earnings or net worth.

c) Method of measurement

Measurement methods of banking book interest risk include repricing gap analysis, earnings viewpoint (Δ NII) analysis, and economic value viewpoint (Δ EVE) analysis. The Company adopts appropriate measurement methods to manage banking book interest risk in accordance with local regulatory requirements or internal management needs.

6) Foreign exchange risk management

a) Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange at different times. The Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option, etc.

b) Policy, procedure and measurement method of foreign exchange risk management

In order to control foreign exchange risk, the Bank sets the limits of position and stop-loss limits for the dealing room and traders. Meanwhile, the Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is mainly controlled based on positions and profits or losses.

c) The significant portfolios of foreign currency financial assets and liabilities are as follows:

Unit: In Thousands of Foreign Currency

	December 31, 2025		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 23,734,225	31.4380	\$ 746,156,566
AUD	4,514,957	21.0210	94,908,911
HKD	8,452,147	4.0390	34,138,222
Non-monetary items			
USD	847,407	31.4380	26,640,781
HKD	1,577,059	4.0390	6,369,741
THB	3,473,375	0.9968	3,462,260
			(Continued)

	December 31, 2025		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 20,802,911	31.4380	\$ 654,001,916
JPY	314,290,729	0.2008	63,109,578
HKD	10,907,547	4.0390	44,055,582
Non-monetary items			
USD	931,316	31.4380	29,278,712
HKD	1,528,811	4.0390	6,174,868
EUR	694	36.9066	25,613
			(Concluded)

	December 31, 2024		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 19,454,170	32.7810	\$ 637,727,147
AUD	3,343,867	20.3898	68,180,779
HKD	12,358,586	4.2220	52,177,950
Non-monetary items			
HKD	7,313,518	4.2220	30,877,673
USD	932,682	32.7810	30,574,249
THB	3,473,375	0.9575	3,325,757

	December 31, 2024		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
<u>Financial liabilities</u>			
Monetary items			
USD	19,349,609	32.7810	634,299,533
HKD	7,384,811	4.2220	31,178,672
CNY	5,902,939	4.4777	26,431,590
Non-monetary items			
USD	927,249	32.7810	30,396,149
HKD	6,943,762	4.2220	29,316,563
CNY	3,442	4.4777	15,412

As the Company has a large variety of foreign currencies, it is not practicable to disclose foreign currency exchange gain or loss based on each foreign currency's exposure to major impact. The foreign currency exchange gains were \$2,667,088 thousand and \$2,322,734 thousand for the years ended December 31, 2025 and 2024, respectively.

7) Risk management of equity securities price

a) Definition of risk of equity securities price

The market risk of equity securities held by the Bank includes the individual risk of price fluctuation caused by individual equity securities factors and risk of price fluctuation caused by overall market factors.

b) Purpose of risk management of equity securities price

The purpose is to avoid the massive fluctuation of equity securities price that worsens the Bank's financial situation or earnings; to raise the operating efficiency of capital and strengthen the business operation.

c) Procedure of risk management of equity securities price

The Bank sets investment limits on market risk in addition to the countries, industries and companies. The above limitations are approved by the board of directors. Once the transaction reaches its stop-loss limit, the response will be implemented immediately. In special circumstances, the transaction department should document the response plan, report to the executive management for approval and report to the board of directors regularly.

d) Measurement method

The risk of equity securities price in a trading book is mainly controlled based on position and profit or loss.

8) Value-at-risk of the trading books

Value-at-risk (VaR) is the Bank's tool to control market risk. VaR is a statistical measure that assesses potential losses of financial instruments caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. The Bank applies historical simulation with a statistical confidence of 99%. The following form indicates the VaR which is the estimation of potential amount of loss within one day. The statistical confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Based on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

December 31, 2025				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 154,013	\$ 374,527	\$ 51,575	\$ 51,575
Foreign exchange rate	112,354	492,395	37,008	37,675
Equity securities price	269,341	627,569	20,645	106,659
Commodity	881	3,240	110	3,240

December 31, 2024				
Factors of Market Risk	Average	Maximum	Minimum	Ending
Interest rate	\$ 392,644	\$ 633,802	\$ 263,214	\$ 309,850
Foreign exchange rate	64,606	255,079	16,930	55,406
Equity securities price	335,498	487,862	186,943	487,862
Commodity	156	789	-	164

The Bank transacts derivative contracts within the allowed market risk limit. The objectives in trading derivative instruments are to meet customers' hedging and trading needs or to manage the Bank's exposure to risks and to generate revenues through trading activities.

9) Market risk stress testing

The stress testing is an assumption measure of the loss of risk asset portfolio under the severe extreme scenarios. The Bank takes into consideration various types of risk factors for holding positions during market risk stress testing and the results will be reported to the executive management regularly.

Stress Testing			
Market/Product	Scenarios	December 31, 2025	December 31, 2024
Stock market	Major domestic stock exchanges + 15%	\$ 263,726	\$ 2,209,093
	Major domestic stock exchanges - 15%	(263,726)	(2,209,093)
	Major foreign stock exchanges + 20%	13,232	39,970
	Major foreign stock exchanges - 20%	(13,232)	(39,970)
Interest rate market	Major interest rate + 150bps	(2,542,114)	(4,457,943)
	Major interest rate - 150bps	1,940,081	3,794,468
Foreign exchange market	Major currencies +5%	(181,799)	604,692
	Major currencies - 5%	181,799	(604,692)
Commodity market	Market prices +25%	20,832	(615)
	Market prices - 25%	(20,832)	615

Note: The information of stress testing is defined by market risk management.

10) Market risk sensitivity analysis

a) Interest rate risk

Interest rate factor sensitivities represent the change in the net present value of the interest rate derivative portfolios caused by a parallel shift in the interest rates in various yield curves affecting the portfolio. The Bank's interest rate-sensitive portfolios include government bonds, corporate bonds, interest rate swaps, interest rate collars and swaptions.

b) Foreign exchange risk

Foreign exchange rate factor sensitivities ("FX delta") represent the change of the foreign exchange portfolios (i.e., forward exchange transactions and currency swaps) caused by the underlying currency exchange rate fluctuation.

c) Equity securities price risk

Equity securities price factor sensitivities ("Equity delta") represent the change of the equity securities price portfolio caused by a parallel shift in the underlying stock price fluctuation. The Bank's equity portfolios include stocks and equity index options.

d) Commodity risk

Profit and loss impact from commodity positions (commodity futures, commodity swap contracts, etc.) due to price fluctuations of underlying commodities (e.g., carbon credits, crude oil, etc.)

Risk Factors	Changes (+/-)	December 31, 2025	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ (36,360)	\$ -
	Exchange rate of each currency - 1%	36,360	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(16,947)	-
	Yield curves parallel shift - 1bp	12,934	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	18,243	-
	Equity securities price - 1%	(18,243)	-
Commodity risk sensitivity	Commodity price + 1%	833	-
	Commodity price - 1%	(833)	-

Risk Factors	Changes (+/-)	December 31, 2024	
		Sensitivity of Profit or Loss	Sensitivity of Equity
Foreign exchange rate factor sensitivity (FX Delta)	Exchange rate of each currency + 1%	\$ 120,938	\$ -
	Exchange rate of each currency - 1%	(120,938)	-
Interest rate factor sensitivity (PVBP)	Yield curves parallel shift + 1bp	(29,720)	-
	Yield curves parallel shift - 1bp	25,296	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price + 1%	13,119	136,152
	Equity securities price - 1%	(13,119)	(136,152)
Commodity risk sensitivity	Commodity price + 1%	(25)	-
	Commodity price - 1%	25	-

Note: The information of sensitivity analysis is defined by market risk management.

d. ESG and climate risk

The Bank complies with Cathay Financial Holdings' investment and lending exclusion policies by establishing a list of industries, enterprises, and operational activities with which it does not engage. The industries and activities on this list are classified as ineligible for business transactions.

Additionally, the Bank has established the Principles Governing Corporate Loans Based on Environmental, Social, and Governance (ESG) Criteria, incorporating corporate ESG considerations in the formulation of these principles. The Bank also adheres to international standards, including the United Nations Principles for Responsible Banking (PRB), the Equator Principles, as well as management frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD), which serve as the basis for credit review and decision-making processes. To comprehensively assess the ESG risks of its counterparties, the Bank requires the completion of an "ESG and Climate Risk Assessment Checklist" for each credit application. If a counterparty presents significant risks or negative impacts in environmental, social, or

governance aspects, the Bank conducts enhanced due diligence and implements post-lending monitoring and management based on the counterparty's risk profile.

Furthermore, the Bank has clearly defined climate-related risks and integrated ESG, climate and nature risk identification processes into the Bank's existing investment and credit assessment frameworks. The Bank has also established investment and lending management guidelines to ensure thorough pre-investment and pre-lending evaluations of ESG, climate and nature risks, implementing a tiered management system to effectively oversee long-term risks within its investment and loan portfolios.

e. Transfers of financial assets

Financial assets transferred that have not been fully removed

During the Company's daily operations, transferred financial assets that do not meet the criteria for full derecognition are mostly made up of debt securities used as counterparty collateral for repurchase agreements or equity securities lent as part of securities lending agreement. The cash flows of these transactions have been transferred and reflects the liability where the Company is obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, the Company will not be able to use, sell or pledge such transferred financial assets during the effective period. However, the Company is still exposed to interest rate risk and credit risk, hence they are not derecognized.

The following table is an analysis of financial assets and financial liabilities that have not been fully derecognized:

December 31, 2025					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through other comprehensive income Repurchase agreements	\$ 1,315,012	\$ 1,661,079	\$ 1,315,012	\$ 1,661,079	\$ (346,067)
Investments in debt instruments measured at amortised cost Repurchase agreements	459,267	449,821	463,768	449,821	13,947

December 31, 2024					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through other comprehensive income Repurchase agreements	\$ 7,441,316	\$ 7,657,552	\$ 7,441,316	\$ 7,657,552	\$ (216,236)
Investments in debt instruments measured at amortised cost Repurchase agreements	3,978,145	3,284,814	4,022,636	3,284,814	737,822

f. Offsetting financial assets and liabilities

The Company engages in financial instrument transactions that are offset in accordance with IAS 32, section 42, and the financial assets and financial liabilities that are relevant to such transactions are presented in the balance sheets at net amount.

The Company is also engaged in financial instrument transactions that are not offset in accordance with the regulations, but entered into enforceable master netting arrangements or other similar agreements with counterparties, for example, global master repurchase agreements, global securities lending agreements, or other similar agreements. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or, if not, the financial instruments could be settled at gross amount. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

December 31, 2025

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 58,748,632	\$ -	\$ 58,748,632	\$ 58,748,632	\$ -	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 62,755,494	\$ -	\$ 62,755,494	\$ 58,748,632	\$ 4,006,862	\$ -
Repurchase agreements	2,110,900	-	2,110,900	1,231,297	879,603	-

December 31, 2024

Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 95,752,257	\$ -	\$ 95,752,257	\$ 90,621,728	\$ 5,130,529	\$ -

Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Liabilities (a)	Gross Amount of Recognized Financial Assets Offset in the Balance Sheets (b)	Amount Presented in the Balance Sheets (c)= (a)-(b)	Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	\$ 90,621,728	\$ -	\$ 90,621,728	\$ 90,621,728	\$ -	\$ -
Repurchase agreements	10,942,366	-	10,942,366	10,010,444	931,922	-

Note: Master netting arrangement and non-cash collateral are included.

51. CAPITAL MANAGEMENT

a. Capital adequacy maintain strategy

The eligible capital of the Company must conform to the regulatory capital requirements and achieve the minimum adequacy ratio. The calculation of the eligible capital and regulatory capital should comply with the rules issued by the authorities.

b. Capital assessment procedure

To ensure the Company possesses sufficient capital to assume various risk, the Company assesses required capital for the portfolios and characteristics of risk and execute risk management through capital allocation to realize optimization of resources.

c. Information on the Company's CAR was as follows:

(Unit: In Thousands of New Taiwan Dollars, %)

Items		Year	December 31, 2025		
			Standalone	Consolidated	
Eligible capital	Common equity		293,218,513	297,135,048	
	Other Tier 1 capital		35,747,080	35,747,080	
	Tier 2 capital		43,243,770	45,831,593	
	Eligible capital		372,209,363	378,713,721	
Risk-weighted assets	Credit risk	Standardized approach	2,038,253,026	2,245,278,870	
		Internal ratings-based approach	-	-	
		Securitization	1,651,830	1,651,830	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	158,309,983	165,109,335	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	115,948,627	123,004,097	
		Internal model approach	-	-	
	Risk-weighted assets			2,314,163,466	2,535,044,132
	Capital adequacy ratio (%)			16.08%	14.94%
Ratio of common equity to risk-weighted assets (%)			12.67%	11.72%	
Ratio of Tier 1 capital to risk-weighted assets (%)			14.22%	13.13%	
Leverage ratio (%)			6.39%	6.16%	

Items		Year	December 31, 2024		
			Standalone	Consolidated	
Eligible capital	Common equity		268,226,986	271,892,948	
	Other Tier 1 capital		36,633,460	36,633,460	
	Tier 2 capital		41,800,513	43,695,165	
	Eligible capital		346,660,959	352,221,573	
Risk-weighted assets	Credit risk	Standardized approach	1,938,429,612	2,090,001,768	
		Internal ratings-based approach	-	-	
		Securitization	33,953,179	33,953,179	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	212,970,630	222,426,667	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	101,328,969	107,457,711	
		Internal model approach	-	-	
	Risk-weighted assets			2,286,682,390	2,453,839,325
	Capital adequacy ratio (%)			15.16%	14.35%
Ratio of common equity to risk-weighted assets (%)			11.73%	11.08%	
Ratio of Tier 1 capital to risk-weighted assets (%)			13.33%	12.57%	
Leverage ratio (%)			6.54%	6.30%	

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

Note 2: Formulas used were as follows:

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

The Banking Law and related regulations require the Bank to maintain its unconsolidated and consolidated CARs at a minimum of 10.5%, the Tier 1 Capital Ratio at a minimum of 8.5% and the Common Equity Tier 1 Ratio at a minimum of 7%. In addition, if the Bank’s CAR falls below the minimum requirement, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

52. UNCONSOLIDATED STRUCTURED ENTITIES

The Company does not provide financial support or other support to the unconsolidated structured entities. The Company’s maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets the Company recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>Interests Owned</u>
Asset securitization products	Investment in asset securitization products to receive returns	Investment in asset-backed securities issued by the entity

The carrying amounts of assets recognized by the Company as of December 31, 2025 and 2024 relating to its interests in unconsolidated structured entities are disclosed as follows:

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Financial assets at FVTOCI	\$ 31,028,033	\$ 30,790,555
Investments in debt instruments measured at amortised cost	<u>106,514,001</u>	<u>74,465,754</u>
	<u>\$ 137,542,034</u>	<u>\$ 105,256,309</u>

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

The Bank

a. Credit risk

1) Asset quality: Please refer to Table 3.

2) Concentration of credit extensions

(Unit: In Thousands of New Taiwan Dollars, %)

December 31, 2025			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 22,055,173	6.90
2	Group B - packaging and testing of semi-conductors	18,124,318	5.67
3	Group C - other manufacture of computers not elsewhere classified	12,781,034	4.00
4	Group D - casting of aluminum	11,580,671	3.62
5	Group E - other computers and peripheral equipment manufacturing	10,185,912	3.18
6	Group F - real estate development activities	9,100,000	2.85
7	Group G - wholesale of electric and communication equipment components	8,057,856	2.52
8	Group H - real estate development activities	7,567,467	2.37
9	Group I - chemical raw materials manufacturing	7,000,000	2.19
10	Group J - other financial service activities not elsewhere classified	6,843,397	2.14

December 31, 2024			
Rank	Industry Category of Company or Group	Credit Extension Balance	% to Net Asset Value
1	Group A - other financial service activities not elsewhere classified	\$ 22,908,825	7.76
2	Group B - packaging and testing of semi-conductors	18,908,770	6.40
3	Group C - other manufacture of computers not elsewhere classified	13,126,779	4.44
4	Group D - real estate development activities	9,100,000	3.08
5	Group E - other computers and peripheral equipment manufacturing	7,640,920	2.59
6	Group F - real estate development activities	6,854,767	2.32
7	Group G - activities of other holding companies	6,628,373	2.24
8	Group H - manufacture of computers	5,998,923	2.03
9	Group I - convenience stores, chain	5,976,950	2.02
10	Group J - activities of other holding companies	5,565,578	1.88

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollars)

(Unit: In Thousands of New Taiwan Dollars, %)

December 31, 2025

Items	1 - 90 Days	91 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 3,175,359,174	\$ 61,958,461	\$ 112,702,918	\$ 172,962,039	\$ 3,522,982,592
Interest rate-sensitive liabilities	599,732,082	2,433,439,294	401,542,176	54,816,324	3,489,529,876
Interest rate sensitivity gap	2,575,627,092	(2,371,480,833)	(288,839,258)	118,145,715	33,452,716
Net worth					319,855,891
Ratio of interest rate-sensitive assets to liabilities					100.96%
Ratio of interest rate sensitivity gap to net worth					10.46%

December 31, 2024

Items	1 - 90 Days	91 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 2,777,757,224	\$ 33,028,857	\$ 73,799,268	\$ 180,153,751	\$ 3,064,739,100
Interest rate-sensitive liabilities	332,315,317	2,221,143,513	333,529,212	47,552,907	2,934,540,949
Interest rate sensitivity gap	2,445,441,907	(2,188,114,656)	(259,729,944)	132,600,844	130,198,151
Net worth					295,389,604
Ratio of interest rate-sensitive assets to liabilities					104.44%
Ratio of interest rate sensitivity gap to net worth					44.08%

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

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

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

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

Interest Rate Sensitivity (U.S. Dollars)

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

December 31, 2025

Items	1 - 90 Days	91 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 13,062,692	\$ 2,036,807	\$ 1,800,619	\$ 11,352,291	\$ 28,252,409
Interest rate-sensitive liabilities	13,645,385	3,741,114	4,122,576	4,494,375	26,003,450
Interest rate sensitivity gap	(582,693)	(1,704,307)	(2,321,957)	6,857,916	2,248,959
Net worth					10,174,181
Ratio of interest rate-sensitive assets to liabilities					108.65%
Ratio of interest rate sensitivity gap to net worth					22.10%

December 31, 2024

Items	1 - 90 Days	91 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 10,556,031	\$ 2,106,906	\$ 1,755,195	\$ 10,054,528	\$ 24,472,660
Interest rate-sensitive liabilities	13,330,108	3,667,624	4,117,057	4,245,352	25,360,141
Interest rate sensitivity gap	(2,774,077)	(1,560,718)	(2,361,862)	5,809,176	(887,481)
Net worth					9,011,000
Ratio of interest rate-sensitive assets to liabilities					96.50%
Ratio of interest rate sensitivity gap to net worth					(9.85%)

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

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

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

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

c. Liquidity risk

1) Profitability (consolidated information)

(Unit: %)

Items		For the Year Ended December 31, 2025	For the Year Ended December 31, 2024
Return on total assets	Before income tax	1.08	1.06
	After income tax	0.89	0.87
Return on equity	Before income tax	16.87	16.24
	After income tax	13.93	13.31
Net income ratio		37.26	35.56

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

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

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

Note 4: Income before (after) income tax represents income for the years ended December 31, 2025 and 2024.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(Unit: In Thousands of New Taiwan Dollars)

December 31, 2025

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 4,464,098,079	\$ 590,392,798	\$ 548,197,133	\$ 409,774,853	\$ 366,317,468	\$ 509,857,911	\$ 2,039,557,916
Main capital outflow on maturity	5,639,720,265	220,659,005	417,072,677	848,974,992	941,254,909	1,268,156,708	1,943,601,974
Gap	(1,175,622,186)	369,733,793	131,124,456	(439,200,139)	(574,937,441)	(758,298,797)	95,955,942

December 31, 2024

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,977,101,065	\$ 456,693,330	\$ 415,788,463	\$ 446,563,460	\$ 305,011,973	\$ 460,995,725	\$ 1,892,048,114
Main capital outflow on maturity	5,024,841,800	203,799,033	293,525,694	814,037,709	887,406,786	1,004,418,205	1,821,654,373
Gap	(1,047,740,735)	252,894,297	122,262,769	(367,474,249)	(582,394,813)	(543,422,480)	70,393,741

Note: The above amounts included only New Taiwan dollar amounts held by the Bank (i.e., excluding foreign currency).

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(Unit: In Thousands of U.S. Dollars)

December 31, 2025

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 83,414,967	\$ 35,478,200	\$ 18,004,680	\$ 7,713,241	\$ 7,962,166	\$ 14,256,680
Main capital outflow on maturity	93,047,249	37,465,205	19,930,681	10,436,519	15,648,501	9,566,343
Gap	(9,632,282)	(1,987,005)	(1,926,001)	(2,723,278)	(7,686,335)	4,690,337

December 31, 2024

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 107,442,584	\$ 35,448,595	\$ 27,317,975	\$ 17,614,080	\$ 13,981,046	\$ 13,080,888
Main capital outflow on maturity	114,303,999	36,996,566	29,729,307	17,961,003	20,614,622	9,002,501
Gap	(6,861,415)	(1,547,971)	(2,411,332)	(346,923)	(6,633,576)	4,078,387

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

54. OPERATING SEGMENTS

For management purposes, the Company divides operating units based on different products and services. The four reportable segments are as follows:

- Corporate banking unit: Syndicated loan, large scale, group and general credit business;
- Individual banking unit: Deposits and consumer loans, foreign exchange service, endorsement guarantees business, note discounting, safe deposits boxes, credit card - related products, and trust business;
- International banking unit: Offshore banking units, overseas branches and representative office; and
- Other units: These parts contain the Company's assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

The analysis of the Company's operating revenue and results by reportable segment was as follows:

	For the Year Ended December 31, 2025				
	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (externally)	<u>\$ 18,048,146</u>	<u>\$ 15,438,798</u>	<u>\$ 7,865,091</u>	<u>\$ 26,889,313</u>	<u>\$ 68,241,348</u>
Segment revenue (expense)	<u>\$ (9,212,782)</u>	<u>\$ 34,237,743</u>	<u>\$ -</u>	<u>\$ (25,024,961)</u>	<u>\$ -</u>
Segment net income	<u>\$ 7,043,466</u>	<u>\$ 40,692,870</u>	<u>\$ 3,356,766</u>	<u>\$ 1,591,151</u>	<u>\$ 52,684,253</u>
Income tax expense					<u>(9,174,467)</u>
Income after income tax					<u>\$ 43,509,786</u>

For the Year Ended December 31, 2024

	Corporate Banking	Individual Banking	International Banking	Others	Total
Net interest (externally)	<u>\$ 15,003,466</u>	<u>\$ 14,479,209</u>	<u>\$ 8,218,634</u>	<u>\$ 23,211,514</u>	<u>\$ 60,912,823</u>
Segment revenue (expense)	<u>\$ (5,792,152)</u>	<u>\$ 34,403,749</u>	<u>\$ -</u>	<u>\$(28,611,597)</u>	<u>\$ -</u>
Segment net income	<u>\$ 7,441,961</u>	<u>\$ 34,370,178</u>	<u>\$ 4,582,587</u>	<u>\$ 375,678</u>	<u>\$ 46,770,404</u>
Income tax expense					<u>(8,429,626)</u>
Income after income tax					<u>\$ 38,340,778</u>

Note 1: No revenue from transactions with a single external customer amounted to 10% or more of the Company's total revenue.

Note 2: Operating segments' profit are measured on a pre-tax income basis, the income taxes are not allocated to reporting segments for the purpose of making decisions about resource allocation and performance assessment.

Note 3: As the Company provided the average amount of deposits and loans to measure assets and liabilities, the measured amount of assets and liabilities is not disclosed.

55. 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	Fair Value Adjustments	Others	
Financial debentures payable	\$ 12,700,000	\$ 5,900,000	\$ -	\$ -	\$ -	\$ 18,600,000
Financial liabilities designated as at fair value through profit or loss - bonds	42,151,047	-	-	(670,423)	-	41,480,624
Lease liabilities	6,198,477	(2,023,794)	2,821,710	-	42,523	7,038,916

For the year ended December 31, 2024

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Fair Value Adjustments	Others	
Financial debentures payable	\$ 27,100,000	\$ (14,400,000)	\$ -	\$ -	\$ -	\$ 12,700,000
Financial liabilities designated as at fair value through profit or loss - bonds	40,481,221	-	-	1,669,826	-	42,151,047
Lease liabilities	3,673,568	(1,815,903)	4,334,654	-	6,158	6,198,477

Note: Others include finance costs and exchange differences related to lease liabilities.

56. ADDITIONAL DISCLOSURES

a. Related information of significant transactions:

- 1) Financing provided: The Bank - not applicable; subsidiaries - not applicable
- 2) Endorsement/guarantee provided: The Bank - not applicable; subsidiaries - not applicable
- 3) Marketable securities held: The Bank - not applicable; subsidiaries - not applicable
- 4) Investees' securities acquired or disposed of at costs or prices of at least \$300 million or 10% of the paid-in capital: The Bank - none; subsidiaries - none
- 5) Acquisition of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least \$300 million or 10% of the paid-in capital: None
- 7) Allowance of service fees to related parties amounting to at least \$5 million: None
- 8) Receivables from related parties amounting to at least \$300 million or 10% of the paid-in capital: Table 1 (attached)
- 9) Sale of nonperforming loans: The Bank - None; subsidiaries - Table 2 (attached)
- 10) Asset securitization under the "Regulations for Financial Asset Securitization": None
- 11) Other significant transactions which may affect the decisions of users of financial reports: None
- 12) Derivative transactions: Note 8

b. Related information and proportionate share in investees: Table 4 (attached)

c. Investments in mainland China: Table 5 (attached)

d. Intercompany relationships and significant intercompany transactions

For the detailed information of intercompany relationships and significant intercompany transactions, refer to Table 6 (attached).

e. Information on major shareholders

A bank whose stock is listed on the TWSE or listed on the TPEx shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5% or more of the Bank's equity: Not applicable.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
AS OF DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Cathay United Bank Co., Ltd.	Cathay Life Insurance Co., Ltd. (Note)	Other related party	\$ 511,228	-	\$ -	-	\$ 511,228	\$ -

Note: Receivables for commission of collecting insurances.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

**SALE OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

1. Summary statement:

Trade Date	Counterparty	Loans Composition	Carrying Amount (Note)	Selling Price	Gain (Loss) on Disposal	Terms	Relationship
<u>Indovina Bank Limited</u>							
2025/01/16	VIETNAM ASSET MANAGEMENT COMPANY	Corporate loan	\$ 19,353	\$ 19,418	\$ 65	None	None
2025/06/03	DANG ANH CHINH	Personal loan	28,027	30,182	2,155	None	None
2025/11/12	BEEGREEN JOINT STOCK COMPANY	Personal loan	3,791	3,939	148	None	None

Note: The carrying amount is the amount of debt less the allowance for doubtful accounts.

2. Sale of nonperforming loans in a single batch amounting to over \$1 billion (excluding sales to related parties): None.

CATHAY UNITED BANK CO., LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES

AS of DECEMBER 31, 2025 AND 2024

(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2025					December 31, 2024				
Items		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 264,190	\$ 443,817,264	0.06%	\$ 3,057,380	1157.27%	\$ 202,231	\$ 424,002,585	0.05%	\$ 3,172,125	1568.56%
	Unsecured	265,798	483,169,075	0.06%	13,191,473	4962.97%	92,684	433,915,311	0.02%	11,621,631	12539.05%
Consumer banking	Housing mortgage (Note 4)	898,199	570,260,867	0.16%	9,155,972	1019.37%	500,071	593,026,997	0.08%	9,422,168	1884.17%
	Cash cards	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	799,999	155,574,343	0.51%	7,123,250	890.41%	933,809	152,968,502	0.61%	7,193,737	770.37%
	Other (Note 6)	Secured	2,076,289	994,669,107	0.21%	11,355,318	546.90%	1,190,140	879,738,365	0.14%	9,397,595
Unsecured		52,055	177,713,719	0.03%	2,294,306	4407.43%	24,378	136,336,448	0.02%	1,720,305	7056.65%
Loans		\$ 4,356,530	\$ 2,825,204,375	0.15%	\$ 46,177,699	1059.97%	\$ 2,943,313	\$ 2,619,988,208	0.11%	\$ 42,527,561	1444.89%
		Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio	Nonperforming Receivables	Receivables	Ratio of Nonperforming Receivables	Allowance for Credit Losses	Coverage Ratio
Credit cards		\$ 275,369	\$ 122,149,913	0.23%	\$ 2,715,864	986.26%	\$ 319,575	\$ 116,921,971	0.27%	\$ 2,632,724	823.82%
Accounts receivable factored without recourse (Note 7)		-	8,882,221	-	92,415	-	-	4,242,447	-	63,952	-

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

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

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

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

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

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

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

(Continued)

Not reported as nonperforming loans or nonperforming receivables

Types	Items	December 31, 2025		December 31, 2024	
		Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables	Not Reported as Nonperforming Loans	Not Reported as Nonperforming Receivables
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)		\$ 99	\$ 5,084	\$ 167	\$ 9,023
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)		338,550	1,106,947	217,789	1,033,728
Total		\$ 338,649	\$ 1,112,031	\$ 217,956	\$ 1,042,751

Note 1: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 and September 20, 2016 (Ref. No. 09700318940 and No. 10500134790).

(Concluded)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES
AS OF DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, %)

Investor Company	Investee Company (Note 1)	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Subsidiaries in Investees (Note 1)				
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
							Shares (Thousands)	Pro Forma Shares (Note 2)	Shares (Thousands)	Percentage of Ownership (%)	
Cathay United Bank Co., Ltd.	<u>Financial - related business</u>										
	Taiwan Depository & Clearing Corporation	Taipei	Centralized securities depository of enterprises	0.17	\$ 125,841	\$ 3,960	5,914	-	5,914	0.58	
	Taipei Forex Inc.	Taipei	Foreign exchange broker	4.04	108,639	7,120	800	-	800	4.04	
	Taiwan Futures Exchange Corp.	Taipei	Futures exchange	0.62	547,332	9,712	4,506	-	4,506	0.62	
	Financial Information Service Co., Ltd.	Taipei	Data processing services	2.41	717,960	44,144	17,985	-	17,985	2.41	
	Taiwan Finance Corporation	Taipei	Bills financing	24.57	1,874,825	74,936	126,814	-	126,814	24.57	
	IBF Securities Co., Ltd.	Taipei	Integrated securities houses	8.97	1,624,060	103,572	122,874	-	122,874	10.68	
	Taiwan Asset Management Corporation	Taipei	Financial institution's debt purchase, evaluation or auction business	5.79	812,577	39,780	61,200	-	61,200	5.79	
	Taiwan Financial Asset Service Corporation	Taipei	Financial institution credit evaluation or auction services	5.88	89,739	2,100	10,000	-	10,000	5.88	
	Sunny Asset Management Co.	Taipei	Financial institution's debt purchase and other services	9.37	10,171	662	562	-	562	9.37	
	EasyCard Corporation	Taipei	Electronic payment	1.94	78,479	4,053	1,701	-	1,701	2.40	
	Visa	Los Angeles	Credit card business	0.02	5,191,775	35,466	466	-	466	0.02	
	Indovina Bank Limited	Vietnam	Commercial banking	50.00	4,803,157	501,553	Note 3	-	Note 3	50.00	
	Cathay United Bank (Cambodia) PLC.	Cambodia	Commercial banking	100.00	3,909,826	11,643	100,000	-	100,000	100.00	
	Taiwan Mobile Payment Co.	Taipei	Trust service manager (TSM)	4.00	18,099	-	2,400	-	2,400	4.00	
	Philippine Clearing House Corporation (PCHC)	Philippines	Bills financing	1.69	32,418	-	21	-	21	1.69	
	Quantifeed Holdings Limited	Cayman Islands	Bills financing	5.45	56,594	-	2,829	-	2,829	5.45	
	Cathay United Bank (China) Limited	China	Commercial banking	100.00	17,872,273	234,424	Note 3	-	Note 3	100.00	
	Srisawad Corp. PCL	Thailand	Holding industry	4.60	1,922,580	27,634	152,251	-	152,251	9.16	
		<u>Non-financial - related business</u>									
		Taiwan Real-estate Management Corp.	Taipei	Real estate management	30.15	108,462	8,617	9,044	-	9,044	30.15
		CDIB & PARTNERS Investment Holding Corporation	Taipei	Investment	4.95	1,189,235	81,000	108,000	-	108,000	9.90
		EasyCard Investment Holding Co., Ltd.	Taipei	Investment	4.91	45,671	5,433	4,184	-	4,184	6.28
	Kaohsiung Rapid Transit Corporation	Kaohsiung	Public rapid transit	1.38	43,116	-	3,845	-	3,845	1.38	
	HanTech Venture Capital Corporation	Taipei	Venture capital	12.95	81,069	5,177	7,092	-	7,092	12.95	
	Harbinger Venture Capital Co., Ltd.	Taipei	Venture capital	3.35	30	-	26	-	26	13.35	
Cathay United Bank (Cambodia) PLC.	<u>Non-financial - related business</u>										
	CUBC Investment Co., LTD.	Cambodia	Investment	49.00	54,501	4,285	Notes 3 and 4	-	Notes 3 and 4	49.00	
Cathay United Bank (China) Limited	<u>Financial - related business</u>										
	Chongqing Ant Consumer Finance Co., Ltd.	China	Consumer financing	3.48	3,747,010	-	Note 3	-	Note 3	3.48	

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

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of Banking Law.
b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of "Securities and Exchange Law Enforcement Rules".
c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in IFRS 9.

Note 3: Unissued stock.

Note 4: Cathay United Bank (Cambodia) Corporation Limited held 49% of the shares of CUBC-I. Through an agency agreement with the rest of shareholders, it actually controls the operations of CUBC-I and the composition of its board of directors, and obtains 100% of its economic benefits, therefore, CUBC-I is listed as a subsidiary of CUBC Bank.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2025 (Note 1)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025	Note
					Outflow	Inflow							
Cathay United Bank (China) Limited	Local government approved banking	\$ 14,377,562 (CNY 3,000,000 thousand)	Direct	\$ 14,377,562 (CNY 3,000,000 thousand)	\$ -	\$ -	\$ 14,377,562 (CNY 3,000,000 thousand)	\$ 234,424	100	\$ 234,424	\$ 17,872,273	\$ -	

Accumulated Investment in Mainland China as of December 31, 2025	Investment Amount Approved by the Investment Commission, MOEA (Note 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$14,377,562 (CNY3,000,000 thousand)	\$14,377,562 (CNY3,000,000 thousand)	\$194,795,428

Note 1: The registered capital of Cathay United Bank (China) Limited was CNY3,000,000,000, which was transferred to the working capital of Cathay United Bank (China) Limited after the authorities approved the merger of Cathay United Bank Shanghai branch, Qingdao branch and Shenzhen branch.

Note 2: The Investment Commission of the Ministry of Economic Affairs ("MOEAIC") authorized the Bank to remit US\$60,067,239 (CNY400,000,000). Based on the capital verification report issued by local accountants in mainland China, the Shanghai branch of the Bank was authorized to remit the total amount of working capital of US\$59,768,397.46, and the remaining amount of US\$298,841.54 was repatriated on November 5, 2010. The Bank reported to MOEAIC to revise the amount of the investment on January 18, 2011, and it was authorized by MOEAIC on January 24, 2011. Also, MOEAIC authorized the Bank to remit US\$95,024,128 (CNY600,000,000). Based on the capital verification report issued by local accountants in mainland China, Shanghai branch of the Bank was authorized to remit the total amount of working capital of US\$94,929,198.64, and the remaining amount of US\$94,929.36 was repatriated on February 1, 2012. The Bank reported to MOEAIC to revise the amount of the investment on March 20, 2012, and it was authorized by MOEAIC on March 26, 2012. MOEAIC agreed to the Bank to increase the working capital of Shanghai branch by US\$164,000,000 (CNY1,000,000,000) on February 27, 2014, and was authorized by MOEAIC on July 10, 2014. MOEAIC agreed to the Bank to increase the working capital of the Qingdao branch by US\$98,199,673 (CNY600,000,000) on January 21, 2014, and was authorized by MOEAIC on October 30, 2014. The Bank obtained approval from MOEAIC to increase the working capital of Shenzhen branch by US\$60,708,160.70 (CNY400,000,000) on January 5, 2015, and was authorized by MOEAIC on December 22, 2016.

Note 3: Based on the Investment Commission's "Regulation on Examination of Investment or Technical Cooperation in Mainland China" investments are limited to the larger of 60% of the Bank's net asset value or 60% of the Company's consolidated net asset value.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars, %)

No. (Note 1)	Transacting Company	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amounts	Terms of Transaction	Percentage of Total Revenue or Total Assets (Note 3)
0	Cathay United Bank	CUBC Bank CUBCN Bank	a a	Due from banks Call loans to banks	\$ 1,447,087 355,460	Note 4 Note 4	0.03 0.01

Note 1: The transacting company is identified in the No. column as follows:

- a. 0 for parent company.
- b. Sequentially from 1 for subsidiaries.

Note 2: The flow of transactions is as follows:

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

Note 3: The percentage is calculated as follows:

- a. Assets and liabilities: Ending balance divided by total consolidated assets.
- b. Income and expenses: The accumulated amount at the end of the period divided by consolidated net income.

Note 4: The terms of the transactions between the Bank and related parties were similar to those for unrelated parties.

Note 5: Transactions amounting to at least \$100 million.